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

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House of Lords

Wednesday, 27 January 2016.

3 pm

Prayers—read by the Lord Bishop of Worcester.

Religious Hate Crime
Question

3.06 pm

Asked by ***Lord Pearson of Rannoch***

To ask Her Majesty's Government what assessment they have made of the risk that Christians could be recorded as having committed an anti-Muslim hate crime from April 2016 by preaching the divinity of Christ or by reading aloud sections of the Bible in public, such as 1 John, Chapter 4, verses 1 to 3.

The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con): My Lords, reading texts from the holy Bible in public or preaching the divinity of Christ is not a crime, and never will be in this country. The Government's counterextremism strategy makes it clear that we will protect free speech and the right to profess, practise and propagate any religion, or indeed none.

Lord Pearson of Rannoch (UKIP): My Lords, I am grateful to the noble Lord for that reply. I must say that I thought it was brave of the Prime Minister to say in his Christmas message that Jesus is the only son of God, because that will not have gone down all that well with the Islamists. Will a Christian preacher be committing this new hate crime if he goes a little further and denies the supremacy of the Koran, and thus the divinity of Allah? Secondly, I assume that the Minister agrees that the serious hatred is coming from the jihadists, against non-Muslims and against those brave Muslims who oppose the jihadists' evil creed and form the large majority of the thousands whom they have slaughtered. So how can anyone be guilty of hate if they preach their own religion, even outside a mosque, and take part in much-needed debate about Islam?

Lord Ahmad of Wimbledon: My Lords, the Government are clear that anyone who preaches any kind of hate has no place here, and I believe that all of us across this House unite on that. Bigotry has no place and any kind of hate, be it based on race, sexual orientation or religion, has no place in British society. The Government, our legal system and our police will stand against that. The noble Lord made brief reference to the Prime Minister's message. My right honourable friend mentioned the holy personage of Jesus Christ, whom Muslims celebrate because, as the noble Lord well knows, Muslims also regard and revere the Prophet Jesus as a prophet of God.

Lord Polak (Con): My Lords, today is Holocaust Memorial Day—a day to remember those who perished and the brave soldiers who helped to liberate the camps, and to remember and pay tribute to the depleting band of survivors who spend their days educating young people. I also commend the Prime Minister for his announcement today that a fitting memorial will be erected adjacent to this House, in Victoria Tower Gardens. Does the Minister agree that, today of all days, we should acknowledge where hate crime can lead? Does he further agree that the vital task of the Prime Minister's Holocaust foundation should be to concentrate on educating young people as, sadly, there will soon be no survivors to tell the story?

Lord Ahmad of Wimbledon: I join my noble friend in the sentiments he expressed. Indeed, I believe I speak for every Member of this House as we come together on this poignant day, when we remember those who passed away in the Holocaust—the victims of the biggest crime of genocide against humanity that we have seen in the world. We must work together, including on education. I am therefore proud that on entering my office in the Home Office, if you look to the right, the first certificate you will see is for the Anne Frank Trust UK, which does an incredible job in promoting Holocaust education. I praise the efforts of all organisations and the work of my noble friend in this respect.

The Lord Bishop of Worcester: My Lords, does the Minister agree with me that Questions phrased in this manner are not conducive to building positive relations between faith communities, in particular with Muslim communities, as we are endeavouring to do in the church at a time when Muslims are feeling unfairly stigmatised? Does he further accept that Muslims, and people of all faiths, greatly enrich our society and make a significant contribution to the common good?

Lord Ahmad of Wimbledon: I agree with the right reverend Prelate, but I also believe very strongly that adversity is an opportunity and that Questions such as this present an opportunity to all of us in this House, across the political spectrum, to speak with one voice and unite against bigotry in all its ugly guises.

Lord McConnell of Glenscorrodale (Lab): My Lords, will the Minister agree with me—

Lord Singh of Wimbledon (CB): My Lords—

Noble Lords: Cross Bench!

Lord McConnell of Glenscorrodale: I think it is this side. Will the Minister agree with me that the idea that bigotry and hatred are confined only to the extreme elements in the Islamic religion in this country is absolute nonsense? Historically, bigotry and hatred have been inflicted on both Catholic and Protestant communities right across the United Kingdom by alternative Christian religions. Will he join me in

[Lord McConnell of Glenscorrodale] consistently condemning all forms of religious sectarianism and bigotry? If we do that in this House, we will perhaps have a stronger message to tell the country.

Lord Ahmad of Wimbledon: I totally agree with the noble Lord. One other point I would add is that whenever we face such bigotry, the resilience of our country and our historic legacy shows that when we face those challenges, we come together as a more united nation going forward.

Lord Singh of Wimbledon: My Lords, when religions claim competing exclusive truths, the end result is conflict. Is it not better to go along with the proposition that the one God of us all is not in the least bit interested in our different religious labels but in what we do to make life better for those around us?

Lord Ahmad of Wimbledon: I totally agree with the noble Lord, who speaks with great poignancy and expertise in this area. I regard religion very much as a route: we all have the same beginning and the same end, and the religion we follow is but a different path towards that end.

Lord Paddick (LD): My Lords, can the Minister tell the House what research the Government are doing into the causes of the genuine and alarming increase in both anti-Muslim and anti-Semitic hate crime and whether the increasing anti-Muslim rhetoric in some British media—and elsewhere—might be the case?

Lord Ahmad of Wimbledon: The noble Lord is quite right to point out what is being done. He will be aware from his own previous profession that the Government are working with the police and with communities to ensure that any kind of religious hate is formally recorded and that people are educated that they should report hate crime. From April this year, as the noble Lord will be aware, the Government will ensure that anti-Muslim hatred, along with other religious hate crime, is formally recorded by every police force across England and Wales.

Lord Maginnis of Drumglass (Ind UU): My Lords, is the Minister aware that we have already had a case in Northern Ireland, where a Christian Minister was literally persecuted for months before eventually being brought before our courts, tried and acquitted? Do we still have British law in Northern Ireland, or is that now being adjusted to suit sectarian interests in my part of the United Kingdom?

Lord Ahmad of Wimbledon: I, for one, am very proud of our justice system across the United Kingdom. Despite every challenge and diversity, there is great faith in our justice system. As we have seen previously, our justice system even stands up for those who seek to divide us or promote hate in our society.

Thames Barrier

Question

3.14 pm

Asked by ***Lord Harris of Haringey***

To ask Her Majesty's Government what assessment they have made of the length of time for which the Thames Barrier will be fit for purpose.

Lord Gardiner of Kimble (Con): My Lords, the current and future performance of the Thames Barrier has been assessed as part of the Thames Estuary 2100 plan. This plan, produced by the Environment Agency and stakeholders along the estuary, sets out how to manage tidal flood risk up to the end of the century. The plan is reviewed every five years. Based on these projections, the Thames Barrier is expected to protect London to its current standard up to 2070.

Lord Harris of Haringey (Lab): My Lords, I am grateful to the Minister for that response, but he will be aware that the Thames Barrier was raised twice per annum on average in its first 10 years of existence and is now raised, on average, eight times per annum. It reached a peak of 48 times in 2014. As a result, in 2012, the Government decided that it was appropriate to extend the life of the Thames Barrier from 2030 to 2070. Despite concern about freak storms and rising sea levels, we know that the Government have been complacent over flooding in the cities of York and Leeds and the county of Cumbria. Why should we have any more confidence in their decision to extend the life of the Thames Barrier by 40 years?

Lord Gardiner of Kimble: My Lords, I reject the noble Lord's accusation about the good will of this Government. To compare expenditure, this Government propose capital expenditure of £2.3 billion in the next six years. That compares with the previous Labour Government spending of £1.5 billion, a real-terms increase. It is a symbol and shows the record of the Government on flood defences.

Interestingly, the Thames 2100 plan started in 2006, under the previous Labour Administration. There have been 300 components to it, it is reviewed every five years and, from looking at it and having met the Thames Barrier manager and the Environment Agency officials, I am clear that it is a very strong plan. It involves climate adaptation, which is being reviewed consistently. Having had these meetings, I am confident that they have this in good order.

Lord De Mauley (Con): My Lords, it is often helpful to get the perspective of others who face similar problems. What discussions have the Government had with other countries which face similar problems?

Lord Gardiner of Kimble: My Lords, I am pleased to say that the Thames Barrier officials were the founder members of I-STORM, which is the International Network of Storm Surge Barriers professionals. Four very important barriers in the Netherlands, Venice

and New Orleans all peer-review each other. Next year, all those professionals will be peer-reviewing the Thames Barrier. That is really important, and I thank all professionals around the world who will come to help us.

Lord West of Spithead (Lab): My Lords, I am normally a great believer in as much salt water as possible, but there is a slight element of complacency here. I know that a lot of work has gone into this—I was involved in the resilience work—but the speed at which things are changing is such that to say categorically that we need to do nothing with the Thames Barrier until 2070 seems a little over-hopeful. Does not the Minister agree that we may have to do something well before that, and that it will take a considerable time to put it in place?

Lord Gardiner of Kimble: My Lords, I apologise if I in any sense suggested that this would wait until 2070. As I said, the review will be every five years; it is essential that we keep up to date.

The plan is based on a range of sea-level rise scenarios in the estuary to 2100 from 0.9 metres to 2.7 metres; a lot is being factored in. I assure the noble Lord and your Lordships that this is being looked at rigorously. There are three sections of time period to the plan, so that varying work can be done at different stages, but the important thing is the protection of London.

Lord Higgins (Con): My Lords, as a Treasury Minister I was much involved in the original decisions on the Thames Barrier. I very much wanted to make it part of a hydro-electric scheme, but my officials said that that would cause delay, the Thames would break its banks, the London Underground would be flooded and then asked whether I wanted to take that responsibility—so we are where we are. Will my noble friend consider whether in the plans which he has rightly set out a moment ago one should consider the possibility of using the tidal flow of the Thames to generate electricity, given the increasing claims for non-carbon-based fuel?

Lord Gardiner of Kimble: My Lords, I shall certainly raise this with my noble friend in the Department of Energy and Climate Change. Clearly it is important that in this country we use many sources of alternative energy supply, and that is a very interesting concept.

Baroness Jones of Whitchurch (Lab): My Lords, is it not the case that the barrier is increasingly being used to protect properties in the Thames valley to the west which are being threatened by rising river levels due to the unprecedented rainfall and not for its original purpose, which was to stop tidal surges from the river mouth to the east? It is now performing a very different function. Given the concerns that have been raised around the Chamber, there is concern that we are being complacent and that there is a further need to evaluate the risk if anything should go wrong. The national flood resilience review that has just been announced is to be chaired by Oliver Letwin. I thought that it was to review all our flood defences. Will it include a specific look at the Thames Barrier? If we are not careful and follow the line the noble Lord has taken there will be one review of the Thames Barrier and everything else will be looked at elsewhere whereas what we need is a concerted response to the whole attack.

Lord Gardiner of Kimble: My Lords, I am very pleased to confirm to the noble Baroness that with the Thames Barrier being a very important part of our national resilience infrastructure it will form part of any consideration chaired by Oliver Letwin to ensure that we are secure.

The noble Baroness is right that the Thames Barrier is used for tidal and fluvial reasons, but last year it was used only once and that was for tidal. It was used a lot during the big floods of 2013-14.

Bilateral Aid Review

Question

3.22 pm

Asked by ***Lord McConnell of Glenscorrodale***

To ask Her Majesty's Government when they will publish their Bilateral Aid Review.

The Parliamentary Under-Secretary of State, Department for International Development (Baroness Verma) (Con): My Lords, we expect to publish the outcome of the bilateral aid review by the spring. The BAR-MAR and DfID's other reviews aim to build the most effective foundation on which to deliver the new UK aid strategy and respond to the new global goals. Together, they will ensure that we allocate our budget in the right places in the right way and deliver the best possible value for money.

Lord McConnell of Glenscorrodale (Lab): My Lords, I am grateful for that Answer. If we are to achieve the global goals or make progress towards them by 2030, surely we need to invest in the capacity of national institutions to deliver services and to raise revenue domestically in the developing world. Will these bilateral aid programmes include significant investment by the United Kingdom in capacity-building and institution-building in the developing world, rather than simply in the provision of services by us and other donors?

Baroness Verma: My Lords, the noble Lord raises some really important questions. That is why we are looking at all our programmes and the programmes we do with the multilaterals to make sure that ultimately, we capacity-build in those countries where the need is greatest. While we are undertaking these reviews, it would not be prudent of me to comment further.

Lord Bruce of Bennachie (LD): My Lords, in the light of the current unrest in Burundi, do the Government think it was right to close the UK's bilateral programme

[Lord Bruce of Bennachie]
in the last bilateral review? In the light of the Government's commitment to spend 50% of DfID's budget on fragile states and the intervention of the African Union as a peacekeeping force, is it not time that the Government reopened our bilateral programme in Burundi?

Baroness Verma: My Lords, of course we are extremely concerned about the ongoing political unrest in Burundi and its humanitarian consequences. The UK is the second largest bilateral donor to the regional appeal, after the USA. We are monitoring the situation closely, and we may consider additional funding for the region. As I said to the noble Lord, Lord McConnell, we are reviewing everything we are doing to see whether we are best placed as we currently are or whether we need to increase or decrease in certain places.

Lord Collins of Highbury (Lab): My Lords, with DfID increasingly working in fragile and conflict-affected states requiring complex programmes, the department is likely to rely increasingly on contractors and local partners. Is the Minister satisfied that the department has the capacity to manage such projects? The danger is that we will end up with consultants managing contractors, thereby risking vital lines of accountability.

Baroness Verma: My Lords, the noble Lord is of course aware that most of the work is delivered through DfID staff and DfID programmes on the ground in the countries concerned. Of course, we also work with multilaterals where they have a specialism that enables them to deliver better as a multilateral force rather than individually, on bilateral terms. However, where we do need specialist advice or information, we reach out to consultants, and that is right and proper. But it would be discourteous to say to all DfID members of staff that they did not have the right capacities. We of course need to build on those, but we should not be discourteous about their actual strengths.

Baroness Northover (LD): My Lords, do the Government recognise that many of the poorest people in the world are in some of the fragile lower-middle income countries? They, too—especially if they are going to stay where they are—need to have hope and help.

Baroness Verma: Yes, my Lords, and the noble Baroness is absolutely right to say that, when we are working in places where there is conflict—and they are incredibly fragile places—we should work to ensure that people living in those circumstances are seeing signs of hope. That is why we took the decision to work very closely in the region when we were dealing with the Syrian crises. I am really pleased that the Syrian conference is coming up on 4 February, where countries such as Kuwait and the UK are coming together to make sure that we actually address the needs of the people, particularly in the region.

Lord Collins of Highbury: My Lords, I was not suggesting for one moment that DfID staff do not have the capability: my question related to capacity. Clearly, given the reviews that have been undertaken, the number of DfID staff is being substantially reduced. My question relates to the capacity to deliver management to these programmes, particularly in difficult states. That is what I want the Minister to address.

Baroness Verma: My Lords, the noble Lord is assuming that he knows the outcomes of the reviews. Those outcomes have not yet taken place.

NHS: Junior Doctors' Pay

Question

3.27 pm

Asked by ***Lord Harries of Pentregarth***

To ask Her Majesty's Government what assessment they have made of the remuneration of junior doctors.

The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con): My Lords, the review body on doctors' and dentists' remuneration stated, in its 2015 report, that total pay for junior doctors compares favourably with comparator groups. This will remain the case under the proposed new contract. Average total earnings range from £31,000 in the early stages of training to £53,000 for those in the later stages when they have specialised.

Lord Harries of Pentregarth (CB): My Lords, I thank the Minister for his Answer and declare a personal interest with a wife and son who are doctors. As the Minister will know, medical students do three years after they graduate before they obtain their first job at the age of 24, at which point they will have accumulated between £100,000 and £120,000-worth of debt, and their starting salary will be about £20,000 a year. I heard recently of somebody newly graduated being offered a job in computers for £60,000 a year, and another person newly graduated—at the age of 20 or 21—being offered £60,000 for a job in management consulting. Do the Government agree that there is something fundamentally out of balance in this system, and is the Minister convinced that the Government are doing all they can to ensure that junior doctors get a fair settlement, not just for themselves but for the whole future of the NHS?

Lord Prior of Brampton: My Lords, I should also declare a personal interest, as my son is in his fourth year as a medical student. It is actually two years after undergraduate training when you qualify fully. The base salary is about £23,000—the noble Lord said £20,000—but the average is more like £30,000, when you take into account the supplementary pay that they receive. I, too, see what other people are being paid in other sectors, but the fact of the matter is that, when a young man or woman opts to go into medicine, pay is not their main motivation: there are all kinds of other things as well. One has to take into account the whole package that is offered, not just the salary.

Lord Turnberg (Lab): Is not the reason why young doctors and not-so-young doctors are threatening to go on strike not so much the pay but because this is the last straw in a continuing series of alienation, and of feeling undervalued and underappreciated by the management from the Secretary of State down?

Lord Prior of Brampton: I agree. I do not think that this dispute is fundamentally about pay; it is much more profound than that. It is about a feeling among many junior doctors, which is shared by many senior doctors as well, that they are not properly valued and fully appreciated. That is the underlying cause of the problems we are facing.

Lord Mackay of Clashfern (Con): Can my noble friend say what the Secretary of State, his Ministers and the senior members of the department are doing to promote the morale of junior doctors in the light of what he has just said? There must be a very important job to be done in that connection.

Lord Prior of Brampton: My Lords, yes; the Secretary of State takes this matter incredibly seriously, and as part of the contract that is under negotiation with the BMA at the moment we are looking very much at the number of hours that junior doctors have to work. Many have worked for too many hours in the past and we want to put a cap on the number of hours they will work in future.

Lord Walton of Detchant (CB): My Lords, I declare an interest as in 1950 I was elected chairman of the BMA's Registrars Group, the predecessor of the present Junior Doctors Committee. I express the fervent hope that the current negotiations between the BMA and the Government will quickly be concluded to the satisfaction of both parties. In my view and in the view of many doctors it is a matter of considerable concern that there is a suggestion of further industrial action, which is inimical to the ethos of a caring profession. Will the Minister accept my view that the alleged threat by the Secretary of State to impose a new contract of employment on all junior doctors without agreement is outrageous?

Lord Prior of Brampton: My Lords, I think the whole House will agree with the noble Lord that we all very much hope to avoid another strike. The Secretary of State has asked David Dalton, the very distinguished chief executive of Salford Royal—the noble Lord, Lord Turnberg, will know him extremely well—to head up those negotiations with the BMA, and we are very hopeful that a conclusion to this dispute will be reached before there is any more strike action.

Baroness Brinton (LD): My Lords—

Lord Winston (Lab): My Lords—

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, I am sorry to intervene, but I know that the noble Lord cannot see that the noble Baroness, Lady Brinton, is trying to get in.

Baroness Brinton: I am very grateful to the noble Lord for giving way. Pay is only part of the problem for our doctors in this country at the moment. The NHS is increasingly kept afloat by overseas-trained doctors and over 40% of our hospital doctors are now from overseas. In certain specialities such as obstetrics and gynaecology the number is currently over 56%. Can the Minister say what the Government are doing to understand why some specialities struggle to attract enough UK-trained doctors, and, further, what they are doing to increase the number of medical training places for UK-based students?

Lord Prior of Brampton: The noble Baroness raises a very important point that we are highly dependent in a whole range of medical specialties on overseas doctors and of course overseas nurses as well. Health Education England is expanding the number of training places, in particular for GPs; we hope to have an extra 5,000 GPs in place by the end of this Parliament.

Lord Winston: My Lords, I apologise for interrupting the noble Baroness. The Government's stated objective is essentially to cover NHS hospitals 24/7—that is, with weekend working. Many hospital managers—for example, those in Birmingham—have pointed out that they are perfectly able to staff their hospitals fully under the existing contract. Can the Minister tell us how many NHS hospitals in the United Kingdom have closed as a result of inadequate staffing at weekends?

Lord Prior of Brampton: My Lords, it is not a question of hospitals closing at weekends because of inadequate staffing; it is a question of whether hospitals are able to offer high-quality care throughout the weekend. Some hospitals can but some cannot. We have seen, for example, the reorganisation of stroke care in London. Providing high-quality seven-day services for stroke care can have a significant impact on the quality of patient care. This seven-day issue is not just about junior doctors by any means; it is a question of having diagnostics, senior doctors and a whole range of other specialties on duty over the weekend.

The Lord Bishop of Chester: My Lords, I, too, declare that I have a daughter who is a junior doctor. She is in her fourth year since qualification. To get to the level of remuneration that the noble Lord mentioned—from £23,000—junior doctors have to work jolly long and unsocial hours. But my specific question is: what is the comparator with other developed western countries for the remuneration of our younger doctors?

Lord Prior of Brampton: My Lords, I cannot answer that question as fully as I would like but I shall certainly write to the right reverend Prelate on that. I think that from 2004 to 2007 British doctors were extremely well remunerated by any international comparison but that, over time, that has eroded. But I will write to the right reverend Prelate with those comparisons.

Baroness McIntosh of Hudnall (Lab): My Lords, I think that the House will have been very interested to hear the Minister say, in terms, that seven-day working is not just about junior doctors but about a lot of other healthcare professionals who also need to be able to bring their services to bear at those times. Does he not think that it is a great pity that the dispute, as it has been conducted politically, has focused entirely on junior doctors and that this point has not been brought out? Will he do his best to make sure that it is brought out hereafter?

Lord Prior of Brampton: My Lords, discussions are going on with senior doctors and consultants at the same time, so I can assure the noble Baroness that it is not just with junior doctors that we are having these discussions.

Legal Services Act 2007 (Claims Management Complaints) (Fees) (Amendment) Regulations 2016

Motion to Approve

3.37 pm

Moved by ***Lord Faulks***

That the draft regulations laid before the House on 17 November 2015 be approved.

Relevant document: 10th Report from the Joint Committee on Statutory Instruments. Considered in Grand Committee on 18 January.

Motion agreed.

Welfare Reform and Work Bill

Report (2nd Day)

3.37 pm

Relevant documents: 13th and 19th Reports from the Delegated Powers Committee

Clause 11: Changes to child tax credit

Amendment 35

Moved by ***The Lord Bishop of Portsmouth***

35: Clause 11, page 13, line 12, at end insert ", or

(c) an exception applies under section 10(4A) of the Welfare Reform Act 2012, as inserted by section 12 of the Welfare Reform and Work Act 2016"

The Lord Bishop of Portsmouth: My Lords, I shall speak also to Amendment 36 in my name. I express my gratitude to the noble Baronesses who have added their names to these amendments.

The amendments would add further exemptions to the two-child limit of the child element of tax credit and universal credit, and the exemptions that I propose are limited and specific.

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): I apologise for interrupting the right reverend Prelate but many noble Lords are leaving the Chamber and cutting across him. I remind my colleagues that it would be more courteous to the House if they were to exit without walking in front of him.

The Lord Bishop of Portsmouth: I am grateful to the noble Baroness. At Second Reading and in Committee I, along with others in this House, indicated our regret that these proposals as a whole might be seen as signalling that not every child is precious and deserving of love and support not only from parents and families but from communities, society and nation. Nevertheless, I recognise the intent of the Government.

I do not intend to rehearse the detailed arguments, numbers and costings used in Committee. The Minister and your Lordships are aware of them and of the perspective of my and other faith traditions. Whether personally supportive or not of the Bill's provisions as a whole, noble Lords will see that my amendments do not challenge the main thrust of this part of the Bill: that decisions about family size should be made with responsibility and care and that any decision to have third or subsequent children should be made without expectation of benefit support. The exceptions I propose do not challenge the central plank of the policy, which seeks to influence parental behaviour.

I was grateful, as I know others were, for the opportunity to meet the Minister last week. I was grateful for his courtesy, candour and understanding, which I hope might be shown today in his response.

The Bill incorporates exemptions for multiple births and after rape, an exemption on which I hope the Minister can provide clarity about the procedure, judicial or otherwise, to be used in relation to that. The further exemptions I propose relate in the same way to specific circumstances or vulnerability. All relate to the common good of society, to an understanding of what is just, right and compassionate, and to characteristics and behaviour that we wish to encourage and enable, sometimes in legislation.

The first three exemptions relate directly to unforeseen circumstances that could not have been planned for when a decision was being made about family size. However carefully and responsibly consideration took place, these circumstances could not have been reasonably expected. The death of a parent drastically changes family circumstances. The death may remove the principal source of income, or increased childcare demands may compel the surviving parent to reduce their working hours or stop working. I hope that the Minister and the Government will, as they have previously, show understanding and accommodate these distressing circumstances at least for a transitional period. Will they indicate some provision here so that the deep sadness of bereavement is not exacerbated cruelly by financial penalty? Parental death is unforeseen when family size is decided.

A parent suffering domestic violence is often driven, as a last and desperate resort, to flee the family home. Everything is left behind as parent and children lose home and security and, sometimes, their main source of income. The Government have boosted refuge provision

to support such vulnerable victims of violence. I hope the Minister agrees that it would be consistent to recognise the vulnerability of these children in relation to this Bill. The threat and danger of domestic violence is not chosen or sought. To penalise children taken out of a dangerous situation cannot be right and does not reflect well on the concern we all have for the security and protection of vulnerable young people.

No parent either plans for a disabled child, yet we know that the impact on previously anticipated patterns of work and childcare can be hugely significant. A realistic and rational decision to have a third child can lead to a massive change of circumstance if the child is disabled. I recognise, of course, that a disabled child will, in some circumstances, attract some additional payment, albeit hugely reduced under universal credit. The impact for that family on their employment patterns, on childcare priorities and costs would be exacerbated by the strict application of the two-child limit.

Two of the exemptions I propose relate to the behaviour and decisions which I and, I believe, the Government wish to encourage and which policy and legislation can enable through these amendments. Kinship carers and those fostering and adopting step in to care for children with love and commitment when many would otherwise be in the costly care system. Around and across your Lordships' House there is a desire to welcome, enable and encourage such generosity, which benefits the children themselves and our society. Surely, when kinship carers or fostering or adopting families take third or subsequent children, often to keep siblings together, we should be supportive of that, not really because it saves money for the public purse and the Exchequer—though it does—but because it is the right and good thing, to be welcomed by this House, Parliament and the Government.

3.45 pm

Two single-parent families each with two children will potentially receive benefit for all four children. Should the parents make a commitment to form one family or marry, they will be eligible for benefits for only two of the children. The policy driving this Bill is intended to change behaviour. I fear that, perversely, the result of these provisions at present is to discourage the formation of committed relationships and families which are good for children. The amendment I propose gives substance to the words we speak about wanting what is good for children.

These amendments seek to build on the two welcome exemptions already in the Bill. They do not challenge the Government's policy, which intends parents to take responsible decisions. They recognise that unforeseen tragic or life-changing circumstances arise which cannot be predicted or planned. They further encourage, not only by word but by policy and action, the sort of societies and communities we surely want to be, where stable relationships and families are encouraged, where generous parenting by kinship carers and foster and adoptive parents is valued, where disabled children are not a source of regret, where domestic abuse and violence is never tolerated and where the wounds of untimely death are not deepened by financial anxiety. I beg to move.

Baroness Sherlock (Lab): My Lords, I rise to speak to Amendment 40, in my name and that of my noble friend Lady Drake, and to support the other amendments in this group in the name of the right reverend Prelate the Bishop of Portsmouth, to which I have added my name. I thank him for introducing this group of amendments with what we are coming to see as characteristic clarity and compassion.

I shall say a word first about the two-child policy, which I regard as a regressive piece of social policy. In Committee, we found it hard to get Ministers to put up any kind of cogent argument for the policy as a whole, so why is it being done? Whatever one may hear behind the scenes, this is not about the small number of unemployed parents with lots of children. They would already have been caught by the benefit cap, which we now know would hit a couple with two children living in a modest house in Leeds or Plymouth. This is about a family with three children who are working but struggling anyway. It is about all those who had children confident that they could provide for them until, as the right reverend Prelate pointed out, something went wrong. Perhaps their spouse died, they got sick and could not work, a parent lost their job and so on. Those are all the things that the welfare state is meant to protect against. The nearest we got to a case was in the impact assessment, which states that it is about,

"ensuring those on benefits face the same financial choices around the number of children they can afford as those supporting themselves through work".

So it is about choice, and my suggestion is that we should use that as a yardstick by which we test these amendments.

Let us take first disabled children. Parents may have felt that they could manage a third child, but then they find that the child is born, or becomes, severely disabled. The disabled child element of tax credits will still be paid, but it does not begin to cover the extra costs. The charity Contact a Family states that it costs three times as much to raise a disabled child as one who is not. It is also much harder for the parents of a disabled child to raise their income through working, because it is difficult to find suitable childcare and more expensive if you can. Did the parents really make a choice to be in that situation?

What about the situation, described so powerfully by the right reverend Prelate, where a family is happily married or settled and the very worst happens, in that one of the parents dies? He described clearly what would happen to that family. As well as the trauma, the finances are going to get worse, especially if the deceased parent had been the main earner. This is almost a classic example of a family that probably did not need benefits or tax credits before, but suddenly finds that it is catapulted into a position where it needs to rely on the welfare state. This is exactly the kind of thing that the welfare state is meant to protect families against. Where was the choice there?

The right reverend Prelate mentioned stepfamilies. Perhaps it is not so dramatic, but what if the relationship breaks up? If the children deserved support when they were living apart, why do they stop deserving it because they are living in the same house?

[Baroness Sherlock]

Then there are the people who literally did not make a choice at all—cases of domestic abuse. Sadly, a child may have been conceived under duress rather than as a clear choice. Abuse can include the refusal to allow a woman to use contraception. It can include pregnancy as the result of rape, which may never have been reported to the authorities because of fear of the partner. Moreover, the fear must be there that the two-child limit will make it harder for a parent to leave an abusive relationship. Too often, they end up fleeing in the clothes they are standing up in. They are homeless and they have to hide from the former spouse, which means moving to a new area, away from jobs, schools and families. It is tough enough anyway to rebuild a life without added financial pressures.

On the subject of rape more generally, I hope that the Minister is now able to explain how the proposed exemption for women who have been raped will work. I hope that he can address the questions I asked in Committee. Will the exemption apply only when a woman has made a complaint to the police, or when someone has been charged or convicted? If not, will she have to give evidence to the DWP, to whom and what kind of evidence, and can the Minister assure us that this process will remain confidential?

We come now to the subject of my Amendment 40, which would exempt children who enter a household as the result of adoption, kinship care or private fostering. I hope very much that the Minister can accept this amendment, as the arguments are completely compelling. Children raised by kinship carers are typically unable to live with their parents because of parental abuse or neglect, perhaps due to alcohol or drug problems, or because the parents are in prison or indeed have died. A grandparent, and sometimes an aunt or a sibling, will then step in and take the children in, often in a case of emergency. There is clear evidence that children in kinship care settings do better than those in unrelated care, even though they have often had similarly adverse experiences in early life.

But kinship carers pay a huge price for their kindness. They face significant additional costs when their family size increases, and sometimes it can double in size overnight. A Family Rights Group survey found that almost half of kinship carers had to give up work permanently to take on the children, thus pushing them into reliance on benefits. The state should not be putting financial barriers in the way of families willing to take on often vulnerable children. It also makes no financial sense. The average child tax credit claimed by families with three or more children is £3,670 a year; it costs £40,000 a year to keep one child in foster care.

A similar argument applies to adoption, particularly of sibling groups. It is the Government's policy, and I welcome it, to increase the number of children being placed for adoption and to remove any unnecessary barriers to the speed of the process, but this measure will directly undermine that policy objective. Adoptive parents often already have a child or children, so there is a clear disincentive to adopt if it would mean that they would not get payments for each child, and a particular disincentive to adopt sibling groups. There is already a shortage of parents who are willing to take on sibling groups, and this will only make that situation worse. If it delays adoptions, that becomes a vicious cycle. Children grow older and it is harder to place them, and therefore it is even less likely that they will be adopted at all. The only alternative is to break up sibling groups, which damages the children because that is often the only remaining bond they have. I hope that the Minister will consider this carefully.

If we judge the Government by their own yardstick, have they passed or have they failed? Have the families we have described today, who are covered in the amendments tabled by the right reverend Prelate and myself, been reckless in having children or taking on additional children without understanding the consequences? I do not think they have. Even if we accept the premise behind the two-child policy—and I confess that I do not—the Government's own rationale simply does not work. These amendments make absolute sense both financially and in terms of the Government's policies, and above all they are right for the people affected.

Baroness Manzoor (LD): My Lords, we on these Benches have added our name to Amendments 36 to 38. We also support Amendment 40. The amendment is similar to the one that we put down in Committee when it was debated at great length. Noble Lords will be pleased to know that I do not intend to rehearse that contribution again today. Excellent reasons have already been given by the right reverend Prelate the Bishop of Portsmouth and the noble Baroness, Lady Sherlock, as to why exceptions should be made to the two-child limit on receipt of tax credits and the child element of universal credit.

I want to pose a few questions. For those who did not sit through Committee stage, I will read out the exemptions we seek. Under Amendment 38, we seek an exemption if,

"the claimant responsible for children in the household is a single claimant as a result of being bereaved of their partner"—

I ask the Government, where is the choice in that?—

"the claimant has fled their previous partner as a result of domestic abuse"—

where is the choice in that?—

"the child or qualifying young person has a disability"—

where is the choice in that?—

"the child or qualifying young person is in the household as a result of a kinship care arrangement, private fostering arrangement, or adoption"—

where is the choice in that?—

"or … the claimant was previously entitled to an award for the child or qualifying young person and has re-partnered creating a household with more than two children".

Of course, there is a little bit of choice in that. It is love, which we can believe in or not, but sometimes we do not choose who we want to partner.

Effectively, these circumstances are beyond the control of the claimants. This amendment attempts to demonstrate that the first responsibility is to the child. It must be so, otherwise what kind of society are we really creating? I was, and I remain, particularly concerned that, despite the Government's laudable commitment to exclude women who have had a child as a result of rape from the two-child limit policy, the Minister did

not explain to my satisfaction how this exemption would operate. I will not go into that debate again. It is such a sensitive area. Perhaps he will explain today. Should this amendment be voted on, we on these Benches will wholeheartedly support it.

Baroness Butler-Sloss (CB): My Lords, I have not taken part in the debate on this Bill before but I was chairman of the Select Committee on adoption. I have been very concerned by the Government's concerns, which I share, that not sufficient children have been adopted. This is a current problem. We need more adopters. It seems utterly astonishing to have a situation where those who are prepared to take children out of care or take, perhaps, members of the family whom they then adopt when they already have children, will be penalised for doing something that is entirely in line with what the Government have said in their adoption policies.

It seems to me quite extraordinary that the Government do not exclude adoption and kinship care. The noble Baroness, Lady Sherlock, has set it out very much better than I could and in greater detail, so I do not want to reflect on it. As she said, it is very expensive to keep children in care. There are practical financial reasons for the Government to look at kinship care and at adoption. They use the Bill as an opportunity to deprive these families of a comparatively small amount of money, put against the cost to the taxpayer of keeping in care children who could otherwise be living in a family of which they are truly members. That is why I support Amendment 40 in particular, and Amendment 38.

4 pm

The Earl of Listowel (CB): My Lords, very briefly, I support these amendments as vice-chair of the parliamentary group for young people in care. Having followed this issue through the whole Bill process so far, I was grateful for the opportunity to meet with the Minister last week and for his careful consideration of our concerns on these matters.

Over the course of 10 years of listening to young people in care and hearing about what is important to them, they tell us that the most important thing is that someone sticks with them through the care process. That is why the Government have been so keen on supporting adoption: so that children who have been traumatised go on to have the continuity of care and relationship that helps them to recover. That is where the Government invested in and legislated for "staying put", to allow children in foster care to remain with their carers to the age of 21.

I am sure that the Minister will give a sympathetic response to this as it is at the heart of government policy. I look forward to his response.

Baroness Drake (Lab): My Lords, I shall speak to Amendment 30 in the hope that the Minister has been persuaded by the arguments made in Committee that kinship carers and adopters should be exempt from the two-child limit. I also thank him for the very constructive meeting that he held with us.

We have enunciated many times the valuable contribution that kinship carers and adopters make, supporting as they do more than 200,000 children, many of whom have emotional difficulties because they have been living with parents who are drug abusers or who have abused or neglected them. They save the taxpayer the alternative cost of placing a child in care, which is £40,000 a year, and care proceedings of £25,000. The savings that 132,000 kinship carers deliver by voluntarily caring for these children runs into billions. Yet, significant costs fall directly on the carers themselves. Many have to give up work or reduce their hours—a requirement frequently set by the social worker—to settle what is often a traumatised child for a good reason. The need for such carers is not going away. The number of looked-after children has increased steadily over the last seven years, as has the number of care order applications.

The Government's reasoning for limiting benefits to two children is set out in the impact assessment. It is to reduce welfare costs and introduce a behaviour-related measure that will encourage parents,

"to reflect carefully on their readiness to support an additional child",

which could have,

"a positive effect on overall family stability".

It continued that,

"people may respond to the incentives that this policy provides and may have fewer children".

The policy is intended to deter people having more children where they cannot afford to support them.

The Minister reported in Committee:

"The average number of dependent children in families in the UK in 2012 was 1.7, so … it is fair and proportionate to limit additional support provided by the taxpayer through child tax credit and the child element of universal credit to two children".—[*Official Report*, 7/12/15; col. 1328.]

Even if one were to accept that reasoning when applied to birth parents who are considering having more children—I accept that there are many in this House who do not—it is a non sequitur when applied to kinship carers and adopters. It lacks common sense. There, the need is not to get kinship carers and adopters to reflect carefully on their readiness to care for an additional vulnerable child. To the contrary: public policy needs to support carers in their readiness to do so. That is better for the children and their family stability, and secures savings for the state by not placing them in the care system.

Kinship carers and adopters are not the birth parents of the children but they voluntarily embrace them. They are not making a decision to become pregnant; they are making a decision to care for an existing vulnerable child who cannot be raised by their parents. For adopters and kinship carers, the behavioural disincentive in the two-child limit is directed at their taking on responsibility for that existing vulnerable child. Imposing the two-child limit will deter adopters or kinship carers from coming forward to take on a sibling group, or a child if they have dependent children of their own, undermine the child's interest and potentially increase the number in care. This is inconsistent with the Government's commitment to ensuring that families are stable and create the best possible environment for children to flourish.

[Baroness Drake]

The two-child limit applied to adopters and kinship carers does not even stack up in cost terms. Exempting carers from the two-child limit would cost an estimated £30 million but the limit needs to deter only 200 kinship carers from caring for three or more children in the future before the £30 million saving would be wiped out, as the taxpayer would then have to face the cost of placing a child in care—£40,000 a year—and the cost of care proceedings, which is £25,000. I asked the Minister what behavioural response the Government were seeking to achieve from potential kinship carers and adopters with the two-child limit on benefits but I never had a reply. I returned again to the impact assessment but I could find no answer there either. Indeed, I could find no assessment of the impact on potential kinship carers, adopters or the children.

For kinship carers and adopters, the choice is whether or not to embrace an existing vulnerable child—a different choice to a parent choosing to become pregnant. The Minister advised in Committee that,

"there is a difference between the voluntary and involuntary taking on of children, whether they are your own or anyone else's. That is what our exemptions are for. We are seeking to try to draw the line between where it is involuntary, as in the case of rape, and where it is not".—[*Official Report*, 7/12/15; col. 1332.]

However, taking a behavioural measure into the benefits system for one purpose, then applying it to carers of children who might otherwise enter the care system without an explanation of the behavioural response being sought and with no assessment of the negative impact on the carers or the children is not good public policy.

I hope that the Government have deliberated further on where to draw that line and that they will exempt kinship carers and adopters from the two-child limit. In doing so, they would avoid building a perverse disincentive rather than positive support into public policy on people caring for vulnerable children, avoid undermining the interests of the child and avoid failing to recognise the real savings that these kinship carers and adopters provide.

Baroness Tyler of Enfield (LD): My Lords, I rise briefly to speak in support of Amendment 38 and the other amendments in this group, having spoken on the matter in Committee. In the interests of time, I will focus on two of the proposed exemptions set out in Amendment 38, but I make the point that I consider all five exemptions equally deserving.

On the issue of disabled children, which has already been set out powerfully by the right reverend Prelate the Bishop of Portsmouth, the Government have framed the two-child limit as being about choice, but no parent makes a conscious choice to bring a disabled child into the world—a point already made powerfully in the debate today. It is not something you plan for. If that unforeseen event happens, however, surely that child deserves our help to ensure that they can be a fully functioning member of society. Research has shown that raising a disabled child can cost three times as much as raising a non-disabled child. Surely that is part of the rationale for this exemption.

Turning to the proposed exemption when new families are being formed, in a speech last year to the Relationships Alliance the Prime Minister thanked relationship support organisations which help to keep families together and, critically, to bring new families together. I declare an interest as vice-president of the charity Relate. The Prime Minister said that,

"government should do everything possible to help support and strengthen family life in Britain today".

In fact, he even criticised the welfare state, saying that it was,

"incentivising couples to live apart".

How, then, can it be that the Government have brought forward a Bill which says that if two lone parents come together to raise a family—one of them having possibly suffered bereavement—their child tax credit will be cut? Surely, creating that incentive in the benefits system would accomplish exactly the opposite of what the Prime Minister wanted to achieve, as I understand it—that is, giving children the right to live in a two-parent household and providing the stability that that often achieves. In saying that, I do not mean any detriment to single-parent families, who do a very good job of raising their children. However, we know that half of all single-parent families find a new partner within five years of their previous relationship breaking up, indicating that cuts in this area could affect as many as 500,000 people. This is not an insignificant matter.

To conclude, we have heard much debate on how these proposed changes will impact vulnerable groups. I think we can all agree that it is better to be pound wise than penny foolish. As such, we need to look at changes holistically and ask whether they help individuals who can work to seek work and whether they help to ensure that the next generation is healthy and ready to contribute to society. How do we ensure that the vulnerable in our country do not start behind and get left further behind? Amendments 38 and others in this group are necessary to ensure that the vulnerable, especially children, do not start behind because of their failure to choose the right parents.

Baroness Armstrong of Hill Top (Lab): My Lords, I want to intervene briefly. I spoke in Committee about kinship carers. Therefore, I support Amendment 40, which relates to kinship carers and adopters. One reason I take such a strong interest in kinship carers is that the north-east, where I come from, has one of the highest proportions of kinship carers in the country, along with London. I meet, and have met, numerous kinship carers in the region who will be affected by this measure.

Some very powerful arguments have been made today and in our previous debates on this topic. If I were the Minister, I would want to take account of two issues. First, the best outcomes for children are undoubtedly achieved when they are with kinship carers or adopters. Secondly, the Government would show that they are on the side of taxpayers if they exempted kinship carers and adopters from these provisions. I could say a lot about the other proposed exemptions but I have concentrated on kinship carers and adopters in the past and therefore, for consistency, I shall do so again today. When we last discussed this issue, it seemed that the Minister listened to the very strong arguments that were made. My noble friend Lady Drake has reiterated many of those powerful

arguments. I felt that after our previous debate the Minister was thinking about those arguments. Therefore, I hope he will have better news for us today.

4.15 pm

Baroness Howarth of Breckland (CB): My Lords, I am going to be extremely brief because the arguments have been powerfully made. Because I have supported some of these issues and do support the amendments, I want to make two points.

I hope the Minister is able to come back with better news than we have had hitherto. I am sure that he will have gone back and looked at the issue. He very often says that this is a manifesto commitment and it links to many other Conservative commitments. The present focus of the Conservative Party on the family test and family life fits very much with the arguments that have been made around the House. If he is not able to come back with better news, I would like to ask him two questions. First, how does he see the family test moving forward, considering my colleagues' arguments about how more secure families are achieved? Secondly, what discussions has he had with his colleagues in other departments, particularly those who are promoting children's policy issues and pressing forward further adoption, fostering and kinship care? Do they understand this issue? In my discussions with some people in the other place, concern has been expressed that this will undermine some of those strong, clear and positive Conservative Party policy commitments.

The Lord Bishop of Durham: My Lords, I would like to tell two stories that illustrate why I believe two of these exemptions are important.

A good friend of mine and his wife were unable to have children, and they put themselves forward as adoptive parents. They went through the rigorous process—this was a few years ago—and with great pride entered a room with several of us who had our own children and presented a piece of paper that said, "I have been authorised to become a parent in a way that none of you ever have". This was a great joy. They were then asked if they would take three children, because those children had been born to the same mother and had experienced serious abuse living in a home with addiction. The absolute conviction of all concerned was that it was vital that these three children remained together. We, as a society, asked them to care for those children. They took up that responsibility and have exercised it for many years. They have, on our behalf, saved an enormous amount of money through those children not going into care. Also, a much longer-term point is that those children are healthy, well-educated and will be fantastic contributors to society. That is one of the reasons why adoption needs to be exempted.

The second story is of another two friends. When their first child was born, they had to come to terms with a severe disability. They had a second child who was fine and healthy. They chose to have a third child. That child also turned out to be disabled. Under the current proposals, without the exemptions they would not be given any support for that child other than the extra disability support. These are the children and the families we are dealing with in considering these exemptions. I sincerely hope, like others, that the Minister has had time really to consider such situations and has better news for us.

Baroness Hollis of Heigham (Lab): My Lords, I do not want to add to the extremely powerful speeches we have had but I would like to ask the Minister a straightforward question. On Monday, when we discussed the benefit cap, we raised the issue of the guardian's allowance. As noble Lords who were present at the time will know, the guardian's allowance goes to those at the very sharp end of kinship care, looking after children who are not just neglected but orphaned and traumatised as a result. That benefit cap obviously interlocks very much with the issues of kinship care. In the light of that, has the Minister been able to think further on the arguments that were put during that debate and reconsider the guardian's allowance issue? It is a subgroup within kinship care but a few may be affected by a benefit cap, which would have disastrous effects on their capacity to care for some of the most distressed and grieving children society is likely to see.

The Minister of State, Department for Work and Pensions (Lord Freud) (Con): I thank the noble Baronesses, noble Lords and right reverend Prelates for their amendments, and all those who contributed to the debate. The amendments all relate to exemptions in certain circumstances from the policy which limits the child element in child tax credit and universal credit to a maximum of two children or qualifying young persons from 6 April 2017. I think we have gone through those exemptions so I will not go through them in the normal way but take them as read.

We have been clear since the summer Budget, when this policy was announced, that we will exempt a third or subsequent child or qualifying young person who is one of a multiple birth where there were previously fewer than two children in the household, and we will exempt a third or subsequent child born as a result of rape. These exemptions will be developed and brought forward in secondary legislation, as subsections of Clauses 11 and 12 permit. We believe that secondary legislation is the right approach for specifying exemptions, to allow for flexibility and engagement with stakeholders. It will be important to get the detail right and we have time to do that before bringing forward regulations for April 2017.

I recognise the deeply felt concern in this House, the other place and more widely about how this exemption will work—something the noble Baroness, Lady Manzoor, pinpointed just now. We all recognise that this is a difficult and sensitive issue and I would like to provide the House with further information. Clearly, we need to establish a way of making this assessment that is sympathetic and responsive to the claimant and timely in determining entitlement to benefit. Our intention is not to focus on or pre-empt criminal justice outcomes but to ensure that mothers receive the help they need at the time they need it, using clear criteria that are straightforward to apply and not overly intrusive, but which secure the system against fraud and error.

[Lord Freud]

While we continue to look at the detail, our thinking is that a third party evidence model offers the most promising approach to striking the balance we need to achieve. This approach would not be new for the benefit system. For example, we use a third party evidence model in universal credit for the temporary relaxation of the requirement to be available for work in cases of domestic violence. The evidence required is the reporting of the abuse to a third party acting in an official capacity, such as a GP or social worker. This model was developed with input from stakeholders.

Of course, a significant amount of work is needed to take forward and develop the detail of the model. I also want development of the model to include working with stakeholders to help ensure that the process is as compassionate and supportive as possible for claimants in these circumstances, while providing the right assurance to government that the additional support is going to those for whom it is intended. We will be getting in touch with organisations with an interest in this policy shortly to seek their input, and I encourage any other stakeholders who would like to be a part of this to let me know. While there is a significant amount of work to do and detailed questions to be answered, I hope this helps reassure the House and stakeholders that we are thinking very carefully about how we respond to this difficult and sensitive issue.

We have been clear since the summer Budget that we will bring forward further exemptions for exceptional circumstances, and we will be doing that today. I am grateful to those who have suggested amendments and contributed to the debate. As a number of noble Lords pointed out, I have been talking to Peers on this matter. We have carefully considered those affected by this policy and the options available, while taking into account the fact that one of our objectives for universal credit is that it will be part of a simpler and workable welfare system that benefits everyone. I know that noble Lords will remember my muttering about adding carbuncles every now and then.

Regardless, I am pleased to announce today that in recognition of the important role which family and close friends can play in caring long term for children who are unable to live with their parents and could otherwise be at risk of entering the care system, we are in favour of an exemption for children in such circumstances. The noble and learned Baroness, Lady Butler-Sloss, and the noble Baronesses, Lady Sherlock, Lady Drake and Lady Armstrong, have made persuasive speeches on this issue not just today but in Committee—so it is worth putting the effort into those speeches. We recognise that in these cases such carers, often referred to as kinship carers, are not in the same position to make choices about the number of children in their family as other parents are. I am grateful that the noble Baroness, Lady Drake, is now taking my distinction there in a positive rather than a non-positive way.

As I have already mentioned, the Bill provides the necessary powers to make regulations to provide exemptions to this policy, and we intend to use regulations to provide for this exemption. In developing the regulations, we will need to ensure that we get the definition right to make sure that the exemption applies to the children to whom it is intended to apply. We will work with stakeholders in developing the regulations to deliver a solution which meets the needs of vulnerable children, while protecting the Government from the potential risk of fraud and error.

Baroness Butler-Sloss: If the Minister will forgive me for interrupting, I am having slight difficulty in understanding. I am delighted to hear about kinship carers but adopters are generally not family. One of the great points about adoption is that they come from outside, so the Minister's suggestions to the House about kinship carers would not cover the majority of adopters.

Lord Freud: That is a timely intervention because I am now going to move on to the very eloquent arguments for exempting adopted children. We think that where a single child is being adopted, it would not be fair to treat the parents adopting more advantageously than other parents. However, where children need to be placed for adoption and have siblings in the same position—this was the example that the right reverend Prelate the Bishop of Durham used about one of his, I suspect, many friends—we recognise that it is often in the best interests of the children for them to be placed in their sibling group. Therefore, I am also able to announce that we are in favour of an exemption where there were previously fewer than two children in the household and the adoption of a sibling group causes the number of children to exceed two. Again, we intend to use regulations to provide for this exemption.

This is a good point at which to respond to the question of the noble Baroness, Lady Hollis, who on Monday night discussed guardian's allowance—very eloquently, as usual. I am in a position to say that I will continue to explore that particular issue with her and whether it is possible to bring forward something at Third Reading.

In relation to disabled children, the Government are committed to making sure that disability benefits work for these families, so we will continue to support families with disabled children through the disability elements of child tax credit and the equivalent in universal credit. I must point out to the right reverend Prelate the Bishop of Portsmouth that the figure is not reduced in universal credit: the absolute figure reads across from the tax credit system into the universal credit system. That will be payable for all disabled children, even when they are a third or subsequent child, so support for families with disabled children will still be reflected in universal credit and tax credits following the introduction of Clauses 11 and 12. There is of course other support for disabled children within the DLA system to recognise the extra costs which, as noble Lords have pointed out, parents with disabled children need to carry. In addition, we are exempting disability benefits such as personal independence payment and disability living allowance from the uprating freeze.

4.30 pm

The noble Baroness, Lady Howarth, asked about the family test. I can give the assurance that we are committed to improving family stability, with government spending for family, parenting and relationship support standing currently at £6.5 million.

I am not able to give as much pleasure or satisfaction to Peers on other issues. To exempt bereaved parents and those fleeing domestic violence would raise a number of practical questions. For how long would the exemption be in place? Would it be permanent or just for a period of time? If it is the former, it places claimants in a very favourable position to other claimants even when they have managed to get their lives back on track. If it is temporary, there will be a temporary increase in benefit for existing claimants which will fall away again. This raises, again, questions on how long it should apply. Such exemptions would treat parents in these situations more favourably than other lone parents, which again would introduce unfairness in the system. We are modernising bereavement benefits, and those with dependent children will receive nearly £10,000 over the course of a year.

In response to the question from the right reverend Prelate the Bishop of Portsmouth, one of the things about universal credit is that it responds quickly to changes.

The Lord Bishop of Durham: Could I ask for some clarity on what the Minister has just said? It sounded to me as though there was concern about the length of time that might be involved and so on and so forth, but his tone of voice sounded as though there might be willingness to at least explore the possibility. I am just teasing out whether he meant that he really was not willing to consider this, or whether there may be a possibility of exploring it further, particularly around domestic violence.

Lord Freud: We have a regulatory process where these exemptions will be gone through in detail. I can make a commitment today where I can do so, but I assure noble Lords, including the right reverend Prelate, that the machinery of government is not in a place which allows me to say anything more about anything else at this stage. However, the process of setting out regulations will take place some months from now, and we will be exploring in great detail how they work. If the right reverend Prelate is asking me whether there are going to be more opportunities to put pressure on the Government, I would imagine that there will be.

Baroness Hollis of Heigham: In which case, given that helpful and tactful response by the Minister, will he help us even further by agreeing to publish draft proposed regulations before the formal procedure of "take it or leave it" in both Houses, thus allowing various participants to discuss those proposed draft regulations with the Minister before they are formally submitted?

Lord Freud: In practice, I think that what I have said produces that outcome. I have said that we will consult very widely with stakeholders to get this right, because these are very sensitive issues. The rape exemption is very difficult. Getting kinship caring and adoption right is not straightforward. In practice, there will be consultation, but I do not want to overformalise that process. I have committed to a much more open process than you might see in some other regulations that we issue.

The next complicated case is the formation of new households through re-partnering of single parents, which we have looked at very closely and which produces a number of difficulties. First, it would be perceived as unfair by those families with three or more children who stay together and receive a maximum amount of child element or child tax credit in respect of two children, whereas other families who have formed more recently could receive more. Secondly, there is a risk that families may try to manipulate the benefit system by breaking up and re-forming, or even claiming to have broken up and subsequently re-formed in order to increase the amount. Thirdly, there would be a practical issue in assigning children in newly formed families to a particular parent. We have not done that before. Your Lordships will hear me muttering the word "carbunclising". That is not to mention the intrusive nature of that process.

Finally, I looked at the numbers involved. The reality is that, whether we like it or not, the bulk of children stay with the mother. The number of fathers with children joining mothers with children is not many. Once the measure is fully rolled out, we expect that only 7% of single men will have children, so it is not that substantial a problem. The noble Baroness, Lady Manzoor, talked about half a million. That is just not the reality. I reiterate what I said in Committee about the way it is introduced in 2017 for child tax credit and universal credit. Any household which has claimed within the past six months will also be protected. For those reasons, I urge the noble Baronesses and the right reverend Prelate not to press their amendments.

The Earl of Listowel: Before the Minister sits down, given the fact that, as a nation, increasingly our children are growing up without a father in the family—according to the OECD, in the 2030s, we will overtake the United States in the proportion of children growing up without a father in the family—will he think again about his last statement? It may be a small proportion of fathers who bring children into these mixed families, but surely we want to encourage those larger families, especially, to have a father. The benefits that that father brings to those two children, or whatever, from the mother's family is important. Will the Minister keep that in mind?

Lord Freud: We have looked at this very sympathetically, but in practice we found it too difficult. We have heard from this Chamber about the kinship and adoption issues, and those are the ones that we want to get absolutely right.

The Lord Bishop of Portsmouth: My Lords, I am grateful to the dozen or so Members of your Lordships' House who have contributed in the course of these exchanges as we have considered these amendments. I am sure that we have all been touched and moved by the strength of feeling and clarity of argument that have been brought. I am particularly grateful for the Minister's response a few minutes ago. In my opening remarks, I spoke of the candour and courtesy he showed when a number of us met him last week, and we have been grateful for that again.

[The Lord Bishop of Portsmouth]

We heard very clearly the indication from the Minister of the importance of consideration of the regulations that will be brought forward relating to these measures, and I am grateful for his sensitivity about that. I assure him that we on these Benches and, no doubt, others, too, will certainly engage in the way that he suggested. We are also grateful for some clarification about the reporting model he has in mind to be used where a third child is born as a result of rape. Again, I know that many people will wish to engage in further consideration about that.

I think it is fair to say that we are delighted by the position he has outlined about kinship carers and adoptive parents and are very grateful indeed for that on behalf of the children themselves and of wider society.

On areas where the Minister was not able to satisfy us as much as we might have hoped, I draw his particular attention to circumstances in which children and a parent flee domestic violence. I said at the beginning that violence is never justified in circumstances such as that. I hope that the Minister will understand how difficult it is for me and others to accept what sounds at the moment like a policy which gives a financial incentive to risk staying in a situation where children might be in danger of abuse or in physical danger. It is a very serious matter and I hope that there may be some flexibility in the conversation to which he has pointed.

With grateful thanks to the Minister and to those who have contributed in this conversation and this debate, and welcoming the advances that have been made and the indications of some further changes in the future, I beg leave to withdraw the amendment.

Amendment 35 withdrawn.

Amendments 36 to 38 not moved.

Amendment 39 had been withdrawn from the Marshalled List.

Amendment 40 not moved.

Clause 13: Employment and support allowance: work-related activity component

Amendment 41

Moved by ***Lord Low of Dalston***

41: Clause 13, leave out Clause 13

Lord Low of Dalston (CB): My Lords, I have been sitting here listening in amazement as the Minister has been shelling out goodies right, left and centre. It is a quite unfamiliar experience. I just hope that his bag is not now empty; I hope that he has not completely run out of goodies to dole out.

Amendment 41 would leave out Clause 13. It is tabled in my name and those of the noble Baronesses, Lady Meacher and Lady Manzoor, and the noble Lord, Lord McKenzie of Luton. I shall speak also to Amendment 44, which would leave out Clause 14, which is tabled in my name and those of the noble Baronesses, Lady Sherlock, Lady Meacher and Lady Manzoor.

Clause 13 would abolish the work-related activity group component of employment and support allowance —which I shall call ESA from now on—for new claimants from April 2017. Clause 14 abolishes the equivalent component in the new universal credit, which will replace ESA and a number of other benefits. If Clauses 13 and 14 were to remain in the Bill, the effect would be to reduce income for those in the work-related activity group, which from now on I shall start calling "the WRAG". It would reduce income for those in the WRAG from £102.15 to £73.10 a week—the same level as jobseeker's allowance—which would be a reduction of £29.05 a week. Existing claimants would be protected but would be affected if they moved into work and then returned to claiming ESA in the WRAG. Furthermore, as the noble Lord, Lord Patel, showed in Committee, anyone initially placed in the support group, but who subsequently moved into the WRAG, would drop from £109 to £73.10, a reduction of £35.90 a week.

4.45 pm

We debated the impact of these cuts that the Government are proposing in depth and at great length in Committee for more than two hours. In addition, with the noble Baronesses, Lady Meacher and Lady Grey-Thompson, I carried out a review of the potential impact of the cuts, which was made widely available to noble Lords at the time of the Committee. We were supported in our review by a number of disability charities: Leonard Cheshire Disability, Mind, the Multiple Sclerosis Society, the National Autistic Society, RNIB, the Royal Mencap Society and Scope. As a vice-president of RNIB, I declare my interest here, but, as someone who did not personally write a word of the review, I can perhaps say what an excellent report it was and commend it to noble Lords for their attention.

Of course, I extend huge thanks to the charities concerned, led by Rob Holland of Mencap, who managed to complete the review in six weeks flat from start to finish—an astonishing feat. Some 30 organisations responded to our call for evidence, as well as 200 disabled people who gave us often very personal and moving accounts of their lives and aspirations and the hardships that they faced. I am also very grateful to the Minister for finding time to discuss the review with us before Committee at very short notice.

We have also had the benefit of briefings for this debate from the Equality and Human Rights Commission and the Disability Benefits Consortium. The DBC's briefing actually contains a good summary of our review, so noble Lords have not run short of information to support this debate. In these circumstances, I do not propose to detain the House too long by going through the arguments in detail, but will simply do my best to summarise them as briefly as I can. I hope it will not be necessary to press these amendments to a vote, but if it is, I propose to treat them as consequential in the interest of saving the House's time, as they relate to the same principle. I hope that the Minister would be agreeable to that approach.

Essentially I want to make five points. The first relates to the hardship that these changes would cause to substantial numbers of disabled people. A drop of £1,500 a year in their benefit income from £5,300 to

£3,800 would be catastrophic for many disabled people. It would exacerbate poverty among the disabled; a third of working-age disabled adults live in poverty already, compared with only a fifth of those who are not disabled. The Government's proposals would push many further towards, or actually into, poverty. The EHRC expressed concern that the proposals would cause unnecessary hardship and anxiety to people who have been independently assessed as unfit for work and that the measures were likely to have a disproportionately adverse impact on disabled people.

ESA is the main benefit for people who are unable to work because of illness or disability. In November 2014, nearly half of the 490,000 ESA claimants placed in the WRAG were suffering from mental and behavioural conditions; a further 529,000 ESA claimants were in the assessment phase. The number of ESA claimants in the WRAG is expected to increase to 537,000 by 2019-20. Considerable numbers of disabled people will be adversely affected by these changes if they go through.

For all these reasons, the cut to ESA and the limited capability for work component of universal credit are the aspects of the Bill which are most feared by disabled people and the organisations which represent them. A 38 Degrees petition against the cuts was started about a week ago and at the last count had already attracted nearly 100,000 signatures. Some 36 disability organisations have written an open letter to Iain Duncan Smith calling for the cut to be halted.

The mitigation set out in the Government's impact assessment is that someone moving into work could, by working around four or five hours a week at the national living wage, recoup the notional loss of the work-related activity component of limited capability for work element or universal credit. However, as the EHRC points out, this is not an option for those unable to work because of disability. As Parkinson's UK says,

"This is not a realistic possibility for anyone with a progressive condition who has already been acknowledged as too unwell to work".

Secondly, the Government say that the ESA WRAG premium acts as a disincentive for people to look for work. Our review found no evidence to support this assertion. The 2005 study on which the Government rely deals only with general unemployment, not unemployment among disabled people, which is very different, as evidenced by the so-called disability employment gap and its persistence. Only half of disabled people are currently employed, compared with nearly 80% of non-disabled adults. This has proved intractable over many years to the point where it is almost a structural feature of the labour force. When challenged on the OECD study, officials managed to come up with an article in the *Journal of Epidemiology and Community Health* from 2010, which said that,

"there was some evidence indicating that benefit level was negatively associated with employment".

We had some discussion of this with the Minister in Committee but I think even he would agree that the only conclusion to be drawn is that the evidence is rather weak. The authors comment:

"Policy and researchers need to address the lack of a robust empirical basis for assessing the employment impact of",

recent welfare reforms.

Thirdly, the claim that disabled people are more likely to get a job if their benefit is cut just does not stand up. In fact, our review found that the precise opposite is the case. The barrier to employment for disabled people is not any financial disincentive created by the ESA premium. What stops disabled people getting jobs are things such as employer attitudes, their health condition, illness or impairment, difficulty with transport, and lack of qualifications, experience, confidence and job opportunities.

Fourthly, the Government aim to halve the disability employment gap, which is very welcome, but our review found that the proposed cut would hinder people's ability to look for work. They would struggle to pay for well-being activities that help recovery and enable them to feel more confident about considering paid work. The thought of such a drastic reduction in income makes people more worried and stressed—would your Lordships not feel the same?—and this impacts on their mental health and has an impact on work-related activity, such as travelling to appointments, volunteering or obtaining smart clothes for interviews. One thing that particularly struck me was people's ability to maintain internet and phone connections, which are so important for identifying job opportunities and submitting applications. It would also be harder to attend training courses and work-focused interviews if people were already struggling to meet their basic needs.

Fifthly, it was clear from those who gave evidence to our review that they encountered a wide variety of barriers to work that could not simply be removed by providing generic support. The overwhelming message was that personalised support tailored to the individual's particular needs is the key.

Our review contained 11 recommendations, chief of which were to reverse the cut of the ESA WRAG component and the equivalent payment under universal credit, and to conduct a thorough impact assessment of the proposed changes to ESA WRAG, plus a raft of other measures to promote the employment of disabled people. This cut is estimated to save £640 million a year by 2020-21 but, as we have seen, this is at the cost of considerable further hardship for disabled people who are already poor and, by definition, unable to work. Furthermore, no assessment has been made of the additional costs to the NHS and social care services as a result of these changes, as well as other DWP benefits. Clauses 13 and 14 are all about making savings for the Treasury and have nothing to do with the interests of disabled people. They should be resisted. I beg to move.

Lord Lansley (Con): My Lords, your Lordships will recall that, as the noble Lord, Lord Low, said, we had a very full debate, in which I participated, in Committee, so I shall simply summarise the contrary argument to that of the noble Lord. As I did then, I very much welcome the report that he and other noble Lords contributed to because it has many recommendations, some of which are in themselves very important for the delivery of future policy, and I hope that the document will be used in the future.

The essence of the argument is that the effect of Amendments 41 and 44 would be substantially to leave things as they are. However, things are not

[Lord Lansley]
satisfactory as they are. Contrary to what the noble Lord, Lord Low, said, it is not just about saving money, although needs must. We have to have regard to the necessity to reduce the overall welfare budget but, in truth, this is fundamentally about the benefit of those who have an albeit limited capability for work actually finding work.

The status quo is that we have a substantial number of people in the work-related activity group, 61% of whom want to work, but each month only 1% are moving off benefits. That is not good enough—it is what we need to move from, and we have to do all the things that are calculated to assist in that. Some of it I know we can agree on. The improvement in the availability of access to work, the extension of work choices, the development of the health and work scheme through to 2017, and the Government's commitment of £100 million to support that programme are all very important. They are designed to help in the delivery of the objective that we share of halving the disability employment gap, which we also discussed fully on Monday.

5 pm

Beyond that, there is also the question of whether, under those circumstances, we should leave the position as it is with regard to the relationship between out-of-work benefit income and in-work income. The findings of the 2005 study looking at employment generally are, on the face of it, pretty straightforward to understand and evidentially attested: the bigger the gap between income in work and income through benefit, the greater the likelihood of people seeking and finding work. It is, effectively, a kind of economic law of gravity. That being the case, we are dealing here with people who have a limited capability for work. We should not elide the assessment that they are not able to work—if they were not able to work at all they should be in the ESA group and not the WRAG. We all agree that there should be a robust form of assessment, and there is a debate to be had about that, but abolishing the WRAG does not preclude, and in fact might advantage, the process of ensuring that the assessment of the criteria for people being in the ESA group is properly pursued.

So where does that leave us? We should be assisting people into work and the Government need to improve on that. At the same time, we need to make sure that both the support and the incentive structure are fully aligned and not working against each other. That requires change, and change is what undoubtedly Clauses 13 and 14 will bring. It is devoutly to be wished for that we achieve this because the fundamental point, to me, is that we should be looking for people who have a capability for work, albeit limited, to actually be in work. It makes an enormous difference.

It is precisely because so many of those people in the WRAG have mental and behavioural difficulties and problems they have to overcome that the sooner they can be in work, the greater the support for them to be in work or, if they fall out of work, to return to work as quickly as possible—again we discussed this on Monday—through the rollout and access to the IAPT, the greater the benefit that we will give them. The biggest benefit we can give them is to enable them to be in work. Contrary to what I recall the noble Baroness, Lady Lister, saying, work is not a cul-de-sac; work is a route. It is a valid route out of poverty, a route to dignity and a route for people to be no longer dependent on benefits—and they do not want to be dependent on benefits. Frankly, we have to use the opportunity in Clauses 13 and 14 to change the current situation and make that happen. Taking those clauses out would, I am afraid, simply leave us in the unsatisfactory position that we have been in for too long.

Baroness Manzoor: My Lords, I have added my name to Amendments 41 and 44. I have listened very carefully to what the noble Lord, Lord Lansley, has said and will try to give some answer to the question that I think he is putting forward, which I fundamentally disagree with.

I thank the noble Lord, Lord Low, the noble Baroness, Lady Meacher, and others for the very good report they undertook. I read it with great interest. I also thank the noble Lord, Lord Low, for making a very comprehensive statement regarding these two amendments.

I do not want to spend too much time on this because we have, as the noble Lord, Lord Low, said, already discussed it for over two hours in Committee. However, I want to say a number of things. I was very disappointed to see the BBC news over the weekend state that government sources had said that people who were concerned about the cuts to ESA and the WRAG were "scaremongering". This really is not the case. The facts speak for themselves. As I said, we had an extensive debate in Committee, which highlighted the research that has been done and the impact that these cuts would have. I do not want to repeat that research, but it is there. This is not scaremongering.

We on these Benches are opposed to the ESA and WRAG cuts, which will affect people when they are at their most vulnerable—when they are sick. These are people who have been independently assessed by government-appointed assessors—not by their own GPs who they have perhaps had a lifetime relationship with, but by independent assessors—as having limited capacity for work or as being able to return to some form of work in the future. As has already been outlined, over 50% of people in this group have mental health problems and it includes people with disabilities, people with progressive diseases, such as MS and Parkinson's, and people who may be undergoing cancer treatments.

It is interesting to note that the Government have enshrined in law that there is to be parity between acute services and mental health services in the Department of Health, which is laudable. However, another department—the DWP—is penalising people with mental health problems on ESA and WRAG by cutting their benefit as though this will improve their health and will make them better sooner. That is not true, and there is no research which demonstrates it. The Department of Health and the DWP should at least try to have a dialogue to complement respective government policies. If there was more joined-up thinking between departments the taxpayer could save significant sums of money. There is no evidence that cutting £30 a week from the benefit to that of a jobseeker's allowance will improve these claimants' ability and fitness to work. Indeed, it may have the opposite effect.

On the point made by the noble Lord, Lord Lansley, it is unthinkable that we should put it in the Bill that these benefits should be cut from ESA and WRAG without reviews and without putting into place some of the things that noble Lords have suggested. We and the Government could do those reviews first and then implement a policy. To implement a policy that will have such dire effects first, and then consider that, whatever falls out of it, something will happen, is not right or fair. The Government have to undertake research, think about the policy, consider its impact and then implement it in a fair and considered way.

The Government should strengthen the support that is given to ESA and WRAG claimants by ensuring that specialist advice and support is available to these people. Work coaches should also be given the appropriate training to understand and meet the needs of these claimants.

I look at this issue through the prism of work. The Government must also tackle the thorny issue of employer discrimination—which, although against the law, still exists, sadly, in places—and identify exactly what kind of support they will give to employers to enable them to employ more people with disabilities.

Clauses 13 and 14 should be removed from the Bill. They have no place in a caring and compassionate society.

Baroness Meacher (CB): My Lords, I support the proposal to leave out Clauses 13 and 14. I was disappointed in the comments of the noble Lord, Lord Lansley. Of course, we all want people to be able to return to work, and employment is incredibly helpful if people are well enough to take it on. On the idea that, somehow, if we are not in favour of cutting these benefits we are content that people should remain out of work for an indefinite period unnecessarily, the crucial point is: can these people return to work, is it reasonable, and will these cuts facilitate that return to work or drive people further from the labour market? That is issue and we have all the evidence we need to raise serious questions about it.

I want to avoid repeating the arguments so ably put by my noble friend Lord Low but to endorse the view that these clauses will not achieve the Government's objective of increasing the numbers of sick and disabled people moving into and remaining in jobs. It is remaining in a job which is absolutely crucial, because there is no point in getting a job for two weeks and then finding that you are so ill you have to drop out. Then, you will spend months trying to restore the benefits you have been receiving. In fact, it is a very dangerous thing for most people on benefits to take a job, which is one of the big issues the Government need to tackle. Until people feel freer to move in and out of work, we will not achieve the results we want. I know that that is the aim of universal credit and I applaud the objective. The reduction of £30 a week in the incomes of these vulnerable groups will undoubtedly cause the most incredible misery and hardship for a lot of already very vulnerable people.

I want to avoid duplicating the comments of other speakers and rather to draw the Minister's attention to the four key points made by the Royal College of Psychiatrists about Clauses 13 and 14 and the cuts. First, as others have mentioned, more than 50% of people affected by this cut will be suffering from mental and behavioural disorders. These people find it particularly hard to get into work and, indeed, to maintain a job for reasons that have nothing to do with their benefits but more to do with fears about employers, health problems, travel problems and so on. Secondly, a survey by the Disability Rights Coalition found that almost seven in 10 disabled people say that the cuts to ESA will cause their health to suffer. To judge by my experience of some 25 years in mental health services, mentally ill people's health will suffer most severely—if I dare say that in front of colleagues who know about other disabilities far better than I do. When faced with severe financial hardship, people with psychiatric and psychological problems will find it extremely difficult to function at all. Common sense tells us that someone with an anxiety disorder or depression will find rising debts and the prospect of eviction from their home impossible to cope with. Are these people really going to be able to search for jobs effectively? Of course not.

The third point made by the Royal College of Psychiatrists reinforces this. It points out that there is no evidence that cutting the amount of benefit someone with mental health problems receives will make it more likely for them to find work. This point has been made in respect of disabled people in general, but given the sizeable number of ESA/WRAG clients with mental health problems, the view of the psychiatrists should not be ignored. Finally, and most important from the point of view of the Government, these cuts could lead to an increase in demand for NHS mental health services. According to a Rethink Mental Illness survey, 78% of respondents said they will need more support from their GP, community services or in-patient mental health services if their benefits are cut. I do not believe that these services have the capacity to deal with an influx of demand from these groups.

Macmillan Cancer Support has made the point that success in finding a job and moving off ESA is related to the quality of back-to-work support offered, the availability of jobs, and the health of the individual rather than impoverishment. Surely these realities should drive the Government's policy. Macmillan argues that its own research proves the correlation between financial deprivation and poorer health outcomes. In the case of cancer patients, too early a return to work can be dangerous and may drive people into the support group. That is detrimental to them and, of course, to the taxpayer.

The third group I want to mention briefly is the 8,000 ESA/WRAG claimants with progressive and incurable conditions including Parkinson's, multiple sclerosis and motor neurone disease, as already mentioned by the noble Baroness, Lady Manzoor. Does the Minister believe that anyone currently unfit for work due to Parkinson's or motor neurone disease will become fit for work in the near future—or ever? These illnesses are relentlessly, tragically and depressingly progressive. Does not the Minister regard it as quite immoral—I do not often use that word but I feel I need to in this context—to treat such clients in the same way as young, fit people looking for work? I would be grateful for his views on this point.

[Baroness Meacher]

In conclusion, I find Clauses 13 and 14 immoral in certain respects, as well as counterproductive even in achieving the Government's own objectives of cutting the costs of sick and disabled people to the taxpayer through driving them back into work.

5.15 pm

Baroness Lister of Burtersett (Lab): My Lords, in responding to the noble Lord, Lord Lansley, I do not want to go over the debate we had last time, although I pointed out then that in the survey to which he referred, the policy implication it was drawing out more was the need to improve in-work benefits. Since that debate, it has been drawn to my attention that the loss of the limited capability for work element of universal credit will cut the benefits received by disabled people in work. I cannot believe that this is the intended consequence.

This matter was brought to my attention by Sue Royston. I will simply read out what she sent me, as otherwise I could get it wrong—welfare rights can get a bit complicated. She wrote:

"Under Universal Credit, the main additional financial support for disabled people in work to cover their extra costs in work is the limited capability for work element. Any person requiring additional support because of a health condition/impairment will therefore have to take the work capability assessment … and be placed in the limited capability for work group (WRAG group) even if they are working more than 16 hours a week. Anyone on Universal Credit who qualifies for the limited capability for work element currently receives an extra £30 in their Universal Credit regardless of the hours they work.

The limited capability for work element and for some disabled people additional support through the disabled person's work allowance is meant to replace the additional support disabled people in work of 16 hours or more receive in the current system through the disabled workers element of working tax credit …

Removing the limited capability for work element in Universal Credit will … reduce substantially the additional support a disabled person in work can receive to help with their additional costs … 116,000 disabled people currently receive the disabled workers element in tax credits".

I cannot believe that this is an intended consequence.

I support the amendment but I hope that, if it is unsuccessful, the Minister will look at this matter. It completely flies in the face of what is said to be one of the purposes of these provisions. Perhaps we need to come back to this on Third Reading because we did not look at it properly in Committee. Only the experts in welfare rights pick up something like this and draw it to our attention. It is a very important point that rather undermines the argument that this is all about improving work incentives, which the noble Lord, Lord Low, had already pretty well destroyed as an argument.

Finally, I do not think that I have ever said that paid work is a cul-de-sac. I have said that the danger is that it becomes a cul-de-sac and that depends on what happens to people who are in paid work. If I said it, I certainly did not mean it. It is the danger that we cannot assume that paid work is a route out of poverty. It certainly will not be a route out of poverty for disabled people if we cut their income by £30 a week.

The Lord Bishop of St Albans: My Lords, as I said in Committee, if this reduction in benefits for the disabled is about incentivising work rather than simply cutting costs from the benefit budget, I support the Government's intention. However, the way in which they are going about the task to cut ESA WRAG and its universal credit counterparts is misguided. Clearly, other noble Lords agree with that. For that reason, I am inclined to support the removal of Clauses 13 and 14.

A number of noble Lords have spoken about this stubborn disability employment gap—this sad indictment on a society that has perhaps for too long been willing to ignore the aspirations of the disabled to engage fully in society through work. Reference has already been made to the Government's impact assessment, which found that 61% of those in the work-related activity group want the opportunity to earn a living. It is quite right that the Government have committed to halving the disability employment gap. The problem is that this is a complex issue. Some have a physical disability, others a mental disability. As the noble Baronesses, Lady Manzoor and Lady Meacher, said, people with chronic illnesses are also lumped into this group.

I declare an interest, in that my sister works for the motor neurone disease charity, which has met with me about this. It is deeply worried about this. This is a disease the progression of which is so rapid that many people would be way beyond any possibility of doing any work even before they get any sort of assessment. It is vital for people with this devastating diagnosis—many are young with children—to have all the support that they need immediately.

However, if this cut continues under the Government's strategy, I fear that it will be a poor strategy. Indeed, I fully concur with the review into these clauses, published by the noble Lord, Lord Low, which found that,

"the Government's impact assessment of the removal of the ESA WRAG component is lacking in depth and quality".

It may be that the case for a cut in benefits will act as an incentive to encourage the fully able to find employment, but I have still to see the evidence that that will apply for the disabled. By removing nearly £1,500 from the future budgets of those who join ESA WRAG or those receiving universal credit limited capability for work, it seems that all the Government are likely to succeed in doing is push more disabled people into poverty, and, as others have said, probably destroy what little confidence and hope that they have as they want to get back into work. Those in this group are not in the same position as fully able JSA claimants and should not be treated as such; many are likely to remain in the WRAG for an extended period and their benefits situation must reflect this reality.

Like many noble Lords, I have met people who are disabled who are longing to get back to work. I do not believe that the basic problem is one of incentivising them. It really is a different problem—one of perception. I remember when I was an archdeacon many years ago and we made some major steps when legislation first came through to get ramps for every one of our churches. We looked at these problems and thought, "How on earth are we ever going to do it?". Actually, there was a massive change of attitude, partly because we insisted that some of the people who argued against

it got in wheelchairs and got themselves into churches. They discovered just how difficult it was. I have to confess that I had a change of perception; I had not got my mind around it.

I believe that we have an even bigger leap to take now. The vast majority of disabled people will need customised, individual help. That is part of the issue and the problem. What is needed is not so much carrot-and-stick incentives, but a wider strategy that helps disabled people to overcome the many challenges that they face in entering, or re-entering and staying in, the workplace. We need programmes and interventions designed to help these groups into employment, not arbitrary cuts to the living standards of some of the most vulnerable people in our society.

Baroness Campbell of Surbiton (CB): My Lords, I also support the amendments in the name of my noble friend Lord Low and other noble Lords. I will concentrate on an aspect that I do not think has been fully recognised in the Chamber today.

It is important to remember that the cuts to ESA proposed in the Bill are happening not in isolation, but in a certain context. I respectfully disagree with the noble Lord, Lord Lansley, who said that we cannot let things remain the same. They are not remaining the same; I am afraid that they are getting worse. For example, I have spoken in the Chamber regularly about the desperate situation in social care, where disabled people are having their support drastically cut. This leaves them no alternative but to fund the shortfall personally or to go without and face the consequences. There are other areas of disabled people's lives where the extra expense of living with a disability is rising year on year and month on month. My own annual bill comes to just over £12,000, which is checked and verified by my social services department—£12,000 a year. Please do not imagine that DLA or PIP covers this; it simply does not.

We know from the spending review last November that the Government plan to bring forward a new White Paper which is expected to announce further changes and reforms to ESA and benefits to disabled people, as well as to the WCA. Disabled people are fearful that the assault on their personal finances does not end with today's proposals, and I think that they are right to be anxious. Today, the Minister will ask the House to decide whether to follow my noble friend Lord Low's amendment on financial support for disabled people who have been assessed as unfit for work. In a few weeks' time, the Minister will again announce plans to reform the whole system further in the White Paper. Today we are being asked to make decisions on proposals that will soon be impacted by further government changes. This is not joined-up government. It is not the joined-up approach that we have been promised by this Administration.

Frankly, disabled people are worn down by the relentless changes and cuts to their support arrangements and are right to be afraid of what is to come. Their personal finances are not in a good state. I speak for all of us, including some others here today—we should be afraid on their behalf and should support my noble friend Lord Low's amendment today.

Lord Berkeley of Knighton (CB): My Lords, I ask for a little clarification. I was somewhat astonished by my noble friend Lady Meacher referring to patients with multiple sclerosis, motor neurone disease, Parkinson's, and diseases that can in fact be terminal. I understand that there is a distinction between the point at which people are diagnosed and the point at which they might be assessed as being able to work, but these are progressive diseases and the danger is that these people could very quickly become not able to work and indeed very ill. It is on this point that I would welcome some clarification.

Baroness Grey-Thompson (CB): My Lords, I rise to speak to Amendment 44 in this group but I also have some comments that relate to Amendment 41. Like many in previous sections of this debate, I have been looking at disabled people getting into work, not what will happen, under Clause 14, to disabled people who are in work. There are some shocking and severe implications for this. The noble Baroness, Lady Lister, was absolutely right that 116,000 disabled people who currently receive the disabled worker element in working tax credit will lose £60 a week. I cannot believe that it would be the intention of the Government to affect disabled people in work in this way. However, if Clause 14 stays in the Bill, that will happen.

In numerous debates, we have talked about universal credit being more simple; quite frankly it is not. I apologise for the somewhat technical nature of what I am going to say, but this is going to affect hundreds of thousands of disabled people. We have been told that a similar amount of additional financial support for disabled people in work would be available in universal credit and would be accessed through the work capability assessment even if the person was working full-time. Any disabled person who is working and requires additional financial support because of the extra costs, which have already been mentioned, would have to take the WCA. If they still qualified as having a limited capability for work, they would receive the £30 element in their universal credit, regardless of the hours that they worked. They would also receive the disabled person's work allowance. For single people in rented accommodation it is worth a further £30 a week. Together, the limited capability for work element and the work allowance would replace the additional support offered in the current system through the extra element in working tax credit. Removing the limited capability for work element will therefore reduce by about £30 a week, or £1,500 a year, the additional support available to many disabled people in work once universal credit has rolled out. Only those who are working but qualify for the support group will receive an additional element.

5.30 pm

For disabled parents who are in work, the position is even more serious. There are 43,000 households with at least one disabled parent who is receiving the disabled worker's element of working tax credit. Under universal credit, disabled parents do not get any advantage from the work allowance for disabled people because they get a work allowance as parents, and, unlike in the current system, you can have only one or the other.

[Baroness Grey-Thompson]
This means that, if this measure goes through, a disabled parent who is working and qualifies as having limited capability for work will, under universal credit—the flagship element of government policy—have no extra support in work compared with a non-disabled parent in otherwise the same circumstances. What will this mean for a disabled parent? Single disabled parents working 16 hours or more, living in rented accommodation and making a new claim for universal credit in 2017, will receive about £70 a week, or £3,500 a year, less than they would receive now on tax credits, despite the rise in the minimum wage.

Disabled single parents with a mortgage who make a new claim are likely to have an even lower disposable income under universal credit compared with under tax credits, amounting to about £100 a week, or £5,000 a year, less. Couples making a new claim where the disabled parent is working more than 16 hours are also likely to be entitled to less under universal credit in 2017 than they are under tax credits now, even though some households in similar circumstances, but where no one is disabled, may be better off under universal credit. Couples with two children and both parents working more than 16 hours a week, but with one parent needing additional help for the first time because they have become disabled, could receive about £3,000 a year less on universal credit in 2017 than under the current system.

I have had numerous examples from the public, charities and from 38 Degrees about how this measure will affect people. I checked two minutes ago and so far 98,477 people have signed the 38 Degrees petition. Therefore, some 98,500 people do not believe that this cut is fair.

There has been a lot of discussion on the evidence around cutting ESA and encouraging people into work. The Government's evidence to support the proposed cut is now being drawn from an OECD report entitled, *Sickness, Disability and Work: Breaking the Barriers. A Synthesis of Findings Across OECD Countries*. However, the previous report on getting disabled people into work, which has often been cited in this Chamber, did not look specifically at the situation of sick and disabled people and the unique circumstances around that. My noble friend Lord Low covered many of the issues. However, at this stage, it is very important to note that the OECD report that was used so many times to justify this cut looked at 13 countries but the advice of a number of expert organisations in the UK has been refuted. The advice of the Equality and Human Rights Commission, which looked at specific proposals in this context, has been turned down, and inconvenient findings and caveats in the OECD report appear to have been disregarded. We have to question how valid and reliable this report is in the context of what we are trying to do in the UK.

For hundreds of thousands of disabled people, keeping Clause 14 in the Bill will be devastating. It means that far from there being an incentive for disabled people to get into work, find work and contribute to society in the future, those with deteriorating conditions will be less likely to stay in work.

I ask the Minister just one question: is it really the intention of the Bill to make it so hard for hundreds of thousands of disabled people to get into work? Frankly, I cannot see where the incentive is: far from there being an incentive, I see a huge disincentive.

Baroness Thomas of Winchester (LD): My Lords, cutting the benefit of those who are fit for work but unemployed might act as an incentive but it will really not work for those who are found not fit for work. It is likely to have the opposite effect, pushing some in the WRAG further from employment. One fact that has not come out is that it will surely increase enormously the number of work capability assessment appeals—it will probably overload the system.

Muscular Dystrophy UK has found that the extra £30 a week is invaluable to fund those disabled people in the WRAG who, for example, need to get to interviews or to volunteering work, perhaps with a support worker, or to work experience for which Access to Work is not available. Often, suitable work, volunteering or work experience is some way away from where the disabled person lives, so the cost of transport has to be taken into consideration. As for their DLA or PIP taking up the slack, that is not, unlike ESA, an income replacement. It pays for the extra costs of being disabled, and is all too often spent on topping up a disabled person's direct payment. Another expense common to many disabled people is the need for extra heating because of their condition. Putting an extra sweater on simply is not the answer.

I am sure the Minister will tell us that this is all about trade-offs, and that for all those people made poorer by this cut, there are other things that mitigate their situation, such as increases in the personal tax allowance and the national living wage, and better support in finding a job. But none of these things will help those disabled people who are nowhere near paying tax now, and who want to volunteer or try work experience in order to build up their CV.

Turning to Clause 14 and the impact on universal credit, we have heard extensively from the noble Baronesses, Lady Grey-Thompson and Lady Lister, about how this particular cut is not well enough understood. It is also not well enough understood that universal credit has taken a huge hit from the Treasury since its inception several years ago. We ought to hear more about that and I think we will when we come on to the work allowances, which reflect this, in the next amendment.

Currently, disabled people working more than 16 hours a week are entitled to the disabled workers element of working tax credit. It is currently payable to those who have a disability or condition that makes it more difficult for them to find and sustain employment and can be claimed, not by taking the work capability assessment, but by being passported from DLA/PIP. Under the changes in the Bill, anyone who requires additional support because of a health condition will have to take the WCA, even if they are working more than 16 hours a week. It really does not make sense. If they are found to have limited capability for work, after 2017 any new claimant will not receive this additional support. No wonder it is commonly agreed that disabled people, many of whom are living in poverty, are yet again being hit hard by the Government.

Baroness Hollins (CB): My Lords, since Committee I have spoken to a number of people with learning disabilities about their aspirations for work. I want to remind noble Lords that the proportion of people with learning disabilities in paid employment has remained stubbornly low, at around 7% of people known to social services. Most people that I have spoken to—and I think most people with learning disabilities—want to work. They do not want to be assessed to be in the support group. They really want help to find work. But the truth is that the vast majority of people with learning disabilities have never worked: back-to-work support is not what they need. Nor do they need a massive cut to their income, which will further marginalise and isolate them. Will the Minister specify exactly what evidence-based support is being planned for this group and how and where it will be delivered? It seems that personalised support in looking for suitable jobs and making written applications—recognising the low literacy levels among people with learning disabilities—and ongoing support to ensure they succeed in work in the longer term, might help a number of people to increase their chances. But will the Minister also acknowledge that people with learning disabilities will be particularly badly affected by a drop in income, given the difficulties they often have with financial management and making the most of a limited income? This group of people is going to be so adversely affected by this change that I feel the need to emphasise again and again that this policy has not been thought through for this group particularly and will affect it really badly.

Lord McKenzie of Luton (Lab): My Lords, we have added our names to Amendments 41 and 44. Yet again, we have heard compelling arguments why Clauses 13 and 14 should be removed from the Bill.

I should say, compelling arguments bar one—I say to the noble Lord, Lord Lansley, that if we pass these amendments today it is not tantamount to leaving things as they are. The task from now on in is to do something the Government have genuinely started to do: to look at and tackle the barriers that disabled people face when they are trying to get into work. Surely that should continue and accelerate if the closing of the disability employment gap is to be achieved. I think the noble Lord said it was axiomatic that the bigger the gap between income in work and income out of work, the bigger the incentive. If the noble Lord thinks about it, if you took that argument to its logical conclusion, you would not have any benefits at all, and that cannot be right.

The noble Lord, Lord Low, took us through some of the detail of the report: the hardship that these changes would cause; that somehow recouping the benefit by a few hours' work simply is not practical for people who have been assessed as not fit for work; and the need to tackle the barriers to work, which was a strong strand of that report. The noble Baroness, Lady Manzoor, made a very strong point when she said that we are doing this the wrong way round: we are cutting the benefit without addressing the issues that need to be addressed to help people into work.

The noble Baroness, Lady Meacher, reminded us that 50% of people with a mental health condition are in the WRAG. She raised the issue of people with progressive conditions—how on earth can we expect such individuals to access work? My noble friend Lady Lister, and the noble Baronesses, Lady Grey-Thompson and Lady Thomas, focused on the impact of Clause 14 and some of the extremely disagreeable consequences that could flow for people in work under universal credit. As has been said, that simply cannot be what the Government intended.

The right reverend Prelate the Bishop of St Albans reminded us that the disability employment gap is a stubborn one and we need to address it not in a generic way but in an individual, focused way. The noble Baroness, Lady Campbell, gave us just a glimpse of what the cuts to ESA will mean for people, pointing out that the extra expenses for disabled people are rising and are not effectively covered by DLA and PIP. The noble Baroness, Lady Hollins, focused on those people whom it has been particularly difficult to help into work—those with learning disabilities. These are fundamental parts of the analysis that underpins why these amendments are so important and why we should not allow these provisions to stay in the Bill.

Of course, the arguments have come not only from noble Lords today and in Committee but from a range of organisations that work day in, day out, with the very disabled people whom these clauses will hurt. Since Committee we have had more time to absorb the report, *Halving the Gap*, produced by the noble Lord, Lord Low, together with the noble Baronesses, Lady Meacher and Lady Grey-Thompson, which reviewed the Government's proposals. The report could not have been clearer in concluding that,

"there is no relevant evidence setting out a convincing case that the ESA WRAG payment acts as a financial disincentive to claimants moving towards work, or that reducing the payment would incentivise people to seek work".

Indeed, as we have heard, there are concerns that reducing the WRAG component would have the opposite effect and push people further away from the labour market. This is why we support Amendments 41 and 44. Frankly, we do not take lightly the prospect of removing whole sections of proposed legislation, but it would be no more significant than the effect these clauses will have on hundreds and thousands of disabled people.

5.45 pm

The positive benefits of work—good work—on individuals and families is not in question but the fundamental issue is that people in the WRAG have been assessed as not fit for work. Yes, they should be expected to move closer to the job market where they can, but this requires that they be supported in a way which recognises the individual barriers they face and the help they need. This was another clear message from the report of the noble Lord, Lord Low. I thought that even the Government had accepted that current support programmes are inadequate if progress on halving the disability employment gap is to be achieved.

It seems to us that there is something inherently cruel in seeking to push disabled people into work by reducing their financial support without addressing the fundamental reasons why they are out of work in the first place, and why accessing the labour market

[LORD MCKENZIE OF LUTON]
can be so challenging for them. The reason for extra support being given in the first place is that we recognise that they are likely to be unemployed for a longer period than those receiving JSA. We should also recognise that for many disabled people, the current strains of daily living involve extra costs—they are not all in receipt of DLA or PIP—and that the fear of losing the WRAC is creating stress and anxiety among many. The case has been overwhelmingly well made today and we will support these amendments in the Lobby, if that is where the noble Lord, Lord Low, takes us.

Lord Freud: My Lords, these amendments seek to remove Clauses 13 and 14 in order to prevent the proposed changes to the ESA work-related activity component and the universal credit limited capability for work element. Clause 13 amends existing legislation to remove this additional payment for new claims to ESA and aligns the amount of benefit paid to claimants with limited capability for work with that paid to jobseeker's allowance claimants. I think I need to clarify that although some Peers have mentioned a loss of £60, the work-related activity component is just under £30 a week. Clause 14 is designed to introduce a similar outcome for UC claimants. The measure will save £640 million over the long term but in 2017-18, it will save £55 million while we will invest £60 million into additional practical support.

This change does not affect the support group component, the UC equivalent or the premiums which form part of income-related ESA. Existing claimants in the support group will be entitled to the work-related activity component if they are reassessed into the WRAG. We aim to protect existing ESA claimants who temporarily leave the benefit to try out work and then return to ESA, an issue which the noble Baroness, Lady Meacher, was concerned about.

ESA was set up by a previous Government to support people with health conditions and disabilities into work but it has unfortunately failed the very people who it was designed to help. Despite spending £2.7 billion this year on the WRAG, currently only 1% of people in this group actually move off the benefit every month. As a Government, we want to ensure that we spend money responsibly in a way that improves individuals' life chances and helps them to achieve their ambitions, rather than paying for a lifetime wasted on benefits.

Currently, those in the WRAG are given additional cash payments but very little employment support. As the Prime Minister recently stated, this fixation on welfare treats the symptoms and not the causes of poverty. Over time, it traps people in dependency. That is why we are proposing to recycle some of the money currently spent on cash payments, which are not achieving the desired effect of helping people to move closer to the labour market, into practical support that will make a genuine difference to people in these groups.

The additional practical support is part of a real-terms increase that was announced at the Autumn Statement. How the £60 million to £100 million of support originally set out in the Budget will be spent is going to be influenced not only by Whitehall but by a task force of representatives from disability charities, disabled people's user-led organisations, employers, think tanks, provider representatives and local authorities. I thank the noble Lord, Lord Low, and the noble Baronesses, Lady Grey-Thompson and Lady Meacher, for their work during Committee in this area.

The new work and health programme will provide specialist support for the very long-term unemployed. We are committed to supporting everyone who is able to work to do so. The forthcoming White Paper is aimed at ensuring that we offer the best possible support to those with health conditions or disabilities, a point raised by the noble Baroness, Lady Campbell, and the right reverend Prelate the Bishop of St Albans.

There have been ongoing discussions with the noble Baroness, Lady Hollins, about learning difficulties. Mencap's website points out that despite the fact that research shows that 65% of people with a learning difficulty want to work, and the fact that with the right support they make highly-valued employees, only one in 10 people with a learning disability known to social services is currently in paid work. The Autumn Statement announced a real-terms increase in funding of almost 15% for those with health conditions and disabilities.

In Committee, some noble Lords raised concerns that we are expecting claimants who have been found "not fit for work" to be able to work. Although this was discussed then, it is important to stress once again that claimants in the work-related activity group have been found to have "limited capability for work", which is very different to being unfit for any work. That is an important distinction, as this misconception helps drive people further away from the labour market and perpetuates the benefit trap.

As for returning to work and improved mental health, this Government are committed to ensuring that people with mental health conditions receive effective support to return to and remain in work. The noble Baroness, Lady Meacher, was concerned about this issue. We are investing £43 million over the next three years in trialling ways to provide specialist support for people with common mental health conditions. I have trawled the international evidence, and I know that we are going to build up a very substantial body of knowledge in this key area.

The noble Baroness, Lady Meacher, also raised the issue of deteriorating conditions. People with Parkinson's who are currently getting the work-related activity component will not lose it, and will continue to receive ESA at the same rate, but any claimant who reports a deterioration in their condition can request a WCA to assess whether they may be eligible for the support group. As all Peers in the Chamber will acknowledge, some of these conditions can take a very long time indeed to develop, and there are times when people in the early period of those conditions are able to work, and indeed really want to.

Another area discussed at length in Committee was the evidence to support the Government's view that the work-related activity component, in some cases, acts as a financial incentive to remain on benefit. I went through that evidence in some detail then but will summarise the points now. The findings of the OECD report, which we have touched on today, covered the whole population. Although the report does not

specifically focus on the disabled population, it does not indicate the incentives would not apply there. We have the paper by Barr et al in 2010, which found that,

"eight out of 11 studies reported that benefit levels had a significant negative association with employment".

It also noted that, "The most robust study"—by Hesselius and Persson—

"demonstrated a small but significant negative association".

I have already mentioned the Norwegian study of the impact of financial incentives.

It is important to also recognise that the changes to ESA and universal credit work together and cannot be taken forward in isolation. Universal credit will replace income-related employment and support allowance once fully rolled out. We want to ensure that we build on what is working in universal credit to help those with health conditions and disabilities move into work. We have invested a lot in universal credit to make sure that we keep people connected to the labour market from the outset of their claim. Unlike under ESA, UC claimants with a health condition or disability are offered labour market support, where it is appropriate to do so, at the very start of their claim. This helps them to remain closer to the labour market, even if they are not immediately able to return to work.

The noble Baroness, Lady Lister, said that about 116,000 people in the whole country benefit from the disability element of tax credits. The smallness of that number illustrates how the current system is not working. That is why universal credit gets rid of the hours rules that stop people entering the labour market. It makes every hour—every fluctuating hour—pay and gives people the work coach support they need to find and then retain work. I have to say that some of figures from the noble Baroness, Lady Grey-Thompson, do not accurately reflect the situation. The point is that universal credit will make smaller, regular hours pay. Rather than dealing with a lot of very complicated sums, I will write to her and set out our response.

The findings from *Universal Credit at Work* show that universal credit is making a real difference in getting people closer to the labour market. It is easier to understand. People are earning more, they say they have better incentives to work and, indeed, they are working more. Universal credit is a step towards modernising the welfare system into one that improves individuals' life chances, but we intend to go a lot further than that. We will publish a White Paper in the new year that will set out reforms to improve support for people with health conditions and disabilities, including exploring the role of employers, to further reduce the disability employment gap—which we are committed to doing —and promote integration across health and employment.

As for the impact of another budget, I should point out to the noble Lord, Lord Low, what we spend on disability benefit: it went up by £2 billion in real terms over the last Parliament. We spend £50 billion every year on benefits to support people with disabilities or health conditions, which is rather more than we spend on defence and police combined—6% of government spending.

Clauses 13 and 14, together with the additional practical support announced in the Budget, provide the right support and incentives to help people with limited capability for work move closer to the labour market and, when ready, into work. I therefore urge the noble Lord to withdraw his amendment.

Lord Low of Dalston: My Lords, I thank the Minister for his very full and careful reply. I knew that it was too much to hope that his generous spending spree would continue into this group of amendments, so we will deal with the case that has been made on its merits. I also thank all those noble Lords who have spoken. The amendment has attracted support from right across the House: I made it 10 speeches in all and 9:1 in favour of the amendment.

6 pm

I want to deal with the points that have been made as quickly as I can—I cannot deal with them all—under four headings. The first two concern the intervention of the noble Lord, Lord Lansley, which was a thoughtful and serious contribution and deserves to be taken seriously. I agree that there are lots of things that should be done to help disabled people into work; the only point is that cutting benefits is not one of them.

The Minister talked about the impact of benefit support on people in the WRAG. Obviously, it varies. People in the WRAG are not a homogeneous group; they are on a journey towards work. People are put in the WRAG because they are assessed as possibly being able to work at some point. Obviously, some will, but many remain on the journey. We should not hobble them in making that journey by cutting their benefit, with all the deleterious consequences for seeking work that I mentioned in moving the amendment.

My noble friend Lord Berkeley, who is sitting behind me, extended the point about the heterogeneous nature of those in the WRAG. The noble Lord pointed out that some, particularly those with progressive conditions, will become less able to make the journey into work. We need to be very mindful of the consequences of cutting benefit for them.

I can make my second point more briefly. It concerns the OECD report of 2005, to which the noble Lord, Lord Lansley, referred and on which the Minister relied. I have to repeat the point I made in moving the amendment: it is not to the point at all. It is not about disability. It does not deal with disability employment or unemployment; it is concerned with the general employment and unemployment of non-disabled people, so it is not to the case.

The noble Baroness, Lady Meacher, referred to the fact that it was counterproductive even in the Government's terms to cut the ESA premium. I remind noble Lords of the point that emerged from our review: the finding that Clauses 13 and 14, far from helping, will actually undermine the Government's ability to get disabled people into work and halve the disability employment gap. No one could be more excited than I am about the possibility of getting people into employment and halving the employment gap, but it is very disappointing to see the Government going in precisely the opposite direction to what is needed to fulfil their objective.

Finally, it defies logic and common sense, surely, to say that you will help disabled people to get into work by cutting the money that they have to engage in

[Lord Low of Dalston]
work-related activities. The right reverend Prelate the Bishop of St Albans got it in one when he said that the problem is one not of incentivising people, but of mobilising the job opportunities and giving disabled people the support they need to get into them.

With those points, I am left feeling that the case for the amendment is even stronger than when I moved it, and that it has not really been answered by the Minister, or anyone who has spoken against it. That being the case, I beg to test the opinion of the House.

6.03 pm

Division on Amendment 41

Contents 283; Not-Contents 198.

Amendment 41 agreed.

Division No. 1

CONTENTS

Aberdare, L.
Adams of Craigielea, B.
Addington, L.
Ahmed, L.
Allan of Hallam, L.
Alli, L.
Alton of Liverpool, L.
Andrews, B.
Armstrong of Hill Top, B.
Bach, L.
Bakewell, B.
Bakewell of Hardington Mandeville, B.
Barker, B.
Bassam of Brighton, L.
Beecham, L.
Beith, L.
Benjamin, B.
Berkeley, L.
Berkeley of Knighton, L.
Best, L.
Bhatia, L.
Bilimoria, L.
Blunkett, L.
Boateng, L.
Bonham-Carter of Yarnbury, B.
Borrie, L.
Bowles of Berkhamsted, B.
Bradshaw, L.
Bragg, L.
Brennan, L.
Brinton, B.
Brooke of Alverthorpe, L.
Brookman, L.
Browne of Belmont, L.
Bruce of Bennachie, L.
Burt of Solihull, B.
Campbell of Pittenweem, L.
Campbell of Surbiton, B.
Campbell-Savours, L.
Carlisle, Bp.
Carter of Coles, L.
Cashman, L.
Chandos, V.
Chester, Bp.
Chidgey, L.
Clancarty, E.
Clark of Windermere, L.
Clement-Jones, L.
Clinton-Davis, L.
Collins of Highbury, L.
Colville of Culross, V.
Condon, L.
Corston, B.
Cotter, L.
Coussins, B.
Craigavon, V.
Crawley, B.
Cromwell, L.
Cunningham of Felling, L.
Darling of Roulanish, L.
Davies of Oldham, L.
Dean of Thornton-le-Fylde, B.
Dholakia, L.
Donaghy, B.
Donoughue, L.
Doocey, B.
Drake, B.
Dubs, L.
Durham, Bp.
Dykes, L.
Eames, L.
Elder, L.
Erroll, E.
Falkland, V.
Farrington of Ribbleton, B.
Faulkner of Worcester, L.
Featherstone, B.
Finlay of Llandaff, B.
Foster of Bath, L.
Foster of Bishop Auckland, L.
Fox, L.
Freyberg, L.
Gale, B.
Garden of Frognal, B.
German, L.
Giddens, L.
Glasman, L.
Golding, B.
Gordon of Strathblane, L.
Goudie, B.
Gould of Potternewton, B.
Greaves, L.
Grender, B.
Grey-Thompson, B.
Griffiths of Burry Port, L.
Grocott, L.
Hain, L.
Hameed, L.
Hamwee, B.
Hannay of Chiswick, L.
Hanworth, V.
Harris of Haringey, L.
Harris of Richmond, B.
Hart of Chilton, L.
Haworth, L.
Hayter of Kentish Town, B.
Healy of Primrose Hill, B.
Hollick, L.
Hollins, B.
Hollis of Heigham, B.
Howarth of Newport, L.
Howe of Idlicote, B.
Howells of St Davids, B.
Howie of Troon, L.
Hoyle, L.
Hughes of Woodside, L.
Humphreys, B.
Hunt of Chesterton, L.
Hunt of Kings Heath, L.
Hussain, L.
Hussein-Ece, B.
Irvine of Lairg, L.
Janke, B.
Jay of Ewelme, L.
Jay of Paddington, B.
Jones, L.
Jones of Cheltenham, L.
Jones of Whitchurch, B.
Jowell, B.
Judd, L.
Kennedy of Cradley, B.
Kennedy of Southwark, L.
Kerr of Kinlochard, L.
Kilclooney, L.
King of Bow, B.
Kinnock, L.
Kinnock of Holyhead, B.
Kinnoull, E.
Kirkhill, L.
Kirkwood of Kirkhope, L.
Kramer, B.
Lane-Fox of Soho, B.
Lawrence of Clarendon, B.
Layard, L.
Lea of Crondall, L.
Lee of Trafford, L.
Lennie, L.
Lester of Herne Hill, L.
Liddle, L.
Linklater of Butterstone, B.
Lipsey, L.
Lister of Burtersett, B.
Livermore, L.
Loomba, L.
Low of Dalston, L.
Ludford, B.
McAvoy, L.
Macdonald of Tradeston, L.
McIntosh of Hudnall, B.
MacKenzie of Culkein, L.
McKenzie of Luton, L.
McNally, L.
Maddock, B.
Mallalieu, B.
Mandelson, L.
Manzoor, B.
Masham of Ilton, B.
Maxton, L.
Meacher, B. [Teller]
Mendelsohn, L.
Miller of Chilthorne Domer, B.
Mitchell, L.
Morgan of Drefelin, B.
Morgan of Ely, B.
Morris of Aberavon, L.
Morris of Handsworth, L.
Morris of Yardley, B.
Murphy of Torfaen, L.
Newby, L.
Northbourne, L.
Northover, B.
Nye, B.
Oates, L.
O'Neill of Bengarve, B.
O'Neill of Clackmannan, L.
Oxford and Asquith, E.
Paddick, L.
Palmer of Childs Hill, L.
Patel, L. [Teller]
Patel of Bradford, L.
Pendry, L.
Pitkeathley, B.
Plant of Highfield, L.
Portsmouth, Bp.
Prosser, B.
Purvis of Tweed, L.
Radice, L.
Ramsay of Cartvale, B.
Ramsbotham, L.
Randerson, B.
Razzall, L.
Rea, L.
Rebuck, B.
Redesdale, L.
Rees of Ludlow, L.
Reid of Cardowan, L.
Rennard, L.
Richard, L.
Roberts of Llandudno, L.
Robertson of Port Ellen, L.
Rodgers of Quarry Bank, L.
Rooker, L.
Rosser, L.
Rowe-Beddoe, L.
Rowlands, L.
Royall of Blaisdon, B.
St Albans, Bp.
St John of Bletso, L.
Sandwich, E.
Sawyer, L.
Scotland of Asthal, B.
Scott of Needham Market, B.
Sharkey, L.
Sharp of Guildford, B.
Sheehan, B.
Sherlock, B.
Shipley, L.
Slim, V.
Smith of Basildon, B.
Smith of Gilmorehill, B.
Smith of Newnham, B.
Snape, L.
Soley, L.
Steel of Aikwood, L.
Stephen, L.
Stern, B.
Stevenson of Balmacara, L.
Stoddart of Swindon, L.
Stone of Blackheath, L.
Stoneham of Droxford, L.
Storey, L.
Strasburger, L.
Stunell, L.
Suttie, B.
Taverne, L.
Taylor of Blackburn, L.
Taylor of Bolton, B.
Taylor of Goss Moor, L.
Temple-Morris, L.
Teverson, L.
Thomas of Gresford, L.
Thomas of Winchester, B.

Thornton, B.
Thurlow, L.
Tomlinson, L.
Tope, L.
Tunnicliffe, L.
Turnberg, L.
Tyler, L.
Tyler of Enfield, B.
Verjee, L.
Wall of New Barnet, B.
Wallace of Saltaire, L.
Wallace of Tankerness, L.
Walmsley, B.
Walpole, L.
Warner, L.
Warwick of Undercliffe, B.
Watson of Invergowrie, L.
Watts, L.
West of Spithead, L.
Wheeler, B.
Whitaker, B.
Whitty, L.
Wigley, L.
Williams of Elvel, L.
Willis of Knaresborough, L.
Wood of Anfield, L.
Worcester, Bp.
Worthington, B.
Young of Hornsey, B.
Young of Norwood Green, L.
Young of Old Scone, B.

NOT CONTENTS

Ahmad of Wimbledon, L.
Altmann, B.
Anelay of St Johns, B.
Arbuthnot of Edrom, L.
Armstrong of Ilminster, L.
Arran, E.
Ashton of Hyde, L.
Astor, V.
Astor of Hever, L.
Attlee, E.
Baker of Dorking, L.
Balfe, L.
Barker of Battle, L.
Bates, L.
Bell, L.
Berridge, B.
Black of Brentwood, L.
Borwick, L.
Bottomley of Nettlestone, B.
Bourne of Aberystwyth, L.
Bowness, L.
Boyce, L.
Brabazon of Tara, L.
Brady, B.
Bridges of Headley, L.
Brougham and Vaux, L.
Caithness, E.
Carrington of Fulham, L.
Cathcart, E.
Cavendish of Furness, L.
Chalker of Wallasey, B.
Chisholm of Owlpen, B.
Colwyn, L.
Cooper of Windrush, L.
Cope of Berkeley, L.
Cormack, L.
Courtown, E.
Crathorne, L.
Crickhowell, L.
Cumberlege, B.
Dannatt, L.
De Mauley, L.
Deben, L.
Deighton, L.
Denham, L.
Dixon-Smith, L.
Dobbs, L.
Dunlop, L.
Eaton, B.
Eccles, V.
Elton, L.
Evans of Bowes Park, B.
Fall, B.
Farmer, L.
Faulks, L.
Feldman of Elstree, L.
Fellowes of West Stafford, L.
Fink, L.
Finkelstein, L.
Finn, B.
Fookes, B.
Forsyth of Drumlean, L.
Fowler, L.
Framlingham, L.
Freeman, L.
Freud, L.
Gardiner of Kimble, L. [Teller]
Gardner of Parkes, B.
Garel-Jones, L.
Geddes, L.
Gilbert of Panteg, L.
Glenarthur, L.
Goldie, B.
Goodlad, L.
Goschen, V.
Grade of Yarmouth, L.
Greenway, L.
Griffiths of Fforestfach, L.
Hailsham, V.
Harding of Winscombe, B.
Harris of Peckham, L.
Hayward, L.
Helic, B.
Henley, L.
Heyhoe Flint, B.
Higgins, L.
Hodgson of Abinger, B.
Hodgson of Astley Abbotts, L.
Holmes of Richmond, L.
Home, E.
Hooper, B.
Horam, L.
Howard of Lympne, L.
Howard of Rising, L.
Howe, E.
Howell of Guildford, L.
Hunt of Wirral, L.
Inglewood, L.
James of Blackheath, L.
Jenkin of Kennington, B.
Jopling, L.
Keen of Elie, L.
King of Bridgwater, L.
Kirkham, L.
Knight of Collingtree, B.
Lamont of Lerwick, L.
Lang of Monkton, L.
Lansley, L.
Lawson of Blaby, L.
Leigh of Hurley, L.
Lexden, L.
Lingfield, L.
Liverpool, E.
Livingston of Parkhead, L.
Lupton, L.
Lyell, L.
McColl of Dulwich, L.
MacGregor of Pulham Market, L.
McGregor-Smith, B.
McIntosh of Pickering, B.
Mackay of Clashfern, L.
Magan of Castletown, L.
Maginnis of Drumglass, L.
Marlesford, L.
Mawhinney, L.
Mobarik, B.
Mone, B.
Moore of Lower Marsh, L.
Morris of Bolton, B.
Moynihan, L.
Naseby, L.
Nash, L.
Neville-Jones, B.
Newlove, B.
Noakes, B.
Northbrook, L.
Norton of Louth, L.
O'Cathain, B.
O'Neill of Gatley, L.
O'Shaughnessy, L.
Palumbo, L.
Pannick, L.
Patten, L.
Patten of Barnes, L.
Pidding, B.
Plumb, L.
Polak, L.
Popat, L.
Porter of Spalding, L.
Prior of Brampton, L.
Redfern, B.
Renfrew of Kaimsthorn, L.
Ridley, V.
Risby, L.
Robathan, L.
Rock, B.
Sanderson of Bowden, L.
Sassoon, L.
Scott of Bybrook, B.
Seccombe, B.
Selborne, E.
Selkirk of Douglas, L.
Selsdon, L.
Shackleton of Belgravia, B.
Sharples, B.
Sheikh, L.
Shephard of Northwold, B.
Sherbourne of Didsbury, L.
Shields, B.
Shrewsbury, E.
Smith of Hindhead, L.
Somerset, D.
Spicer, L.
Stedman-Scott, B.
Sterling of Plaistow, L.
Stowell of Beeston, B.
Strathclyde, L.
Stroud, B.
Suri, L.
Taylor of Holbeach, L. [Teller]
Tebbit, L.
Trefgarne, L.
Trenchard, V.
Trimble, L.
True, L.
Tugendhat, L.
Ullswater, V.
Verma, B.
Wakeham, L.
Warsi, B.
Wasserman, L.
Wheatcroft, B.
Whitby, L.
Willetts, L.
Williams of Trafford, B.
Young of Cookham, L.
Young of Graffham, L.
Younger of Leckie, V.

6.21 pm

Amendments 42 and 43 not moved.

Clause 14: Universal credit: limited capability for work element

Amendment 44

Moved by ***Lord Low of Dalston***

44: Clause 14, leave out Clause 14

Amendment 44 agreed.

Clause 15: Universal credit: work-related requirements

Amendment 44A

Moved by ***Baroness Lister of Burtersett***

44A: Clause 15, page 14, line 30, at end insert—

"( ) in section 14 (claimant commitment) after subsection (5) insert—

"(6) In preparing a claimant commitment for a claimant, the Secretary of State shall have regard (so far as is practicable) to its impact on the wellbeing of any child who may be affected by it.""

Baroness Lister of Burtersett: My Lords, Amendment 44A is in my name and the name of the noble Baroness, Lady Manzoor, who tabled a similar amendment in Committee. We return to the issue because we were not satisfied with the response in Committee to what we believe is a strong case for explicitly writing into the claimant commitment a provision to ensure that regard is had to the best interests of any child cared for by the claimant, in line with Article 3.1 of the UN Convention on the Rights of the Child. Thus the aim of the amendment is to ensure that the well-being of any child is taken into account when a job coach agrees a claimant commitment, which records a claimant's responsibilities and the agreed actions that they will take to seek and find work. This is something that the Office of the Children's Commissioner has pressed for as well.

The other reason for returning to the issue is to ask what has happened to a similar provision that was inserted into the Welfare Reform Act 2009, as Section 31, during its passage through your Lordships' House. I am sure that my noble friend Lord McKenzie will talk about this as well, because he was responsible for adding that section in response to a series of amendments from the noble Lord, Lord Northbourne, which had the support of the Conservative Opposition, whose spokesperson was the noble Lord, Lord Skelmersdale. The noble Lord, Lord Skelmersdale, made a very telling point:

"A work action plan would not be worth its salt if it harmed a participant's children in some way, through unsuitable hours or a lack of suitable childcare. I suspect that the Minister will resist these amendments by saying that of course we would expect any back-to-work plan to take into account the needs of children. If that is so, he should not be afraid to accept these amendments, or ones very similar to them, as a confirmation of that".—[*Official Report*, 11/6/09; col. GC 167-8.]

I am tempted to leave it there and say, "I rest my case, my Lords". However, there is a bit more to be said, and before turning to today's amendment, I want to ask the Minister why Section 31 has not yet been brought into force seven years later. When Emily Thornberry MP asked a Question about this recently in the other place, the Employment Minister responded:

"There are no current plans to bring into force Section 31 of the Welfare Reform Act 2009".

Why not? The case for it is all the stronger today, as conditionality has been ratcheted up with its gradual extension to parents with ever younger children, so that under this Bill parents of children aged three will be expected to move into paid work.

When we debated a similar amendment in Committee, the noble Baroness replied pretty much on the line anticipated by the noble Lord, Lord Skelmersdale, back in 2009. She painted a rather idealised picture of the kind of conversation that work coaches have with claimants, not recognised by organisations such as Gingerbread working in the field. I should say here that I am grateful to Gingerbread for its help with this amendment. She suggested that the aim of the amendment was,

"achievable through existing legislation and it would be unduly burdensome to set out this level of detail in primary legislation".—[*Official Report*, 9/12/15; col. 1664.]

However, this is not about some technical detail; it is about a basic principle enshrined in the UN Convention on the Rights of the Child, to which the Government have signed up. In what way is it burdensome? The implication is that it would be burdensome for job coaches always to ensure that regard is had for a child's well-being. To repeat what the noble Lord, Lord Skelmersdale, said, a claimant commitment,

"would not be worth its salt if it harmed a participant's children in some way",

for instance, through unsuitable hours or unaffordable or inaccessible childcare. I know that Ministers think that parental paid work is intrinsically in the best interests of children, but, as I said in Committee, the evidence from academic work is actually more nuanced than that. The evidence also shows that the existing guidance for parents of young children is too often not followed.

The noble Baroness, Lady Meacher, spoke in support of what became Section 31 during the 2009 debate. She was also part of a 2015 inquiry into women on jobseeker's allowance, the launch of which I attended. That found evidence of divergence from the guidance in the claimant commitment that parents were asked to sign. This included a survey of lone parents that found that nearly a third of them stated that their commitment was written entirely by their adviser without any input from them and did not take account of their need also to care for their child. It is a common theme on Gingerbread's helpline each month that parents of young children have been given inappropriate instruction that did not take account of the well-being of their children.

I will give just three examples from within the past six months. A parent with a two year-old child was wrongly told by her adviser that she needed to look for paid work. She is currently not required to do that until her child is five. A mother of a five year-old child had to sign a claimant commitment to say that she had to look for full-time work. She should have been able to look for work during school hours only. A caller with a 20 month-old child was wrongly told by her adviser at the jobcentre that she had to look for work or do courses, or her benefit would stop. These are just examples of what we described in Committee as the "parallel universe" occupied by claimants and their advisers on the ground, so different from the one described by Ministers.

The noble Baroness the Minister also said:

"It would also not be fair only to prescribe that claimant commitments must contain information relating to the well-being of children".—[*Official Report*, 9/12/15; col. 1664.]

Could she expand on that, please? In what way would it not be fair to ensure that regard is had to the well-being of children in drawing up a claimant commitment? The intention is not that the commitment has to contain information about any child's well-being; we are not looking for a survey of how children are doing, or the kind of survey that my noble friend Lord McKenzie was talking about the other day in relation to well-being. It just needs to show that regard has been had to it in a way that was clearly not the case in the examples cited.

Once more I refer back to the question posed by the noble Lord, Lord Skelmersdale, when he was speaking for the Conservative Opposition: why, if a child's well-being is being taken into account by work coaches

during the drafting of agreements, would the Minister be afraid to have this written into legislation? I urge the department to bring Section 31 of the Welfare Reform Act 2009 into force without further delay and to accept this amendment, or bring forward a similar amendment, at Third Reading. I beg to move.

6.30 pm

Baroness Manzoor: My Lords, I support the noble Baroness, Lady Lister, on this amendment. Once again, we had a very good debate in Committee, and, in her usual fashion, the noble Baroness has laid out a very comprehensive argument with which I concur absolutely. I can therefore add very little to that argument except to press the Minister again to say why the well-being of children is not being factored in when it already has been. For noble Lords who were not in the Chamber earlier, I will read what the amendment says. This is all is says—which is why I have difficulty in understanding why it cannot be in the Bill. The amendment states:

"In preparing a claimant commitment for a claimant, the Secretary of State shall have regard (so far as is practicable) to its impact on the wellbeing of any child who may be affected by it".

What is so wrong with that?

The Earl of Listowel: My Lords, I will briefly support this amendment. Before doing so, however, I have not had an opportunity to thank the noble Lord, the Minister's colleague, for the assurance and commitment that adoptive parents, kinship carers and others will be kept out of the two-parent limit. I was very grateful to hear that from him.

The amendment, which I support, brings to mind two questions. If a child has had, for instance, pneumonia, and subsequently gets ill on a regular basis, what mechanism is in place to allow for the fact that the child has been and continues to be unwell on a periodic basis, which will allow the parent to give the child the care they need to recover fully from this issue?

The other question—perhaps I am stretching a little—is with regard to dealing with mental health. There has been a great deal of concern about perinatal mental health, and clearly this is an opportunity to spot perinatal mental ill health, including post-natal depression, and to do something about it. I may have missed other debates during the course of the Bill—perhaps the Minister can refer me to them or just drop me a line—but I know that information about the health of welfare claimants cannot be shared with the health service directly. Are the Government thinking of doing what they do in police stations, which is to station a mental health professional in the jobcentre itself so that they can help spot any issues of this kind and ensure that the parent and child get the support they need to deal with that?

Baroness Meacher: My Lords, I will contribute briefly to this debate in support of the amendment. The issue here is that we are in a very different benefits culture from the one we had maybe until 2010—I am not sure when exactly. The point is that the claimant commitment is the basis for sanctioning. If a parent fails to comply with a claimant commitment, that is when they will be sanctioned. If the claimant commitment is completely unrealistic and the parent cannot comply with it—for example, if it requires the parent to travel 90 minutes each way and they manage to have childcare for only five or six hours a day, or whatever it is—it will be physically impossible for them to satisfy that claimant commitment.

We know, certainly from the Fawcett Society inquiry I was involved with, that there is quite a need for training for these staff. That of course goes back for as long as I have ever been involved with welfare matters, which is probably some 40 years. Staff are very poorly paid, they tend to be rather inadequately trained and there is always a rapid turnover of staff, so you always have new staff who are trying to learn the rules, and so on. So this claimant commitment takes on a far greater significance in this day and age than it would have done 30 or 40 years ago.

That is why I ask the Government to take this very seriously. They need to accept that they have low-paid staff, a rapid turnover, poor training, and therefore that sanctions happen utterly inappropriately. The claimant commitments are wildly unrealistic in the experience of the inquiry I was involved with, which is very dangerous for the children. The parent goes along on a Friday to pick up their benefit and is told, "Oh, sorry"—or probably not even "sorry"—"your benefit has been stopped". Is there any supper for the children? No, sorry, no food in the house—and so on. It is very serious for children affected by sanctions following the claimant commitment. That is why, although this sounds like a fairly innocuous amendment, believe me, it is very important.

Lord McKenzie of Luton: My Lords, I agree wholeheartedly with this amendment. It would be difficult to do otherwise because, as my noble friend reminded us, I moved a parallel amendment to what became the Welfare Reform Act 2009 when we were in government. When one looks back at legislation one has been responsible for there is always a moment of trepidation, but we are on safe ground in this case. Those were the days when the noble Lords, Lord Skelmersdale and Lord Northbourne, were heavily involved in our debates. Having said that—and I underline the importance that the noble Baroness, Lady Meacher, has placed on this amendment—it is slightly disconcerting to understand that one's labours at the Dispatch Box all those years ago have lain dormant and fallow, so I press the Minister to say why it has not been introduced.

Baroness Evans of Bowes Park (Con): My Lords, this amendment, tabled by the noble Baronesses, Lady Lister and Lady Manzoor, seeks to set into primary legislation a requirement for the Secretary of State, when preparing a claimant commitment, to have regard to the impact on any child affected by it. I fully support the principle that requirements should be adjusted according to individuals' personal circumstances, including the well-being of any children for whom the claimant is responsible. However, this amendment proposes to unnecessarily prescribe the contents of the claimant commitment in the Welfare Reform Act 2012. During discussions with individuals, work coaches already take into account all the personal circumstances relevant to both claimant and child when agreeing work-related activities. We continually review the operation

[Baroness Evans of Bowes Park]
of the claimant commitment and will act on anything we find that can be improved. Claimants can request a review of their claimant commitment if they have concerns.

On the question asked by the noble Baroness, Lady Lister, about Section 31 of the 2009 Act, it applies to JSA and ESA, not universal credit. As part of the claimant commitment, parents can input into the contents of the commitment within universal credit.

We are very clear about the importance of our responsibilities with regard to the well-being of children. Regulations 98 and 99 cover the circumstances in which all or some requirements should be suspended for a temporary period, which includes circumstances in which a parent has to spend time caring for a child in distress or if they are in the kind of situation which the noble Earl, Lord Listowel, talked about. The number of hours a claimant is expected to spend carrying out work-related activity is also tailored so as to be compatible with the claimant's individual childcare responsibilities.

These reasonable requirements, including any limiting or lifting and the reasons for this, are recorded within the claimant commitment. The amendment does not specify that it applies to the responsible care of a child; it refers to "any child", which would make it extremely difficult to determine which children are being referred to other than those within the claimant's responsibility. This would make it difficult for jobcentres to effectively administer.

The key principle of the claimant commitment is that we treat people as individuals and tailor their requirements accordingly. We have chosen not to prescribe in legislation what a claimant commitment should take account of in order that we can reflect all the possible circumstances people can present with. It would be too prescriptive to single out one element—the well-being of a child—and legislate that claimant commitments must contain this information. It would not be practical to prescribe everything a claimant commitment should contain—we want to take account of a broad range of circumstances.

We know that developing a skilled workforce is key to realising the flexibilities that we have built into the legislative framework of universal credit. We want to empower our work coaches to use this broad discretion to make sound decisions that are right for the individual in front of them. As the noble Baroness said, I talked at length about the work under way to invest in learning and development of our front-line staff, including the work coach delivery model and accreditation. I did that because I wanted to stress the importance we place on making sure that work coaches are trained and that they use their discretion to the benefit of the families they work with. I emphasised that element because I wanted to stress to noble Lords that we take that very seriously.

Existing legislation already enables us to take account of the well-being of children when setting a claimant commitment; it is something that work coaches routinely do. Therefore we do not believe that it is necessary to set out this level of detail in primary legislation. I hope that on that basis the noble Baroness will withdraw the amendment.

Baroness Lister of Burtersett: My Lords, I am grateful to all noble Lords who have spoken. The noble Baroness, Lady Manzoor, asked what there is to object to. It is a good question. The noble Earl, Lord Listowel, gave a very good example of what happens when a child is unwell. But the noble Baroness, Lady Meacher, in a sense finished off the argument by talking about the implications of the well-being of the child not being taken into account in a culture where many people are sanctioned—and, as the evidence from her inquiry showed, sometimes sanctioned for the wrong reasons.

I am again disappointed by the Minister's response. It seemed simply to repeat the arguments that were made in Committee and did not really engage with the counter-arguments that I put. She said that Section 31 applies to JSA ESA. Yes, many lone parents are still claiming those benefits and will be for some time. As we know, universal credit is being rolled out slowly and the more complicated cases will move on to it more slowly, so why is it not being introduced in the mean time? I find it very sad that the good work of my noble friend Lord McKenzie is gathering dust. In fact, it was the good work done by the noble Lord, Lord Northbourne, that started it all, because it was his amendments that triggered this section, but nothing has happened. Therefore, I am afraid that the fact that it is JSA ESA is irrelevant.

This is not just one other detail; the best interests of the child is a fundamental principle that policy-making and legislation is supposed to have regard to in this country, or in any country that has signed up to the UN convention. So I am disappointed. Again, we have evidence of a sort of parallel universe where all the wonderful conversations are being had. It is excellent that the training is happening and I welcome that. However, as I understand it, when lone parents had bespoke advisers who understood the issues, rather than generic job coaches, they tended to be treated much better than they are now.

The helplines of organisations such as Gingerbread are constantly showing that the best interests of the child are not being taken into account. When this Bill is out of the way, I wonder whether the noble Lord or the noble Baroness would be willing to meet those organisations to talk about why there is this difference in perception, and perhaps we could have another look at Section 31.

Baroness Evans of Bowes Park: I shall be very happy to meet them.

Baroness Lister of Burtersett: I very much appreciate that. On that basis, I beg leave to withdraw the amendment.

Amendment 44A withdrawn.

Amendment 45

Moved by ***Baroness Manzoor***

45: After Clause 15, insert the following new Clause—

"Universal Credit (Work Allowance)

The Universal Credit (Work Allowance) Amendment Regulations 2015 are repealed."

Baroness Manzoor: My Lords, I have tabled this new clause because I think it is fundamentally important. Noble Lords will recollect that Members of all parties and none were pleased when the Chancellor dropped his plans to cut tax credits. That happened only because of the pressure put upon him by this House.

I have put down this amendment because the universal credit changes are identical to the tax credit changes, so the arguments are almost identical. Although the universal credit changes come in later and will affect the flow, not the stock, of claimants, they will have exactly the same effect as the tax credit cuts. This impact has been confirmed both in the Red Book and by the Institute for Fiscal Studies, which says that the tax credit cuts will, in the long run, make no difference, as the cuts to universal credit will affect the very same people. On average, low-income working people will lose £1,000—again echoing the tax credit cuts.

6.45 pm

These changes are immensely troubling for a number of reasons. First, these cuts, as with tax credits, will hit low-income working people. They undermine the principal reason for creating universal credit—to ensure that work always pays. This has been a principle that the Chancellor has never really supported. During the coalition, Nick Clegg, among others, worked very hard to block attempts by the Chancellor to change the withdrawal rate in universal credit, yet the changes to which this amendment relates show that the Chancellor has now got his way. That should be deeply concerning for everyone who supports the aims of universal credit.

The second reason is that the changes will mean that, for the first time, universal credit will bring about an additional cut in people's benefits. It will not be, as was originally envisaged, a mechanism to make low-income working people better off. According to the IFS, these changes will mean that, in total, 2.6 million working families will lose an average of £1,600 a year, compared with only 1.9 million gaining an average of £1,400. That is a long way from the proposals set out in the original plans for universal credit.

The third reason is the way these cuts will impact on families. As I said, the universal credit cuts will affect the flow of new claimants, not the stock of existing claimants or those migrated on to universal credit. However, the cuts will affect those who, having been migrated on to universal credit, see a change in their circumstances, and this is where, from our perspective, one of the nastiest points of the policy arises.

As I said in Committee, a change of circumstance can mean a change in the household make-up, including a new partner. That means that a single parent who finds a new partner and decides to become a two-parent family will lose a notional entitlement of around £1,000 in their benefit. We hear a lot from members of this Government about the benefits of two-parent families, but this change to universal credit amounts to a disincentive to that. What is more, regardless of the merits of two-parent families, the change acts as a disincentive to someone finding a new partner. Essentially, it amounts to what can only be described as a penalty on love—a "love tax". How can we countenance a benefits system that provides such perverse incentives? Surely we cannot.

Turning from the impact of the cuts to the nature of the amendment, I am aware that some will say that it bears a relation to the vote that I instigated in this House to reject the mirroring statutory instrument on tax credits. While I and my noble friends on these Benches still believe that that was the right thing to do, as I said at the time, I did not discount the views of those who did not want to use the power of this House to decline to approve a statutory instrument on that occasion.

However, this amendment is not a Motion to decline or approve; it is an amendment to a Bill. It is perfectly right and reasonable for this House to consider an amendment to change or repeal regulations in the same way that we would consider any other amendment. Should this House agree to the amendment, as I hope it will, it would not kill off the regulations but would simply ask the Commons to consider its position, as is the role of this House. We would be doing our job in scrutinising. To be clear, this amendment is not a constitutional issue. For me and my colleagues on these Benches, it is purely one of principle—on the impact of the cuts to universal credit.

It is possible that we may also hear from the Minister about the cost of such a change. It is true that the amendment would have a high price tag, and it may be that the Commons would consider it financially privileged. However, if the Chancellor wisely accepted the principle of the arguments made in this House about tax credits, surely the principle of the argument against the same cuts but for the longer term must also stand—there would be no logic otherwise. If making work pay is a point of principle then the savings from this cut are surely not the issue. Universal credit was intended to enable those who wanted to get off benefits and into work to do so without losing out.

In a week when it has been revealed that large corporations have been allowed certain freedoms, it runs rather contrary that the Government want to interfere with the private lives and finances of hard-working people on low incomes.

Finally, I want to address the Labour Party and its Amendment 46A. I am deeply disappointed in that amendment. I have the utmost respect for the Labour Party's Front Bench, but Amendment 46A is barely a shrivelled fig leaf. It asks for a review of the impact of these cuts. We know the impact: the Budget scores the savings, the IFS confirms the impact, and the NGOs and others have identified how it will affect people. Either you agree with this cut going ahead or you do not. Seeking a review to determine what we already know adds nothing and simply wastes valuable resources.

As I have said, reasonable objections to voting down a statutory instrument, which may have been the reason for Labour's reticence to support our amendment previously, do not apply today given that this is simply an amendment to the Bill. I am therefore at a loss to understand why there would be objections to our amendment—unless the Labour Party simply supports the Government's cut to universal credit. I ask everyone in the House to support this amendment in the Lobbies tonight and challenge the Government's clear error of judgment over universal credit. The Chancellor got it right when he overturned the previous decision, and

[Baroness Manzoor]
we can do the same again today. Not doing so must surely be seen as a derogation of our duty to all those who will be affected by these cuts. I beg to move.

Lord Kirkwood of Kirkhope (LD): My Lords, I will add just a word to my noble friend's excellent speech. I want to do three things: look at the context, share some new analytical evidence that I have just had access to and, finally, talk about the relationship between Amendments 45 and 46A.

For me, this is a significant moment for universal credit. I am determined to do everything in my power to bring universal credit to a successful, sustainable position if it is the last thing I do before I go to the great Parliament in the sky. This is an important moment. What we are arguing about is part of the strategic balance in the architecture of the system. I believe that the Chancellor, who is fully focused on the public finances, as perhaps Chancellors have to be, is completely blind to family budgets. That is evident in the way that he has been seeking some of the necessary public savings. I know that the Minister is completely innocent in terms of any of these changes. My spies are everywhere, and they actually give him quite high marks. One only had to read the newspapers over the late autumn, sensitively and between the lines, to know that we could have been facing rates of change to the reduction in the benefit of not just 65% but 75%. I believe that to be true and believe that the Minister was responsible for stopping that happening. I am deeply grateful for that. If that had happened, I would have given up any further attempt to make this policy work at all.

We are talking about work allowances and how they fit into the system. We have to get this sorted out once and for all, because although people have been told this before, I believe that in the 2016 fiscal year we will see a massive scaling up of universal credit, not just across all the job centres but in terms of the categories and numbers of claimants that will be admitted. I am anxious that that should happen. However, I make the point that there are a lot of problems waiting on the other side of that, which we know about and have been working on. We have to get the architecture right before the scale-up starts, and work allowances are an essential ingredient.

My noble friend's amendment actually works with the grain of government policy much better than the Chancellor's proposal does. The universal credit, making work pay and work incentive momentum will be significantly reduced if these work allowances are reduced in the way that is being suggested.

We are able now to start to look at some of the impacts on universal credit recipients as the rollout moves on. I will very briefly sketch through some analysis I have seen from Policy in Practice, a group of people whose judgment I trust. It has done some forecasting of the effects of the impact of universal credit on recipients. The analysis makes three points. First, with no mitigation plan in place for people currently on universal credit, all households in work and on universal credit in April 2016 can expect to be worse off as a result of reduced work allowances. It estimates that 96,000 households in work will be worse off by April 2016. I see the wrinkling of a ministerial nose already. I know that this is the Minister's territory and I am sure that he will want to look at some of these figures, but that is what I am told and I am reading it as accurately as I can.

The second worrying point raised by the Policy in Practice analysis, and with an indirect relationship to the work allowances changes, is the finding that taking into account the national living wage and higher personal allowance—that is, the government package—35% of universal credit recipients will be worse off in 2020 without transitional protection. If that is anything like true, we should be worried.

Even more interestingly, and perhaps more worryingly, the third conclusion of the analysis is that households that are worse off under universal credit would need to work additional hours in order to not be worse off from these changes. Policy in Practice's current best estimate puts the combined figure at an additional 10 million hours each week across the United Kingdom that would need to be found and worked before people could protect their income in the long run. Worse than that, it then goes on to say that, at the same time, cuts to work allowances will limit the dynamic effect of universal credit by up to 2.5 million hours each week, and that is on top of the OBR estimate that the national living wage will reduce the weekly hours available by a further 1.8 million hours each week.

If you combine these factors, we are looking at the possibility of making it more difficult for households to make up their shortfall by working additional hours. I am sure that that will all be tested in due course when the figures are made available. However, that is the scale of the challenge that we may be facing as a result of some of these work allowance changes. I am certainly concerned that this is a significant change that we need to think about very carefully.

7 pm

We will be looking across the House for support—my noble friend adverted to this—but my spies in the Labour Party tell me that it might be setting its face against this amendment should my noble friend wish to test the opinion of the House. I find that surprising, if it is true, because I made a point of following the excellent speech made by Emily Thornberry on 19 November 2015 in the House of Commons First Delegated Legislation Committee. Ms Thornberry is obviously a rising star because she is now shadow Secretary of State for Defence. In her excellent speech she confessed that she cannot put IKEA BILLY bookcases together, which might be slightly worrying in someone who might be running the defences of the country. However, I have sympathy with her because I could not either.

Ms Thornberry made an important speech. She was trying to resist exactly the same regulations that are the subject of my noble friend's amendment. She started by saying that the Opposition do not support the regulations. These are the same regulations and that was on 19 November. She made a truly excellent speech—I could not have made a better one myself—in which she rehearsed the history and talked about the 2009 CSJ version of dynamic benefits, which was the

forerunner to universal credit. She described it as the "Old Testament" of universal credit. I am not sure about that; I will need to ask my minister at the weekend. She went on to look at the 2010 version of the White Paper. She supported that and a more generous disregard because she thought it would make work pay. She said that these regulations would turn the "disregard making work pay" argument on its head. She complained effectively, as we have here, as I have myself, about the lack of adequate impact assessment. She referred to the consequences, with special reference to single parents, and we heard something about that in the earlier stages of the Bill. She cited extensively and effectively from a range of expert organisations in support of her case that these regulations were not sensible. She ended with a sentence which says it all:

"These cuts will not be passed unchallenged. The Opposition will be voting against them today".—[*Official Report*, Commons, First Delegated Legislation Committee, 19/11/15; col. 6.]

My question to the Labour Front Bench is this: if that was its position on 19 November, what is its position today? Having given consideration to these two amendments together, I believe that Amendment 45 is more strategically significant and important than Amendment 46A.

I speak only for myself but if the Labour Party is not going to support my noble friend if she presses Amendment 45, that would be deeply disappointing. It is not for me to tell the Labour Party how to vote but its Front Bench can be asked about what has changed since 19 November and whether it changes the approach that the Labour group will be taking on work allowances in UC in future. That, for me, is the significant question contained in these amendments.

Constructive opposition is not the exclusive prerogative of any opposition party on its own. Some procedural give and take would add value to collective opposition and would make the constructive opposition that we try to deploy in this House more effective. It is on that basis that, of the two amendments Amendment 45 is by far the most significant. I will be delighted if my noble friend presses it to a Division and I will follow her happily into the Lobbies.

Lord Oates (LD): My Lords, I support the amendment of my noble friend Lady Manzoor. One day before I entered this House the Government were defeated on tax credits. The Government were very upset but conceded the issue. Except that they did not—they found another way to cut support for hard-working people on low incomes. It was a more obscure way and they hoped that we would not notice it and that their attempts to bully this House might make us kow-tow.

As my noble friends Lady Manzoor and Lord Kirkwood have set out, these changes to UC have similar impacts on the same people as the tax credit changes. The Liberal Democrats strongly supported universal credit in government because we believed that it would increase work incentives. I am sure that the Secretary of State will be as dismayed as we are that his UC policy is being so consistently undermined by the Chancellor. I am sorry that we are not there any more to help resist that but we shall do so in this Chamber. If we opposed the tax credit changes, it is beyond me why we would not oppose these changes.

The Government have no mandate for the changes—quite the contrary. The Conservative manifesto says that the aim of welfare reform should be to reward hard work and protect the vulnerable. The changes in regulations do the opposite. Not only do they have no mandate, their manifesto requires that they should oppose such changes.

It would be great if Peers on the Benches opposite were to support us—although that may be rather hopeful—but, if they are not willing to do so, they should not trouble themselves to make protestations to the public that they are on the side of the working poor. I await with interest to hear the position of the Official Opposition. I hope that Labour Peers will support us and that, if they were planning not to, they will reconsider. What is the point of all the controversy and antagonism that took place over the tax credits votes if, only three months later, we allow measures that impact on the same people in a similar way to go through? If Labour does not support us through the same opposition that it showed in the House of Commons, as my noble friend Lord Kirkwood pointed out, there will not be any point in it weeping tears of regret when the impact of these measures comes to be felt by the public. It will not be able to wash away its failure to stand with us tonight and to stand up for working people.

Baroness Sherlock: My Lords, Amendment 46A, in my name and that of my noble friend Lady Hollis, would require the Government to produce and lay before Parliament a report assessing the impact on work incentives of the Universal Credit (Work Allowance) Amendment Regulations 2015, which passed through Parliament last year. In particular it would require the Government to analyse data on income and hours worked by household type, and the impact of the regulations on the levels of awards of in-work support payable to claimants who have moved, or will move before 2018, from tax credits to universal credit as a result of changed circumstances.

I shall address the matter of substance first and then move on to the politics of the matter. I raised these matters in Committee to get the Minister to tell the House what would happen to people who were moving across from tax credits to universal credit. The answers were deeply worrying. It is now clear that two big and distinct problems are emerging in relation to universal credit. First, the incentives to enter and progress in work have been severely damaged by a succession of changes made by the Government. As the director of the Resolution Foundation observed, universal credit was set to be £2.3 billion more expensive than the six benefits it replaced. Indeed, versions of the policy early in the last Parliament were even more expensive than that. No wonder the Treasury was nervous about a fast rollout—not, I suspect, the chief concern facing it at the moment. But after repeated chipping away, it seems that universal credit will now actually save the Treasury money—more than £2 billion a year once it is fully in place. Of course, if it saves the Treasury money, it costs claimants money, so universal credit is no longer going to do the job it was meant to.

The final straw was the reduction in the work allowances that went through Parliament last autumn. After weeks of pressure from all quarters and being

[Baroness Sherlock]
asked to think again by this House through the Motion of my noble friend Lady Hollis, the Chancellor announced that he was scrapping the equivalent planned cuts to tax credits. I unreservedly welcomed that change. However, the Government decided to press ahead with comparable changes to universal credit. These various changes have done serious damage to work incentives, and, furthermore, the way that universal credit is now structured means that there is a significant problem with lack of work incentives for second earners and the position of self-employed people is a major problem.

Then we have the second problem: transitional protection. Iain Duncan Smith declared on "The Andrew Marr Show" in the wake of the tax credits change that no one would lose a penny from universal credit cuts. That is by no means clearly so. We know that if you take two working families with children in identical circumstances, but one on tax credits and the other on UC, the one on UC could be almost £3,000 a year worse off. How can nobody be a penny worse off? It depends on the transitional arrangements. Evidence given to Members of another place by the department suggests that there are two ways that people could end up moving from tax credits to UC. The first is "managed migration", as the jargon has it. These are people who are moved over en bloc by the department, but that will not happen until 2018. They will get transitional protection.

The second way is by what is slightly oddly called "natural migration". This happens when someone who is getting tax credits has a change in circumstances and is forced by the department to move across to universal credit. We now know that this can happen through all kinds of changes, some of which were alluded to by the noble Baroness, Lady Manzoor: if someone loses their job; has a baby or adopts a child; if a lone parents gets remarried or repartnered; if a couple splits up; if someone becomes a carer or ceases to be a carer; or even, slightly oddly, if a lone parent's child reaches the age of five.

As I understand it, in all of those circumstances and indeed in more, a tax credit recipient will be forced on to universal credit and overnight could see their entitlement fall by up to £3,000 a year. Can the Minister confirm that that is the case? Further, can he tell the House whether any transitional protection will be forthcoming for the group of people in the category called "natural migration"? How many people does his department anticipate will be in that position during the first year of the new work allowance regime? We have a problem of transition and a problem of seriously damaged work incentives. Above all, there is an unacceptable lack of clarity about the impact on low-income working families.

I should probably have declared an interest as I was an adviser to Gordon Brown as Chancellor of the Exchequer when tax credits were invented. He hired me away from the single-parent charity where I was toiling to support him in trying to work out what to do about the fact that we had the second-highest child poverty rate in the developed world. Child poverty had trebled under the previous Tory Government. We also had significant problems around lone parents not working. I worked with Gordon Brown to work out how the Government should tackle what was then a very low rate of single-parent employment. Tax credits made a massive difference. They helped to lift millions of British children out of poverty and led to the most dramatic rise I know of in the proportion of single parents in work. To see this Government damage work incentives that were so hard won breaks my heart.

I fully accept that the noble Baroness, Lady Manzoor, truly cares about the plight of working families, but I do not think that those families are helped by leading them to believe that this House can do things for them that it cannot do. It is clear to me, and I am sure it is really clear to Liberal Democrat Peers—I understand that we have to go with the politics of the age—that there is a distinction between opposing something and feeling that this House should vote it down. I oppose this entire Bill, but I did not vote against it at Second Reading because as a revising Chamber it is not our place to do so. As I say, we are a revising Chamber, and, if that is the case, we should do our job properly.

Rather than using primary legislation retrospectively to repeal regulations which have only recently passed through both Houses of Parliament, and are not even regulations flowing from this Bill, let us focus instead on taking appropriate action to hold the Executive to account. Let us not let the Government off the hook by playing politics with this issue. Let us not pretend that we all take the same view on tactics, but that does not mean we have different views on substance.

I understand that during the tax credits debate, the noble Baroness, Lady Manzoor, wanted to run a fatal Motion against all the conventions of the House. We did not back that; we backed my noble friend Lady Hollis in running a delay Motion which had exactly the right result but in an appropriate constitutional manner. That is the position we are in today. The Chancellor's cuts are going to do significant damage to working families in Britain. Those people and this House have a right to know what that damage is. That is what we are pushing for today and that is what we on these Benches will be voting for.

7.15 pm

Baroness Hollis of Heigham: My Lords, all of us in the House supported universal credit and we all recognised the absolutely key role played by the noble Lord, Lord Freud, in seeking to deliver it. Why have those of us who worked on tax credits—my noble friend in the Treasury and myself as the Minister taking the tax credits Bills through this House—none the less gone on to support universal credit? It was because tax credits did make work pay, they transformed lives, and we were and indeed are proud of them.

But, first, without real-time information, we could not keep pace with the changes of circumstance. Half of all lone parents experienced more than a dozen changes of circumstance every year, and the computers never caught up. We had to have end-of-year adjustments and we had the sadness of trying to recover overpayments from people who could ill afford to make them. Secondly, as has been said, we absolutely needed to simplify the benefits system so that people would know what they were entitled to. Finally, tax credits were rightly built on a work model, and work was defined as 16 hours a

week. However, we know that for many lone parents a job for fewer than 16 hours a week, a mini job, is the pathway into work. Instead of the cliff-edge of 16 hours, we supported the principle that the noble Lord enunciated in universal credit of a ladder up from mini jobs right on into full-time work. Over some 17 long Committee days, we supported the noble Lord on universal credit.

The architecture of universal credit remains, but to repeat the image of the noble Baroness, Lady Manzoor, the key driver of making work pay is being shrivelled by the cuts, slice after slice. My heart goes out to the Minister because he must hate it. But, of course, he cannot possibly comment. Instead of universal credit being more supportive than tax credits, which is where we came from in helping people into work, as my noble friend Lady Sherlock has said, increasingly the opposite is now true.

Yes, last autumn we protected existing families on tax credits—not new claimants—from cuts to their existing income, given the commitments made on all sides during the general election. The Chancellor accepted that as people move from tax credits to UC as part of the migration timeline, they should not be worse off simply by virtue of that administrative change. It was the right thing to do and I believe that everyone in the House, including of course the noble Baroness, Lady Meacher, who was so key to this, was delighted by the move.

However, as my noble friend has said, such transitional protection may not cover situations where there has been a recognised, formal change of circumstance which, as it stands, could bring existing tax credits families immediately into UC over and beyond the migration timeframe, and at that point they will experience cuts in UC. I want the Minister to help us by clarifying the situation. What will take a person who is on tax credits now, who is not part of the planned timeline, into UC and thus experiencing immediate cuts? The reason it is uncertain is that at the moment, certain changes with tax credits must rightly be formally reported to HMRC. As my noble friend set out, that must be done when a lone parent becomes part of a couple or the couple breaks up, when there is another child or a child leaves school, and when hours of work or income change, or childcare costs change—for example, during the summer holidays. And, of course, tax credits rates are now and should continue to be properly adjusted to reflect those natural changes in circumstance. However, will such changes of circumstance, which would bring about a change in tax credits, now instead be a trigger on to UC, at which point families will find themselves caught by the UC cuts, or will they remain outside it? Or does this apply only when the tax credit claims have completely ended, so that no tax credits are in payment? For example, if a lone parent has repartnered and her partner's income floats them off tax credits altogether and then, say, a year on, sadly, he moves out and she needs to make a fresh new claim, will that fresh claim be under tax credit rules or the more oppressive universal credit rules?

If the oppressive universal credit rules apply, will there none the less be a linking rule—as in the past with a well-established principle for disability benefits—so that within six months, or certainly a year, a new claim is regarded as a resumption of the old claim? In other words, the lone parent remains de facto on tax credits with the protection that that carries when, by the natural time migration, she moves over to UC. I apologise to your Lordships for being quite nerdish about this, but it is essential that the Minister clarify the position for us, which I am sure he will.

Finally, we supported UC over tax credits above all to incentivise people into work. My noble friend has spelt out the additional resource that the Minister was able to achieve to incentivise people into work, especially those more marginal to the labour market, by allowing them to keep more of what they earnt. We all thought that that was the right thing to do. Several years back, the Minister was absolutely right, while criticising tax credits because of the multiplicity of interlocking benefits, when he said that there was a high rate of benefit withdrawal—that is, the taper—which meant that some working people kept only pennies in the pound for every hour that they worked. Therefore, they did not.

However, although the universal credit regulations do not change the taper, in many cases they essentially halve the work allowance which can be earnt before the taper kicks in for many, and they withdraw it in its entirety for some. Therefore, cuts will affect people who come on to universal credit after April 2016. The cut in the standard work allowance for a lone parent working mother, from more than £8,000 to £4,764, means that she will lose half. Effectively, she will lose £2,628 a year by being on universal credit, which she would not if the work allowance had not been halved. Couple families with one partner with limited capacity to work because of disability will lose around £3,000. Single people will lose it altogether. Hence, this amendment.

I am concerned, as are my noble friend and others on our Benches, about the impact of these proposed cuts within universal credit, as we all are about work incentives. We need evidence. The Minister respects evidence. If it is not there it needs to be collected. If it is, I am sure the Minister would want us to address any problems that may arise. My fear is that universal credit, instead of encouraging people into work, will begin to disincentivise them. But I do not know, which is why, as my noble friend has argued, we need that report to determine how, where and with what severity those cuts will fall, and on whom. In particular, how will they affect the key significance of universal credit: to improve work incentives and, as we all wish, to make work pay?

Without improving work incentives, universal credit has lost its moral argument and becomes instead, I fear, a mere administrative tidying up of the current benefit system, with the added risk that we are already beginning to see of repeated cuts. There would be much upheaval for no gain for many claimants, and real, if potential, losses for many more. I hope that I am wrong but we need to know. Such a report would tell us and, if my noble friend chooses to put this to a vote, I hope this House will support her.

Lord Freud: Before I start, I acknowledge my appreciation for what Peers are saying. This is not an attack on universal credit. They are some of its greatest fans and it is in that context that they speak. I absolutely get that and I appreciate it. It has reminded me that

[LORD FREUD]

I owe regular updates about progress of universal credit and has jogged me to get going on that as soon as this Bill is over.

The amendment in the name of the noble Baroness, Lady Manzoor, seeks to repeal the work allowance regulations. I am going to sound like the noble Baroness, Lady Sherlock. This measure has been debated and voted on twice in the other place, and both times these regulations have been retained. Therefore, this House should think carefully about using a Bill such as this to introduce opposition to a financial measure that has seen that kind of support in another place.

On the amendment, let me remind noble Lords of the context of those changes. The previous welfare system was not working. Spending went up from £6 billion in 1998 to £28 billion in 2010, when we reached the stage where nine in 10 families with children were eligible for tax credits. Some families could earn £60,000 a year and still receive benefits. Yet, at the same time, the number of people in in-work poverty increased by about 20%. It also did not do enough to support people to get into work, stay in work, and progress in work. People were left with unfulfilled potential and did not have an incentive to progress. Even if we forget the money, it undermined opportunity and aspiration due to the distortions and complexities of the system.

The Government have stated their intention to move from a low-wage, high-tax, high-welfare society to a high-wage, low-tax, low-welfare economy and have set out a package of measures. Let me remind noble Lords that the national living wage is set to reach over £9 an hour by 2020 and the personal tax allowance is set to rise to £11,000 in 2016-17, taking 570,000 more people out of income tax. I remember some debates about increasing support for childcare, and we have moved it up to a rate of 85% of eligible costs. We have doubled the early years' provision, which is free for the working parents of three to four year-olds. When one looks at the whole of childcare, we now spend £5 billion in total across all the schemes, including UC, tax credits and the early years' provisions, which is more than any previous Administration. Since 2010, there has been an increase of £1 billion.

To respond to the noble Baroness, Lady Manzoor, the measure is different from the tax credit cuts. Universal credit provides an incentive to making work pay and helps to move people off a life on benefits. They get personalised support through a dedicated work coach which helps them through the barriers. It is a different structure. It is not the same thing as the reduction in tax credits. Clearly, we have two elements; namely, the work allowance and the taper rate. We have already got evidence that it works and gets people into work much more effectively than jobseeker's allowance. Apart from the savings we will achieve on taxpayers' money, it will generate—partly by focusing the money more efficiently on the people who need it most—gross economic benefits of £7 billion every year once it is fully in.

7.30 pm

I remind noble Lords that if Amendment 45 were to go through it would mean, once universal credit is fully rolled out, significant costs of the order of £3 billion a year having to be found from elsewhere. The debate we had in the House around this was that tax credits were coming in abruptly in April when the countervailing factors had not come in—the living wage, tax allowances and childcare. A large number of noble Lords talked about that mismatch. The Chancellor's response was to delay: he took away the tax credits cuts and smoothed the transition in two ways. First, he moved it to the timing of universal credit, where we had these large changes happening and large moves across in 2018, 2019 and 2020, when some of these changes come through. Of course, there is also transitional relief for people moving straight across. I will come to some of the issues raised by the noble Baroness, Lady Hollis, on that.

There will not be tax losers. I say to the noble Lord, Lord Kirkwood, who I know is the greatest fan and has a spy network that should be dismantled, that his figures showing that 96,000 people would be worse off in April 2016 are not accurate in the context of these universal credit changes. The vast majority of the current universal credit caseload will not lose. It affects only people in work, most of whom are single or childless couples with no limited capability for work.

We will have additional support for those directly impacted. They have fewer barriers limiting their ability to respond positively to increase their hours and earnings. We will provide additional work coach support and increase the amount available through flexible support to help people progress in work and increase their earnings.

Concerns about natural migration have been raised in the media and, indeed, inside the House, in particular just now by the noble Baroness, Lady Hollis. Significant changes of circumstance have always caused changes in entitlements in the benefit system. The impact of moving to universal credit needs to be assessed on a case-by-case basis and depends on a large number of factors. The changes that would cause a new claim are the same as in the current system. As the noble Baroness, Lady Hollis, asked a large number of specific questions, I will write to her spelling out the answers. However, universal credit continues to have its core architecture and incentives: the single taper rate remains set at 65% and claimants no longer need to move between different systems just because their hours and earnings change. It continues to provide real support.

Amendment 46A would introduce a requirement for the Government to produce a report assessing the impact of these regulations on work incentives. As I said earlier, the work allowances are just one element of a system designed to produce incentives to move people into work and then progress in work. It is one element of a wider package of measures introduced in the summer Budget designed to move us from the low-pay, high-welfare, high-tax economy to the opposite.

When someone moves to universal credit as a result of a change of circumstances, they will not experience the impact of the work allowances in isolation. They will see all the impacts of the universal credit design, which is already helping people move into work faster. They will have better support from their work coach, clear incentives to increase their hours and more generous support for childcare. It is worth reiterating the point

that those claimants who are moved by the DWP from tax credits to universal credit will be transitionally protected.

While it may be technically possible to evaluate the impacts on different claimant groups in the way Amendment 46A sets out, it is not practically possible. It is extremely difficult to single out the effect of any one measure when many other things have been changed at the same time. To do so would be resource and time intensive—and, bluntly, ludicrously expensive—but the department is committed to evaluating the impacts of introducing universal credit as a whole and I am happy to repeat that commitment. I think many noble Lords know how intensely I require the department to get this kind of evidence.

We published plans for evaluating universal credit in 2012. We have already started publishing evaluation reports. Indeed, they show very positive impacts. In 2015, we published the latest results from our analysis of UC impact on employment and earnings, which showed that universal credit claimants are eight percentage points more likely to have been employed in the first nine months than their JSA equivalents. If noble Lords do not like percentage points, that is the equivalent of it being 13% more likely: for every 100 JSA claimants who found work in that period, 113 UC claimants did the same. This is very dramatic for the early introduction of a new benefit where one does not quite know what one is doing. We expect it to go on. We will be able to monitor in the same way in the years to come.

Are we seeing the disincentive that the noble Baroness, Lady Hollis, is so concerned about? I am so concerned. We will see it. If you see some deterioration there and understand it, it is valuable information. As noble Lords know, I introduced a measure to allow us to do some really sophisticated econometric assessments: what is the dynamic effect, for instance, of tapers, of work allowances, of second work allowances and all the things we are interested in? We can test all that for the first time. That is the context in which this amendment is coming in. We will publish further research and update our formal evaluation on labour market outcomes later this year, and we will go on doing that in future years. That will cover a widening group of claimant types.

As your Lordships know, we need to learn from all the evidence that we get to find out the best operational delivery and the best future policy development. This is what we have dubbed the "test and learn" approach, which I am proud to say has been adopted almost as government policy. That is how we are going to do things.

I ask noble Lords to accept that this is the right way to do these assessments. One will see from that all the information that it is possible to find. One does not need something that, frankly, I cannot ask people to do, because it is just not practical. It is not realistic to do what has been asked for in Amendment 46A. It is for that reason, and not because I am against information, that I ask the noble Baronesses not to press that amendment.

Baroness Manzoor: My Lords, I thank the Minister for his response, which was very considered. I also thank my noble friends Lord Kirkwood of Kirkhope and Lord Oates for supporting me on this amendment. I understand clearly the argument that the Front Bench has put forward and I get the argument because, like the Minister and the noble Baroness, Lady Sherlock, I am very interested in evidence-based decision-making. As a relative newcomer to this House, I sometimes think that we put the cart before the horse, as we saw earlier on when the noble Lord, Lord Lansley, spoke in relation to another amendment—let us do something and then see what the effects are afterwards. But we are talking about real people with real lives, not just figures to be moved around in the budget. These cuts will have an impact on those people's lives.

I said earlier at Second Reading, a long time ago it seems, that we on these Benches are looking at the Welfare Reform and Work Bill through the prism of work; that is what is really important to us. It is about getting more and more people off benefits and into long-term, sustainable, well-paid work—that is the purpose of this. I do not feel that, as it currently stands, this will be achieved. I have articulated not my figures, but figures from respected bodies, which have indicated what the impact of this cut to universal credit work allowance will be.

I say, again, to all noble Lords on all sides of the House, this amendment is different. It is not like the amendment on tax credits, where there was an issue about constitutional matters—though I took wide advice before I put down my fatal amendment and noble Lords will know that I did not speak in the debate that the noble Lord, Lord Strathclyde had; I have immense respect for him—this is something that will affect people's lives. As I said, 2.6 million individuals are going to be affected. We cannot have this inconsistency in our approach. I passionately believe in consistency and I passionately believe in equality and fairness and this will not allow that to happen. We will see two sets of people who are in very similar or indeed identical circumstances being paid different rates of benefit. That cannot be right. I really do not want to be seen as a rebel in this House, as somebody has called me; that is certainly not my intention. But, for me, this is the principle of the matter and it is on that basis that I beg leave to test the opinion of the House.

7.42 pm

Division on Amendment 45

Contents 91; Not-Contents 202.

Amendment 45 disagreed.

Division No. 2

CONTENTS

Addington, L.	Bowles of Berkhamsted, B.
Allan of Hallam, L.	Bradshaw, L.
Alton of Liverpool, L.	Brinton, B.
Bakewell of Hardington Mandeville, B.	Bruce of Bennachie, L.
Barker, B.	Burnett, L.
Beith, L.	Burt of Solihull, B.
Benjamin, B.	Campbell of Pittenweem, L.
Bonham-Carter of Yarnbury, B.	Chidgey, L.
	Clancarty, E.
	Clement-Jones, L.

Clinton-Davis, L.
Cotter, L.
Curry of Kirkharle, L.
Dholakia, L.
Doocey, B.
Eames, L.
Featherstone, B.
Foster of Bath, L.
Fox, L.
Garden of Frognal, B.
German, L.
Greaves, L.
Grender, B.
Grey-Thompson, B.
Hamwee, B.
Harris of Richmond, B.
Haskins, L.
Humphreys, B. [Teller]
Hussain, L.
Hussein-Ece, B.
Janke, B.
Jones of Cheltenham, L.
Kerr of Kinlochard, L.
Kirkwood of Kirkhope, L.
Kramer, B.
Lee of Trafford, L.
Lester of Herne Hill, L.
Loomba, L.
Ludford, B.
McNally, L.
Maddock, B.
Manzoor, B.
Miller of Chilthorne Domer, B.
Newby, L. [Teller]
Northover, B.
Oates, L.
Oxford and Asquith, E.
Paddick, L.
Palmer of Childs Hill, L.
Pinnock, B.
Purvis of Tweed, L.
Randerson, B.
Razzall, L.
Rennard, L.
Roberts of Llandudno, L.
Rodgers of Quarry Bank, L.
Scott of Needham Market, B.
Sharkey, L.
Sharp of Guildford, B.
Sheehan, B.
Shipley, L.
Shutt of Greetland, L.
Smith of Newnham, B.
Somerset, D.
Steel of Aikwood, L.
Stephen, L.
Stoneham of Droxford, L.
Storey, L.
Strasburger, L.
Stunell, L.
Suttie, B.
Taverne, L.
Teverson, L.
Thomas of Gresford, L.
Thomas of Winchester, B.
Tope, L.
Tyler, L.
Tyler of Enfield, B.
Wallace of Tankerness, L.
Walmsley, B.
Wigley, L.
Williams of Crosby, B.
Willis of Knaresborough, L.

NOT CONTENTS

Ahmad of Wimbledon, L.
Altmann, B.
Anelay of St Johns, B.
Arbuthnot of Edrom, L.
Arran, E.
Ashton of Hyde, L.
Astor of Hever, L.
Attlee, E.
Balfe, L.
Bamford, L.
Barker of Battle, L.
Bates, L.
Berridge, B.
Bilimoria, L.
Black of Brentwood, L.
Borwick, L.
Bottomley of Nettlestone, B.
Bourne of Aberystwyth, L.
Bowness, L.
Brabazon of Tara, L.
Brady, B.
Bridges of Headley, L.
Brougham and Vaux, L.
Browne of Belmont, L.
Caithness, E.
Carrington of Fulham, L.
Cathcart, E.
Cavendish of Furness, L.
Chalker of Wallasey, B.
Chisholm of Owlpen, B.
Colwyn, L.
Cooper of Windrush, L.
Cope of Berkeley, L.
Cormack, L.
Courtown, E.
Crathorne, L.
Crickhowell, L.
Dannatt, L.
De Mauley, L.
Deben, L.
Denham, L.
Dixon-Smith, L.
Dunlop, L.
Dykes, L.
Eaton, B.
Eccles, V.
Elton, L.
Evans of Bowes Park, B.
Fall, B.
Farmer, L.
Faulks, L.
Feldman of Elstree, L.
Fink, L.
Finkelstein, L.
Finlay of Llandaff, B.
Finn, B.
Fookes, B.
Forsyth of Drumlean, L.
Fowler, L.
Framlingham, L.
Freeman, L.
Freud, L.
Gardiner of Kimble, L. [Teller]
Gardner of Parkes, B.
Garel-Jones, L.
Geddes, L.
Gilbert of Panteg, L.
Goodlad, L.
Goschen, V.
Grade of Yarmouth, L.
Green of Hurstpierpoint, L.
Greenway, L.
Hailsham, V.
Harding of Winscombe, B.
Harris of Peckham, L.
Hayward, L.
Helic, B.
Henley, L.
Heyhoe Flint, B.
Higgins, L.
Hodgson of Abinger, B.
Hodgson of Astley Abbotts, L.
Holmes of Richmond, L.
Home, E.
Hooper, B.
Hope of Craighead, L.
Horam, L.
Howard of Lympne, L.
Howard of Rising, L.
Howe, E.
Hunt of Wirral, L.
Inglewood, L.
James of Blackheath, L.
Jenkin of Kennington, B.
Jopling, L.
Keen of Elie, L.
Kirkham, L.
Knight of Collingtree, B.
Lamont of Lerwick, L.
Lane-Fox of Soho, B.
Lang of Monkton, L.
Lansley, L.
Lawson of Blaby, L.
Leigh of Hurley, L.
Lexden, L.
Lindsay, E.
Lingfield, L.
Listowel, E.
Liverpool, E.
Livingston of Parkhead, L.
Lothian, M.
Lupton, L.
Lyell, L.
McColl of Dulwich, L.
MacGregor of Pulham Market, L.
McGregor-Smith, B.
McIntosh of Pickering, B.
Mackay of Clashfern, L.
Magan of Castletown, L.
Maginnis of Drumglass, L.
Mancroft, L.
Marlesford, L.
Mawhinney, L.
Mawson, L.
Meacher, B.
Mobarik, B.
Mone, B.
Moore of Lower Marsh, L.
Morgan of Drefelin, B.
Morris of Bolton, B.
Moynihan, L.
Naseby, L.
Nash, L.
Neville-Jones, B.
Newlove, B.
Noakes, B.
Northbrook, L.
Norton of Louth, L.
O'Cathain, B.
O'Loan, B.
O'Neill of Gatley, L.
O'Shaughnessy, L.
Pannick, L.
Patel, L.
Patten of Barnes, L.
Pidding, B.
Plumb, L.
Polak, L.
Popat, L.
Porter of Spalding, L.
Prior of Brampton, L.
Redfern, B.
Renfrew of Kaimsthorn, L.
Ridley, V.
Risby, L.
Robathan, L.
Rock, B.
Rowe-Beddoe, L.
Ryder of Wensum, L.
St John of Bletso, L.
Sanderson of Bowden, L.
Sassoon, L.
Scott of Bybrook, B.
Seccombe, B.
Selborne, E.
Selkirk of Douglas, L.
Selsdon, L.
Shackleton of Belgravia, B.
Sharples, B.
Sheikh, L.
Shephard of Northwold, B.
Sherbourne of Didsbury, L.
Shields, B.
Shinkwin, L.
Shrewsbury, E.
Smith of Hindhead, L.
Stedman-Scott, B.
Sterling of Plaistow, L.
Stowell of Beeston, B.
Strathclyde, L.
Stroud, B.
Suri, L.
Taylor of Holbeach, L. [Teller]
Tebbit, L.
Trefgarne, L.
Trimble, L.
True, L.
Truscott, L.
Tugendhat, L.
Ullswater, V.
Verma, B.
Wakeham, L.
Walpole, L.
Warsi, B.
Wasserman, L.
Wellington, D.
Wheatcroft, B.
Whitby, L.
Willetts, L.
Williams of Trafford, B.
Young of Cookham, L.
Younger of Leckie, V.

7.54 pm

Amendment 46 had been retabled as Amendment 82A.

Amendment 46A

Moved by ***Baroness Sherlock***

46A: After Clause 15, insert the following new Clause—

"Universal Credit (Work Allowance) (No. 2)

(1) Within one year of the coming into effect of the Universal Credit (Work Allowance) Amendment Regulations 2015, the Secretary of State shall publish, and lay before each House of Parliament, a report assessing the impact of those Regulations on work incentives.

(2) The report prepared under subsection (1) must contain data analysis of—

(a) income and hours worked, by household type, and

(b) the impact of the regulations on the levels of awards of in-work support payable to claimants who have moved from tax credits to universal credit as a result of a change of circumstances, or claimants who will move from tax credits to universal credit as a result of a change of circumstances before 2018."

Baroness Sherlock: My Lords, I thank the Minister for his commitment to evaluation, but I regret that it is not enough. I therefore wish to test the opinion of the House.

7.55 pm

Division on Amendment 46A

Contents 113; Not-Contents 190.

Amendment 46A disagreed.

Division No. 3

CONTENTS

Adams of Craigielea, B.
Andrews, B.
Bach, L.
Bakewell, B.
Bassam of Brighton, L. [Teller]
Beecham, L.
Berkeley, L.
Blunkett, L.
Boateng, L.
Bragg, L.
Brennan, L.
Brooke of Alverthorpe, L.
Brookman, L.
Browne of Belmont, L.
Campbell-Savours, L.
Cashman, L.
Chandos, V.
Clancarty, E.
Clark of Windermere, L.
Collins of Highbury, L.
Corston, B.
Darling of Roulanish, L.
Davies of Oldham, L.
Donaghy, B.
Drake, B.
Dubs, L.
Elder, L.
Farrington of Ribbleton, B.
Faulkner of Worcester, L.
Foster of Bishop Auckland, L.
Golding, B.
Gordon of Strathblane, L.
Gould of Potternewton, B.
Grocott, L.
Hain, L.
Hannay of Chiswick, L.
Hanworth, V.
Harris of Haringey, L.
Hart of Chilton, L.
Haskins, L.
Haworth, L.
Hayter of Kentish Town, B.
Healy of Primrose Hill, B.
Hollick, L.
Hollis of Heigham, B.
Howarth of Newport, L.
Howells of St Davids, B.
Howie of Troon, L.
Hoyle, L.
Hughes of Woodside, L.
Hunt of Kings Heath, L.
Jones, L.
Jones of Whitchurch, B.
Judd, L.
Kennedy of Cradley, B.
Kennedy of Southwark, L.
Kerslake, L.
King of Bow, B.
Kirkhill, L.
Lawrence of Clarendon, B.
Layard, L.
Liddle, L.
Lipsey, L.
Lister of Burtersett, B.
Livermore, L.
Low of Dalston, L.
McAvoy, L.
McFall of Alcluith, L.
McIntosh of Hudnall, B.
MacKenzie of Culkein, L.
McKenzie of Luton, L.
Mallalieu, B.
Maxton, L.
Meacher, B.
Monks, L.
Morgan of Drefelin, B.
Morris of Handsworth, L.
Morris of Yardley, B.
Murphy of Torfaen, L.
Nye, B.
O'Loan, B.
Pendry, L.
Pitkeathley, B.
Radice, L.
Ramsay of Cartvale, B.
Rebuck, B.
Richard, L.
Rooker, L.
Rosser, L.
Rowlands, L.
Sawyer, L.
Scotland of Asthal, B.
Sherlock, B.
Smith of Basildon, B.
Smith of Gilmorehill, B.
Snape, L.
Soley, L.
Stevenson of Balmacara, L.
Stoddart of Swindon, L.
Stone of Blackheath, L.
Taylor of Bolton, B.
Temple-Morris, L.
Thornton, B.
Tomlinson, L.
Tunnicliffe, L. [Teller]
Warwick of Undercliffe, B.
Watson of Invergowrie, L.
Watts, L.
Whitaker, B.
Whitty, L.
Wigley, L.
Wood of Anfield, L.
Young of Norwood Green, L.

NOT CONTENTS

Ahmad of Wimbledon, L.
Altmann, B.
Anelay of St Johns, B.
Arbuthnot of Edrom, L.
Ashton of Hyde, L.
Attlee, E.
Balfe, L.
Bamford, L.
Barker of Battle, L.
Bates, L.
Berridge, B.
Borwick, L.
Bottomley of Nettlestone, B.
Bourne of Aberystwyth, L.
Bowness, L.
Brabazon of Tara, L.
Brady, B.
Bridges of Headley, L.
Brougham and Vaux, L.
Caithness, E.
Carrington of Fulham, L.
Cathcart, E.
Cavendish of Furness, L.
Chalker of Wallasey, B.
Chisholm of Owlpen, B.
Colwyn, L.
Cooper of Windrush, L.
Cope of Berkeley, L.
Cormack, L.
Courtown, E.
Crathorne, L.
Crickhowell, L.
Curry of Kirkharle, L.
Dannatt, L.
De Mauley, L.
Deben, L.
Denham, L.
Dixon-Smith, L.
Dunlop, L.
Dykes, L.
Eaton, B.
Eccles, V.
Elton, L.
Evans of Bowes Park, B.
Fall, B.
Farmer, L.
Faulks, L.
Feldman of Elstree, L.
Fink, L.
Finkelstein, L.
Finn, B.
Fookes, B.
Forsyth of Drumlean, L.
Fowler, L.
Framlingham, L.
Freeman, L.
Freud, L.
Gardiner of Kimble, L. [Teller]
Gardner of Parkes, B.
Garel-Jones, L.
Geddes, L.
Gilbert of Panteg, L.
Goodlad, L.
Goschen, V.
Grade of Yarmouth, L.
Green of Hurstpierpoint, L.
Greenway, L.
Hailsham, V.
Harding of Winscombe, B.
Harris of Peckham, L.
Hayward, L.
Helic, B.
Henley, L.
Heyhoe Flint, B.
Higgins, L.
Hodgson of Abinger, B.
Hodgson of Astley Abbotts, L.
Holmes of Richmond, L.
Home, E.
Hooper, B.
Hope of Craighead, L.
Horam, L.
Howard of Lympne, L.
Howard of Rising, L.
Howe, E.
Howell of Guildford, L.
Hunt of Wirral, L.
Inglewood, L.
James of Blackheath, L.
Jenkin of Kennington, B.
Jopling, L.
Keen of Elie, L.
Kirkham, L.
Knight of Collingtree, B.
Lamont of Lerwick, L.
Lane-Fox of Soho, B.
Lang of Monkton, L.
Lansley, L.
Lawson of Blaby, L.
Leigh of Hurley, L.
Lexden, L.
Lindsay, E.
Lingfield, L.
Liverpool, E.
Livingston of Parkhead, L.
Lothian, M.
Lupton, L.
Lyell, L.
McColl of Dulwich, L.
MacGregor of Pulham Market, L.
McGregor-Smith, B.
McIntosh of Pickering, B.
Mackay of Clashfern, L.
Magan of Castletown, L.
Maginnis of Drumglass, L.
Mancroft, L.
Marlesford, L.

Mawhinney, L.
Mawson, L.
Mobarik, B.
Mone, B.
Moore of Lower Marsh, L.
Morris of Bolton, B.
Moynihan, L.
Naseby, L.
Nash, L.
Neville-Jones, B.
Newlove, B.
Noakes, B.
Northbrook, L.
Norton of Louth, L.
O'Cathain, B.
O'Neill of Gatley, L.
O'Shaughnessy, L.
Pannick, L.
Patel, L.
Patten of Barnes, L.
Pidding, B.
Plumb, L.
Polak, L.
Popat, L.
Porter of Spalding, L.
Prior of Brampton, L.
Redfern, B.
Renfrew of Kaimsthorn, L.
Ridley, V.
Risby, L.
Robathan, L.
Rock, B.
Rowe-Beddoe, L.
Ryder of Wensum, L.
St John of Bletso, L.
Sanderson of Bowden, L.
Sassoon, L.
Scott of Bybrook, B.
Seccombe, B.
Selborne, E.
Selkirk of Douglas, L.
Selsdon, L.
Shackleton of Belgravia, B.
Sharples, B.
Sheikh, L.
Shephard of Northwold, B.
Sherbourne of Didsbury, L.
Shields, B.
Shinkwin, L.
Shrewsbury, E.
Smith of Hindhead, L.
Stedman-Scott, B.
Sterling of Plaistow, L.
Stowell of Beeston, B.
Strathclyde, L.
Stroud, B.
Suri, L.
Taylor of Holbeach, L. [Teller]
Tebbit, L.
Trefgarne, L.
True, L.
Ullswater, V.
Verma, B.
Wakeham, L.
Warsi, B.
Wasserman, L.
Wellington, D.
Wheatcroft, B.
Whitby, L.
Willetts, L.
Williams of Trafford, B.
Young of Cookham, L.
Younger of Leckie, V.

Consideration on Report adjourned until not before 9.06 pm.

House of Lords: Press Office

Question for Short Debate

8.07 pm

Asked by ***Lord Hodgson of Astley Abbotts***

To ask the Chairman of Committees whether there are any plans to appoint a unit within the House of Lords Press Office to promote proactively and apolitically the role and work of the House of Lords.

Lord Hodgson of Astley Abbotts (Con): My Lords, we have just concluded a session during which there has been, in the elegant phrase of diplomats, "a frank exchange of views". But I hope noble Lords will forgive me if I ask that, for the next hour at least, we leave our party-political weapons at the door. If this is not possible, the underlying reason for raising this issue, which is the need to underpin the reputation of the House as a legislative institution, will be lost.

This Question is not about Governments, Oppositions or Cross-Benchers seeking party-political advantage. It is about seeking ways to ensure that your Lordships' House as an institution is seen by the general public in as balanced and unbiased way as possible. A political life can be tough—it can be bruising—and that is as it should be because important issues and the future of our country are at stake. Some of that bruising is bound to be felt in an institution in which such arguments are played out—so be it. But my concern is the rising number of snide, unfounded and unhelpful articles about your Lordships' House that are quite unconnected with our legislative activities.

There appears to be no person or body within the House empowered to correct the facts and, above all, to correct them the very day they appear. The key words in my Question are, therefore, "proactively" and "apolitically". That this is an issue which has touched a chord I think is shown by the fact that 14 noble Lords, drawn from all parts of the House, put their names down to speak, and I greatly look forward to hearing their views over the next hour.

As I said, my concern is with the steady trickle of articles that put an entirely unfavourable and inaccurate construction on matters concerning the House. Let me run through a few examples. On Monday 8 December 2014, the *Guardian* ran an article under the headline, "Champagne wars in the Lords as peers say no to a cheaper vintage". It claimed that your Lordships' House had refused to serve the same champagne as the House of Commons on account of its inferior quality, that over the past five years £265,000 had been spent buying 17,000 bottles of champagne and that this was equivalent to five bottles of "bubbly"—as they put it—for each Peer per annum.

By Wednesday 10 December, two days later, the *Times* was repeating the claim, though under a different headline—this time, "Is the House of Lords on a suicide mission?"—and increasing the number of bottles that were being drunk by each Member to 20. By Saturday, the *Economist* had climbed on the bandwagon under a headline, "A tizz about fizz", again repeating the allegation about champagne consumption but, rather unattractively on this occasion, linking it to the powers of your Lordships' House to block and delay legislation, implying that we do so in a champagne-sozzled condition, while at the same time claiming £300 per day, as the *Economist* put it, "just for showing up".

On the Friday, too late to correct any of the above, a letter was published in the *Times* from the Chairman of Committees. He pointed out:

> "In the last financial year, 57 per cent of all champagne sold was in connection with receptions and dinners … and 30 per cent through our giftshop. All alcohol sold in the Lords is sold at a profit, which has helped to reduce the cost of the catering service by 27 per cent since 2007"—

and that the proposal to merge the two Houses' champagne service was a 10 year-old story.

There was nothing wrong with the content of that letter, just its timing. A delay of four or five days between the original article and the rebuttal gave time for the story not only to get legs but also to expand in ways that frankly were still more unfavourable to the reputation of the House.

Lest noble Lords think that this is an isolated example, in September 2015 the Constitution Unit at University College London published a piece entitled, "The Lords' declining reputation: the evidence", and, in the excellent note produced by the Library as a background briefing for this debate, there is a table showing a similar, rather discouraging trend.

Finally, just before Christmas, a further set of allegations was made about the travel arrangements and costs thereof of the Lord Speaker. I understand that in several respects these were inaccurate or misleading: for example, excessive car waiting time for the Lord Speaker during her attendance at functions when security arrangements at the function required the clearance of each car.

Some noble Lords may argue that this is the way of the world and that there is nothing to be done about it. In the memorable phrase of the noble Lord, Lord Birt, we risk throwing another log on the fire. The noble Lord is of course vastly more experienced in the ways of the media than I am and I have to respect his view, although I also have to point out that it seems to me that, another log or not, the fire is blazing pretty merrily right now.

Your Lordships' House has an excellent press office. I do not want what I have said and what I am about to say to be seen as a criticism of it. Its primary role has been to undertake planned press and other publicity linked to the reports being published by the various committees of the House or to its general activities. It is not set up to provide what one might call "rapid rebuttal activity". I see three broad strands to what this work might entail: first, to say to a journalist or, where necessary, an editor, "This article is factually wrong, please correct it forthwith"; secondly, to offer journalists planning to write about your Lordships' House a facility for the checking of facts; and, thirdly, to provide for journalists on quiet news days human interest or apolitical stories about the work of the House. This will be a role for a senior individual experienced in press or public relations. He or she would need clear lines of authority and responsibility to be able to carry out this sensitive and demanding task, for which it will be absolutely essential that there is whole-hearted cross-party support.

Several noble Lords, speaking to me ahead of this debate, remarked that such clear lines of authority and responsibility will never be established because there are several parties who will consider this to be their sole prerogative. Such high diplomacy is some way above my pay grade as a humble Back-Bencher. All I would say is that each one of us has been privileged to be appointed to this House and I hope that if there are issues of this sort about sovereignty, they can be reconciled in the greater interest of preserving and enhancing the reputation of this great institution that we are all proud to serve.

Of course, we can go on as we are. My fear is not that such an appointment would lead to more logs on the fire; rather, that if it is not made, the flames of misreporting and consequent mistrust and misunderstanding of your Lordships' House as an institution of Parliament will become increasingly hot and uncomfortable. I beg to move.

8.14 pm

Baroness Donaghy (Lab): My Lords, I am grateful to the noble Lord, Lord Hodgson of Astley Abbotts, for initiating this debate. I chair the House of Lords Information Committee and we spend a considerable amount of our time promoting and encouraging communications about the work of this House.

I pay tribute to our staff in the press and media area, who provide a 24-hour service in quite difficult circumstances. Why are they difficult? The department provides factual information and rebuttals but cannot—and probably never will—comment on anything that could be regarded as party-political or taking one side or another of a debate; for instance, on the size of the House or on tax credits.

As a self-regulating House, one could argue that no one is in charge or that everyone is in charge. We have the Lord Speaker, the Leader of the House and the Chairman of Committees, as well as the leaders of other groups. If we were to decide to have one spokesperson, they would still need professional assistance and it would require a change in our governance.

What is clear from the excellent briefing provided by the Library is that the work of Select Committees, which can cross party lines, receives enormously positive feedback from the public. The press and media team is able to be much more proactive in this area and the growth of social media coverage is very helpful in showing the positive side of the work that we do.

By far the best advocates for this House are its Members. The reputation of the House depends almost completely on its Members, for good or bad. Nothing beats that personal engagement, whether it relates to work in the House or outreach duties.

The staff work very hard to reach out to people about our work through broadcasting, education, archives, and the work of Parliament and its history. Any perception that they had strayed into the political world would, I am sure, be resisted. But all suggestions made by noble Lords this evening will be very welcome and, I am sure, will be considered by the Information Committee.

8.17 pm

Lord Selsdon (Con): My Lords, I find myself in a difficult situation because for part of my career I was a director of a company called Research Services Ltd, which did the National Readership Survey, which was used as a basis for advertising and all forms of communication. Mark Abrams—slightly to the left of myself—was our guru, and I found myself also involved in the race relations study. Therefore, I have a love of information and data, particularly about your Lordships' House.

The difficulty I have found with the press department, which I spoke to earlier today, is that its hands are tied. I said, "Well, whose hands are not tied?". "My Lord, your hands are not tied". "If you were me, what would you provide me with as a list of those people we should communicate with?". "My Lord, you may have some suggestions to make". I made certain suggestions and a list was produced that I would possibly be able to circulate to your Lordships, with emails, telephones—direct things—for 127 journalists, who, when I have introduced a Bill, have effectively become friends because only Peers can talk to the press. I find this very strange and I am not sure how it could be changed in any way, but people are waiting for stories. They can be written by anyone. You have to spend only a moment in the Bishops' Bar and you have a new story.

[Lord Selsdon]

On occasions, I made a few mistakes. I made a suggestion that we should possibly look at consulting with the Australians before we had the referendum relating to Scotland because there were 54 million Scots worldwide. To my horror, a journalist called me the next day, saying, "You are front page of the *Sunday Post* in Scotland: 'Lord Selsdon says Obama is Scottish'", because in Scotland you take your seeds, as it were, through the female line.

There are so many stories that we could write about this place and we have so many would-be journalists and writers and preparers of speeches. Therefore, I feel that we should ask ourselves to solve the problem.

8.19 pm

The Earl of Sandwich (CB): My Lords, I was in the press office of a major charity for more than 12 years in the 1970s. It was not easy. The charity, Christian Aid, was constantly being accused of siding with refugees in southern Africa and victims of apartheid. The noble Lord, Lord Hodgson, is absolutely right to raise the subject at this critical time because the House has run the gauntlet of the worst of old Fleet Street and more recently, as he said, the Lord Speaker has personally come under fire, quite unjustly and with very little opportunity to reply.

I had not appreciated the extent of negative coverage until I saw the July-September figures. The press and media team seems to be coping admirably but has only three full-time staff working 24/7, while the House of Commons Media Service has many more. Arguably, the Lords has had a rougher time than the Commons since the expenses scandals. I suspect that the House will have to make at least one additional appointment now, until a major review is undertaken. The website of that other Lord's press office, at the MCC, has a snappier style and a lot more people dealing with digital media but I am certain that this Lords press office has much more trouble.

I congratulate the press office on its success in promoting the EU Committee's reports. I have direct knowledge of the Russia and Ukraine report last February, which generated huge publicity. But who is calling the shots? In a House dominated by political parties, all with their own agenda, it is virtually impossible to provide the media with a single version of events. I think that there must be a group of media-aware Peers with recognised responsibility for answering for the House as a whole. But from a press office point of view, it would be helpful to have a more focused message from one central point. I do not advocate the Lord Speaker's office taking on this role, as some have suggested, unless and until the role of the Lord Speaker is redefined.

8.21 pm

Lord Norton of Louth (Con): My Lords, I congratulate my noble friend Lord Hodgson on raising this timely debate and endorse what he and other colleagues have said. In the time available, I want to raise a fundamental question, one already touched upon by the noble Baroness, Lady Donaghy, and the noble Earl, Lord Sandwich. It is fundamental to this House, this Parliament and indeed Parliaments generally.

If a crisis erupts affecting a company, there is a chairman or CEO who can speak for the company. Companies can, and good companies do, plan ahead in terms of crisis management. But what happens if a crisis hits the House of Lords? Who speaks for the House of Lords? Who speaks for Parliament? There is no one figure in a position to do so. That is why each House is always on the back foot if it is hit by a crisis. We cannot respond immediately and authoritatively, because there is no equivalent of a chairman or a company CEO. We need to beef up our excellent media team to be ready to respond but press officers can only inform. They can report and give information but they cannot be the face of Parliament or speak authoritatively for Parliament. That is the fundamental conundrum which we, as Members, need to address. We cannot hive off the responsibility; the sooner we address it, the better.

8.23 pm

Lord Lipsey (Lab): My Lords, any serious organisation takes the defence of its reputation seriously—that is, any serious organisation except this House. I will cite only one example. After one scandal—I cannot now remember whether it was over sex or drugs—it took more than two weeks while the Lord Speaker, the Leader of the House and the then Chairman of Committees argued about who should put out a statement. It was amateur night.

Four years ago, the noble Lord, Lord Strathclyde, kindly asked me to compile a short report on the problems, which I did. My principal recommendation, which I did not think was earth-shattering, was that an ad hoc group should be set up consisting of Peers with media and PR experience and staff of the House concerned with information to chew on the coming threats and responses to them, and generally to develop the promotion of the House. The noble Lord, Lord Strathclyde, said yes, and moved on. The noble Lord, Lord Hill, at first said no, then maybe and then—mirabile dictu—yes. He also said that he would attend—except that he had to go to Brussels instead. The noble Baroness, Lady Stowell, with her usual courtesy said no. I do not know why this has proved so difficult. It was not much, was it? Someone, somewhere among the officials of the House seems to think that such a proposal would mean that officials were in some way getting involved in politics. I simply do not get it. I suppose that after 18 years in the House, I should by now understand that even when something about it is clearly broken, someone will find a good argument for not fixing it.

8.25 pm

Lord Sherbourne of Didsbury (Con): My Lords, I want to focus today on the world in which the House of Lords press office has to operate. The reality is that conventional media are in decline and social media are on the rise. There is a market for information and, in the days when newspapers often had 10 million readers, it was a sellers' market. Today, people choose what information they want through their social media and it is a buyers' market. People want information which is immediate, bite-sized and punchy, so what is it that propels a message? It is talkability and visibility.

By talkability, I mean: is the information or argument relevant and interesting, so that people want to talk about it and it engages them? A message then needs visibility, by which I mean: is it being relayed and disseminated widely across all the social media?

The challenge is what we have faced in our speeches today, with only two minutes per speech: we have to be disciplined in what we communicate and how we communicate. We have to make the message clear, focused and relevant and, as has been said, be very fleet of foot. We must use not only all the different social media but all the media.

8.26 pm

Lord St John of Bletso (CB): My Lords, I join in thanking the noble Lord, Lord Hodgson, for introducing this short and very topical debate. I was a member of the Information Committee in 2009 when it had a report on the findings of the People and Parliament inquiry, which looked at how the House of Lords could improve public understanding of its work and role, as well as how the public could better interact with this House and Parliament. Thankfully, many of its recommendations have been taken up. There has certainly been an improvement through the information office in increasing the coverage of the role of your Lordships' House through social media, including the Twitter and Facebook pages, as well as better coverage of some of the two and a half hour debates. Sadly, however, as everyone has mentioned, the press all too often revel in and focus on negative publicity about your Lordships' House. Few of the public are aware of the enormous depth of expertise here or of the enormous amount of time spent in revising, examining and improving legislation.

The briefing pack for this short debate gave an excellent overview of the work and objectives of the press and media office, especially regarding your Lordships' Select Committee reports, but there are clear limits as to what it can do to proactively publicise in an apolitical manner the progress of legislation. The press team have done their best with media rebuttals of unfair and inaccurate negative publicity about the work of your Lordships' House and certain individuals in it. I entirely agree with the noble Lord, Lord Hodgson, that we should have a specialist communications expert to be responsible for rapid rebuttals.

The Lord Speaker's regional outreach programme is to be commended as well as the new parliamentary education centre launched last year, which takes between 500 and 600 visitors a day, mostly school groups and teachers, and provides 20 workshops a day. I want to make just one brief recommendation: that Select Committee chairmen should take a bigger role in becoming public spokesmen for their inquiries. We certainly need to become much more proactive.

8.28 pm

Lord Cormack (Con): My Lords, I am delighted that the Chairman of Committees is going to respond to this debate. No one is held in higher regard. He is the epitome of the great public servant and I hope that, following this debate, he will assemble a small group of your Lordships to discuss these issues and advise him as to how we can best project a positive image. It is up to us. There will always be annoying stories about champagne and other things. You only have to go to Buckingham Palace at the moment to see the Rowlandson exhibition to find that we are not the first public servants to be the butt of cruel humour and salacious yarns.

This House is a very positive institution, but the trouble is that people out there do not understand it. I would even say that people down there, in another place, do not understand it. They do not fully appreciate what we do and why we do it, or what our role is. What we have to do—I hope with the aid of the Chairman of Committees—is to extend the Peers in Schools initiatives, so that we can go into all manner of institutions to try to explain what this House does.

The people who know most about politics, it is sometimes said, are the London taxi drivers. Well, some of them do, but in the last couple of months I have had four or five who have brought me here and who have not had a clue what we do. When I have told them, they have been amazed and surprised. I have had two of them have tea with me in the House, and I think they went away with a very much more positive impression of this great institution—and it is a great institution. It is part of Parliament and is not going to be upended in the immediate future, so we have to project a positive image as often as we possibly can.

8.31 pm

Lord Empey (UUP): My Lords, I, too, serve on the Information Committee under the excellent chairmanship of the noble Baroness, Lady Donaghy. The noble Lord, Lord Hodgson, is to be congratulated on securing this debate, because this cannot go on any longer. I know the noble Lord, Lord Lipsey, said that we have been here before, but it is getting worse. We have not so far referred to the catastrophe that occurred last summer with the publicity surrounding the former Chairman of Committees. Enormous damage has been done, and the fact is that there was nobody able to come out straightaway. The champagne story is another very good example. Perhaps we could have a panel under the chairmanship of the Chairman of Committees, representative of the House, and have a spokesperson from that panel, appointed on a rota basis. Where agreement is sought but cannot be achieved, maybe we cannot move forward on a particular issue, but where there is consensus, there may be some need to go out and rebut. Although we appreciate the officials, the truth is that the media will want a Member of the House to speak to them. I hope that the Chairman of Committees, in his summing up, will address that and other issues.

The one thing I am absolutely clear about is that we cannot leave things as they are. The world is changing, our circumstances are changing, and we are being systematically undermined and ridiculed. Some of that is our own fault, but most of it is not, and we have to be prepared to fight our own corner. Nobody will pay any attention to us if we do not.

8.33 pm

Lord Farmer (Con): My Lords, I agree with the noble Lord, Lord Empey, that in reputational terms the current situation is simply unacceptable and risks

[Lord Farmer]
unnecessary damage being done to a vital part of the parliamentary process. Caricatures abound of ermine-clad Peers swilling champagne and swanning around your Lordships' house at the taxpayer's expense. That may sell newspapers, but it does not give anything of the true facts. A highly distorted myth is relentlessly peddled of everyone with their snouts in the trough, greedily pocketing £300 a day for turning up.

I do not claim any recompense because I do not need to, and I suspect others take the same approach. However, some depend on the daily allowance to make ends meet because they give so much of their time. If this were made clear to the public, who of course pay garage and plumbers' bills per hour or per day, they might think the daily fee is in fact rather modest and even inadequate, particularly if they understand that there are many Peers whose work here restricts their earning opportunities elsewhere. Crucially, however, if our contribution is to be considered worthy of public funding, the public need to value and understand the work we do. When I was in Brussels last year for the bicentenary of the Battle of Waterloo, various European officials I met were all of the opinion that the quality of the output from your Lordships' House—reports and legislation—puts all other secondary chambers they know in the shade.

A proactive unit would, like a think tank, tweet and otherwise publicise whenever the Government accepted an idea or implemented a committee's recommendation, so that the public would know they were funding a body that makes a difference. Charitable agendas are often championed by Members, so the profile of important national issues is raised and we begin to see cultural change in areas such as mental health, tackling domestic violence and myriad other good causes. There is so much to shout about, every day, that would actually encourage all who pay taxes, whether individuals or businesses, to see that they are in fact getting great value for money. We might even see public support for higher daily allowances—which I would endorse wholeheartedly, although that is a subject for another debate.

8.35 pm

Lord Oxburgh (CB): My Lords, I, too, thank the noble Lord, Lord Hodgson, for introducing this debate and the Information Office of the House for the enormous support it has given. It did a great deal of work, which time precludes my sharing with your Lordships.

Reputations are built up slowly and can be destroyed overnight. If we look back at the press coverage, we see that four or five years ago positive and negative comments on the House were roughly evenly balanced. Since that time, we have had what we might describe as a triple whammy: the expenses scandal; the Sewel scandal; and, most recently, the so-called flooding of the House with 45 new Peers, which was not of our doing but was seen as our doing.

One must read the comments of that supportive and well-informed observer, Meg Russell, after the appointment of the new Peers:

"This has been a disastrous news week for the Lords. David Cameron's appointment of an additional 45 new peers has met with universal media condemnation … As an Observer commentator put it, 'where is there left to go when Polly Toynbee of the *Guardian* and Quentin Letts in the *Mail* find themselves in perfect agreement?'".

We have a problem on which we have to act. If we take no action, that will support those who want damaging rather than constructive reform of this House. That reform will be, if you like, riding on the crest of ill-informed populist sentiment. We have to take action.

8.37 pm

Lord Balfe (Con): My Lords, I add my congratulations to my noble friend Lord Hodgson on initiating this most timely debate. The problem we have is that we are now seen as a legitimate target by far too many people. I will make one or two suggestions as to what we have to face up to. The noble Lord, Lord Lipsey, put his finger on one of the problems: we have to change the governance of the House. If we want things to stay the same, they have to change, to quote someone else.

First, we have to have some sort of rebuttal unit. If something appears in the press which is wrong in fact, there must be someone here who is authorised to correct it. I am not talking about the politics of it but the sheer, straightforward facts. For it to take ages for three chairmen—the Leader of the House, the Chairman of Committees and the Speaker—to agree who should write a letter about champagne is just shambolic.

Secondly, we need a proper press cuttings service so that at least in the Library and online your Lordships can see day to day what is being said. Thirdly, the political parties and the Cross Benches have to look at having a press service. There has to be a press officer in each one, so that if the rebuttal person is asked for a comment, they can say, "This is beyond my pay grade. Go to the party press office". We must reach out. We must be much more flexible. That will require a change in governance, and we will have to face up to some problems.

I am reminded of the words from the Kipling poem,

"it's Tommy this, an' Tommy that",

until you go to war. When the tax credits issue came up, we got an enormous amount of credit. Many people have come up to me about it, including one Conservative MP this week, who said, "You really did the right thing there", although we were all whipped and did all in our power to defeat the opposition Motion. None the less, we can do things right, we must do things right and we have to shape the balance differently, but we will have to change.

8.39 pm

Lord Dykes (Non-Afl): I, too, thank the noble Lord, Lord Hodgson, for initiating this debate and, incidentally, for speaking for less than the maximum time allotted to him, which was very noble and helped other speakers. I agree with virtually all the suggestions that have been made—in particular, the rebuttal unit that the noble Lord, Lord Balfe, and others mentioned. We need the proper leadership of a very senior professional person recruited from outside—without making any criticism of the existing press office, which does a wonderful job within the current framework.

A very tough, brutal American politician of some 70 years ago is known for a famous quote. He said to his rather harassed wife, "Listen honey, I'm a politician, which means that when I'm not kissing babies, I am stealing their lollipops. Never forget it". That may be a working definition of American politics but it does not bother us, because that is the Commons, that is the Government, and that is raising taxes. We do not have to do that. That is the built-in advantage of this House: that we can—and do—do good work through our wonderful Select Committees, on an elaborate scale; through marvellous work in revising Bills, which the Commons does not have time to do properly at all; and through examples such as tax credits recently, which the public did notice. Many other things can be done, but they have to be led by a senior person recruited from outside, after careful vetting of the candidate, to ensure that we can do this properly in future.

There are so many things that we need to explain. I am very glad that the Visitors' Unit has started at the Education Centre. It is a very impressive building. If any Peers have not had the chance, I urge them to visit it, as the noble Lord, Lord St John of Bletso, said. We are increasing the number of visitors to this House per annum, and that will help, but we need clever outside journalistic types to talk to the journalists in the Lobby as well. The Lobby in the Commons is an estimable institution, but it does not have any interest in the House of Lords. We must correct that.

8.42 pm

Viscount Hailsham (Con): My Lords, my noble friend is to be congratulated on promoting this debate, but I hope that he will forgive me if I express a little anxiety about the particular solution. An apolitical and proactive unit sounds like an expensive unguided missile to me, and I would be cautious about it.

However, I share the great concern expressed in this House about the attacks on it. I have long thought that the second Chamber is of crucial importance to the functioning of the British constitution. That is as much to do with the deficiencies of the House of Commons as it is the excellence of what we do here. The public does not understand that. I agree with the noble Baroness, Lady Donaghy, that one of the great counters that we should rely on is the quality of our work and the integrity of our Members, but we must respond to some of the concerns about composition, powers and numbers.

I have always supported an elected second Chamber. It will not happen, because the House of Commons will not wear it, but there are some things that we can do about numbers, for example. I know that a number of noble Lords have worked out a substantial package of proposals. I would not go down that road. I am not in favour of a "big bang" approach. There are too many potential turkeys, and such a Bill would be a Christmas tree on which every bauble is hung. I think we have to be a bit less ambitious. I would go for a few changes, starting now on numbers. I would have life peerages created for fixed terms. I would look at mandatory retirement, with suitable safeguards, and—dare I say it?—although I am conscious of the great cry of "Humbug!" that would rise up, I would also look at the by-elections for hereditaries. These are modest measures, but we need to take some because public anxiety is great.

8.44 pm

Lord Stevenson of Balmacara (Lab): My Lords, I thank the noble Lord, Lord Hodgson, for introducing this debate and reassure him that although I am speaking from the Front Bench, this is not a party-political issue. We are all in this together, to quote someone. This is a very good debate, although it is a bit curious that we are rather a male group and we have heard nothing from the Benches on my left, which is very surprising because they are usually quite hot on these issues. I will be interested to hear what the Chairman of Committees is going to say in response.

I will say three things about my feelings on this issue. First, I am not surprised we are getting a bad press. The Leveson report, which was legislated for in this Parliament, was supported unanimously by your Lordships' House, so the House was bound to be hit by those who feel aggrieved by it. In some senses, I am surprised it is not worse. The noble Lord, Lord Selsdon, may have been overestimating the capacity for gossip in the Bishops' Bar, but he is not far wrong about where stories could be found if people were seriously trying to bring this place down.

As my noble friend Lady Donaghy and others stressed, the staff we appointed to do the work we have asked them to do so far have done a very good job, and we should compliment them on that, but if that is the case, what is the problem? It is the question that was asked in the middle of the debate about who actually speaks for the House of Lords. We need to have some answers on that. As my noble friend Lord Lipsey said, a serious organisation would make it a key priority to staff it so that a mechanism existed to preserve and enhance the reputation of this House and its work. That seems to be the issue before us today and, given the problems we face and the scale of change in communications in the external world, there is clearly a gap which needs to be filled.

8.46 pm

The Chairman of Committees (Lord Laming) (Non-Afl): My Lords, I very much welcome the opportunity to respond to this thought-provoking short debate on a matter that we all agree is of great importance to this House. I am most grateful to noble Lords for their thoughtful contributions and, in particular, I wish to add my thanks to the noble Lord, Lord Hodgson of Astley Abbotts, for securing this debate.

I hope that those who have contributed to the debate will have noticed that throughout I have been taking careful notes of the points that have been made because they have been well made and should be taken seriously. That being so, I hope that noble Lords will allow me to address some key themes rather than refer to individual comments. I hope I can end on something of an encouraging note because of the points that have been made this evening.

It has been very well said that communicating the role and work of the Lords is of great importance. The public must be enabled to know about the distinctive

[LORD LAMING]
role that this House plays as a second Chamber. Noble Lords will agree that this House has special and specific duties in scrutinising and amending legislation, inviting the Government to think again and debating public policy. In my view, the House carries out those functions very well. There must be no doubt that the House administration is committed to improving the communication of the work of the House and to engaging with the public as part of the strategic plan agreed by the House Committee and the management board.

This debate has reinforced the fact that we have a good story to tell. In that context, I hope that noble Lords have had a chance to read *The Work of the House of Lords*, which is updated each Session. Just as a headline, it explains how in the 2014-15 Session Members of this House examined in detail 68 Bills, considered 3,449 amendments, agreed 1,257 of them, asked the Government 6,394 Questions and produced no fewer than 27 investigative Select Committee reports.

This evening it is not possible to cover all aspects of the work undertaken by the Press Office, but it is engaged in a wide range of functions and seeks to promote the work of this House proactively and, as has already been mentioned, apolitically because that is necessary in its role. Members of the House will know that the Press Office operates at the interface between the House administration and the media and covers a wide range of the House's activities, including balloted debates, Oral Questions and legislation.

In that connection, the staff go to great lengths to build good working relationships with journalists across the media in order to explain the House's work. They conduct fact checks of media reports and respond as quickly as possible. Their work entails daily contact with journalists to provide factual information. However, the House will understand—and this has been touched upon this evening—that the staff are not free to offer their opinions.

The Press Office places a particular emphasis on Select Committee inquiries and reports. That is, of course, because those reports are agreed on a cross-party basis and are clearly of wider interest and extensively covered in the press. The office also provides media handling on issues that affect the reputation of the House.

That is not to say that more cannot be done. We are very conscious of the need to do as much as we can in this area, but I feel sure that colleagues will understand that there are limits to what an apolitical Information Office can do. For example, we all know that one party's victory in this House is another party's defeat. I feel sure the House will agree that knowing that the Information Office is promoting the House neutrally and apolitically is just as important as knowing, for example, that the Legislation Office offers the same level of apolitical, professional advice to all Members across the House.

The Information Office has been using new technologies and means of communication to provide further essential information, in this case, directly to the public. We must also not forget—as has been indicated this evening—that there is a role for the political parties in explaining the work that they do in this House, and of course they are better placed to handle the strictly party-political issues.

What is clear is that the press team works hard to communicate creatively and effectively. Its work in promoting the House has developed very considerably. For example, in a recent four-week period, press notices issued by the office generated at least 150 media stories about the work of the House. I was astonished to learn that, last Session, work to promote committees led to 856 positive media items. These issues are being monitored on a daily basis. Moreover, the Press Office also works closely with the broadcasters and the House's broadcasting unit, aiming to disseminate high-quality audio and video coverage of the work of Parliament.

A number of noble Lords have, understandably, mentioned the adverse press coverage. I want to reassure the House this evening that the Press Office and the Clerk of the Parliaments are doing their best to respond quickly and, where appropriate, robustly to unfair criticisms of this House. They have pre-agreed lines to take about a whole range of issues that one might fairly predict the media might raise. They are available for contact 24 hours a day to react to adverse press coverage. That being so, in recent weeks, as has been mentioned, their work has secured a number of corrections to inaccurate reporting in national newspapers, and this has been done in a timely fashion.

Of course, there are times when it is not possible to comment: they cannot comment, for example, on an ongoing investigation by the Commissioner for Standards or answer subjective questions about the size of the House. There are also times when we need to recognise that difficult stories have to be weathered, rather than responded to in every instance. However, a point which ought to encourage us is that the difficult stories stick rather more in our minds than the positive coverage that we receive.

We must accept that the media will take editorial positions, find stories and want to tell them. However, it is also important to recognise that media scrutiny is not necessarily intrinsically bad, and we must never lose sight of the importance of free speech and a free press to the effective functioning of a modern democracy.

Noble Lords may be interested to know that the daily media summary produced by the press and media team often contains lines taken with journalists, so that staff of the House and Members can understand the background to press stories, appreciate the steps that have been taken and explain the position themselves should they wish to do so. I should add that that daily media summary is always available in the Library on the day, and noble Lords are free to access that facility.

Understandably, we have focused largely on press and media work, but it is also worth while recognising that there are other ways in which the House tries to promote its work. For example, the pages on the website have had 175,000 views each quarter, which is an indication of how many people take an interest in the work of the House. Mention has of course been made of the very effective support that is given to the Lord Speaker's regional outreach programme and the Peers in Schools programme, and the fact that 75,000 students meet a Member to learn about the work of

this House. We continue to work closely with the education centre and with universities on understanding Parliament, and we have a digital engagement facility for the Lords Chamber.

A great deal is happening and I end on what, I hope, will be a source of encouragement for those who have taken part—so well, if I may say so—in this very important debate. The debate is most timely because a new communication strategy for the lifetime of this Parliament is now being constructed and will be considered by the relevant domestic committee of the House for approval. I know that this evening's well-informed contributions will help to shape that document and inform the House Committee's thinking on where the administration's strategic resources, both financial and human, should be utilised.

As I said, this has been a most timely and constructive debate. I take the points that have been made about the possibility of engaging a group of Members in further discussion. I again express my thanks to the noble Lord, Lord Hodgson, for securing the debate and to all who have taken part in such a positive and constructive way. It has been extremely helpful and, from my personal point of view, time very well spent. I am very grateful.

8.58 pm

Sitting suspended.

Welfare Reform and Work Bill

Report (2nd Day) (Continued)

9.06 pm

Amendment 46B not moved.

Amendment 46C

Moved by ***Baroness Manzoor***

46C: After Clause 15, insert the following new Clause—

"Application of sanctions and disallowances to Jobseeker's Allowance

(1) The Jobseeker's Allowance Regulations 1996 are amended as follows.

(2) After regulation 22 insert—

0"Treatment of people found not to be actively seeking employment or available for employment

22A. The Secretary of State shall, by regulations, provide that the payment of housing benefit to a person in receipt of a jobseeker's allowance shall not cease solely because that person's award of a jobseeker's allowance is reduced in accordance with regulations made under section 19B of the Jobseekers Act 1995 (claimants ceasing to be available for employment etc), including for a period during which the claimant ceased to be entitled to a jobseeker's allowance by failing to comply with the condition in section 1(2)(a) or (c) of the Jobseekers Act 1995 (availability for employment and actively seeking employment), without other due cause."

(3) In regulation 69B, omit paragraph (7).

(4) In regulation 70—

(a) for paragraph (1)(a) substitute—

"(a) in any benefit week, 100% of the allowance payable to the claimant, minus the sum of 10 pence; or";

(b) in sub-paragraph (1)(b)(i), omit from "100%" to the first "couple" and insert "in any benefit week, 100% of the allowance payable to the couple, minus the sum of 10 pence"; and

(c) after paragraph (3) insert—

"(4) The amount referred to in paragraph (3) may not reduce, in any benefit week, the amount of a jobseeker's allowance payable to the claimant to less than the sum of 10 pence.""

Baroness Manzoor (LD): My Lords, I shall be brief. Noble Lords can see very clearly what the issue is—it is technical and rather complicated. It is now late. If the Minister will give the assurance that he is happy to meet me and the Child Poverty Action Group so that we can discuss the amendment in greater detail, that will be really helpful and will save me having to go through a very complex explanation. I beg to move.

Lord McKenzie of Luton (Lab): My Lords, in the spirit of comradeship and friendship with the Liberal Democrats, we are very happy to support that request.

The Minister of State, Department for Work and Pensions (Lord Freud) (Con): I think there were two parts involved in that question, so let me go through them. In answer to the first part, I will meet the noble Baroness and the CPAG. In answer to the second, I am happy to meet her and the CPAG.

Amendment 46C withdrawn.

Amendment 46D not moved.

Clause 16: Loans for mortgage interest etc

Amendment 46E

Moved by ***Baroness Sherlock***

46E: Clause 16, page 15, line 33, leave out from "section" to end of line 34 and insert "may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament."

Baroness Sherlock (Lab): My Lords, I rise to move Amendments 46E and 46F in my name and that of my noble friend Lord McKenzie of Luton. In doing so, I remind the House of my declared interest as a senior independent director of the Financial Ombudsman Service in case it should prove relevant to the debate.

I will not go back over the substance of the matter, as we discussed it in some detail in Committee. However, I want to push two points that I did not feel, in the end, were satisfactorily addressed by the government response. Amendment 46F seeks to retain the SMI grant scheme for claimants who are in receipt of pension credit; in other words, our poorest pensioners. In Committee, I dubbed this the reverse Salisbury-Addison amendment, reminding the House that we were helping the Government to maintain their manifesto commitment to protect all pensioner benefits, since that is, in fact, who this is mainly aimed at. My concern is that the effect of this policy is essentially to wipe out what is usually the only asset of poor pensioners, and currently their safety net in case they need equity released for

[Baroness Sherlock]
care or other emergencies. As I reported last time, Age UK expressed a concern that older people would be reluctant to take on extra debt, so whereas they might have taken a grant, they will not take out loans. They may indeed compromise their own well-being by limiting essential spending instead. I do not think the Minister addressed that, so I would be grateful if he would.

I also asked a number of other specific questions. I had answers to some at the time, and answers to others in writing later. Sometimes the answers in writing were not the same as those given in Committee, but we will come on to that in a moment. I just want to deal with a couple that are left.

I raised the issue of people who die without enough equity in the house to meet the debt and who might worry that it would not leave them with enough money to pay for their funeral. I had hoped to persuade the Minister to leave a cushion untouched, but he was not having it. His response was that the family could apply for a grant, a funeral payment, from the Social Fund. So will all SMI loan recipients be automatically entitled to access a funeral payment from the Social Fund? If so, how much is it? Will it be enough to cover the fast-rising costs of a funeral all around the country?

I also asked if the loss of SMI would result in someone no longer being entitled to pension credit and thereby losing access to passported benefits such as cold weather payments, help with health costs or access to funeral payments. After a series of questions, supported by the right reverend Prelate of Durham, about the advice that would be offered to people, and having reread the record and read the letter that was given, I wish to tell the Minister what I think has been said and he can correct me if I am wrong. I understood him to say that people will get generalised guidance rather than advice about their own particular circumstances and what they should do. Is that right? I gather that the claimant may have to pay for the advice. Is that right?

During the debate the Minister assured me that the provision of advice would be independent of the party recovering the debt. He assured me that that was the case but then wrote to me afterwards and said that in fact it was not the case. I assume that he did not change his mind but that he misread his brief. Either way, can he reassure the House about that because it seems to be a potential conflict of interest? If someone who is advising a pensioner to take out a loan is also making money out of the recovery of that debt, is that not a conflict of interest? If not, how not? I asked him whether a face-to-face option would be available, at least for vulnerable clients. Can he tell me that?

Amendment 46E would require regulations for the scheme to be introduced by the affirmative procedure. The House will recall that the Delegated Powers and Regulatory Reform Committee expressed significant concern about the fact that the draft regulations for the SMI loan scheme had not been made available to the House for debate, given the plan that the scheme be set up by negative regulation. Effectively, the Bill abolishes the grant scheme and empowers Ministers to create a loan scheme but there are no draft regulations before us. Under the proposals they would be introduced under the negative procedure. The committee therefore recommended that regulations under this clause should be subject to the affirmative procedure. It is usual practice that such a recommendation would be followed. Can the Minister confirm that this will happen? If for some reason he cannot, can he tell the House when the Government last refused such a recommendation from the DPRRC? I beg to move

Lord Young of Cookham (Con): My Lords, we briefly went round this course in Committee. The noble Baroness has raised a number of points to which the Minister will want to respond. However, I am not sure that she made a forceful argument for her Amendment 46F, which seeks to exempt a group of people from this new provision.

Looking at the Bill as a whole, this seems the least painful way of reducing public expenditure, and the argument for looking to this clause for savings is not as strong as the case that could be made in other parts of the Bill. The Opposition recognised this because, in their amendment to the Bill on Second Reading in another place, they specifically said that loans for mortgage interest were a necessary change to the welfare system. So the principle of switching from grants to loans was conceded by the opposition party in another place.

The operation of what is proposed makes no difference to the pensioner at all—the money will simply be paid from the department to the lender—and the impact on the standard of living and the income of the pensioner is wholly unaffected; their day-to-day income is unchanged. The Government's proposal is that they will continue to get exactly the same level of support as they do at the moment. The fact that the loan may eventually be recovered from their estate has minimal bearing on their financial position, although of course their heirs may take a slightly different view. One has to balance the expectations of the heirs against the taxpayer, who at the moment is footing the bill. Given the imperative to reduce welfare expenditure, it seems to me that this is one of the least objectionable ways of doing it, and I very much hope that the amendment will not be pressed to a Division.

9.15 pm

Lord Freud: My Lords, Amendment 46E would apply the affirmative procedure to the support for mortgage interest loan regulations as recommended by the Delegated Powers and Regulatory Reform Committee. The committee opined that these are novel provisions which are likely to have a significant impact on a large number of people. This is true, but the part which is novel is the change in this support from a benefit to a loan. In all other aspects the level of support offered and the way the system will be administered will simply replicate the existing system. The committee made its recommendation before your Lordships debated these measures in detail. I have been quite clear about how the new loan system will be implemented and that the regulations we will bring forward will replicate the existing SMI system. Using the affirmative procedure for these regulations would therefore not be a good use of parliamentary time.

I will come to the government amendments, which may actually be the real palliative here because we will have SSAC reports in this area. If they come up with something there is space within the negative procedure to bring issues before the House. The committee did not have that information about what we were planning with SSAC. I should also point out that the current SMI regulations are subject to the negative procedure.

Amendment 46F would prevent the Government from changing the benefit into a loan for those on state pension credit. It would allow regulations to be made to create a system of grants for pensioners' mortgage interest. This would mean that pensioners would receive help with their mortgage interest as a grant rather than a loan and that that would be the case indefinitely. In this context that would be unsustainable and clearly unfair on the taxpayer. It is not right that taxpayers, many of whom of course cannot afford to buy their own home, are subsidising the acquisition of what in many cases is a very substantial asset. Pensioners will have access to the same level of support for mortgage interest payments as the current system provides and the Government will not recover the loan until the property is sold. With pension credit claimants, it is most likely that this will be on their death and therefore will impact not on them but on the beneficiaries of their will. My noble friend made the point that they may not be that pleased, but the balance is between them and the taxpayer.

I shall pick up on some of the specific points. Pension credit claimants will have access to passported benefits such as funeral payments. We would normally provide advice through a telephone conversation and the advice will focus on the circumstances of the individual concerned with regard to their options, asking whether they have alternatives available such as downsizing or help from relatives or their heirs. I think that the noble Baroness should take my last word on the issue of who would do this as I wrote in my letter. To the extent that that contradicts what I said earlier, it should be the latter. Our view is that whatever theoretical potential conflict there might be, we will make sure as we set out the arrangements that there is no conflict in the way it is done. I think that that is what I expressed in my letter, although perhaps not using that language.

Let me reassure noble Lords that the Government will seek to recover the debt only up to the level of available equity when the property is sold. Any outstanding debt will be written off. The amendment would also provide powers to introduce regulations to introduce a waiting period for pensioners before they can receive help. There is currently no waiting period for help with mortgage interest for pensioner claimants and it is not the Government's intention to introduce one. With those explanations, I urge noble Lords not to press the amendments.

Amendments 47 to 49 and 83 provide that loans for mortgage interest regulations made under the Welfare Reform and Work Bill are submitted to SSAC, the independent statutory body that provides impartial advice on social security and related matters for consideration. With the introduction of the new loans-based scheme, help with mortgage interest will no longer be a part of benefit entitlement. However, we recognise the important role that SSAC plays in the scrutiny of regulations and have accepted the recommendation of the DPRRC to provide that regulations relating to loans for mortgage interest fall within the remit of SSAC. I have just realised that I slightly misspoke when I implied that the committee might not have both those bits of information. Perhaps I may also withdraw that point.

The amendments also ensure that certain decision-making rules in the Social Security Act 1998 apply to decisions about SMI loans in the same way as they apply to decisions about benefits. In particular, this will ensure that an appeal may be brought against a decision relating to a mortgage interest loan in the same way as an appeal may be brought against a decision relating to a benefit. This means that applicants will have the same appeal rights as under the existing provision for support with mortgage interest, ensuring fairness for applicants of the new loan provision. They will allow the department to supply information about SMI loans within the broader welfare system to persons who are concerned with the provision of welfare services. For example, it will allow the Secretary of State to share information with those providing free school meals and health benefits such as free prescriptions, so that recipients of SMI loans can access these "passported" benefits. I think that that picks up on the point made by the noble Baroness about concerns with the passporting issues.

The final amendment is a minor and technical change to the Long Title. The purpose of SMI loans is to prevent repossessions. All types of mortgages and loans are eligible for support under the new loan system. This change ensures that the Long Title accurately reflects the contents of the Bill by including a reference to "other liabilities".

Baroness Sherlock: My Lords, I thank the Minister for that response. I hope that he will take away again the point about the DPRRC. I certainly welcome the move to refer the regulations to SSAC but, welcome though SSAC is and much as I respect its expertise, it is not Parliament. Parliament should have the opportunity to debate this. He mentioned that the DPRRC recognises that regulations for loans for the grant scheme were negative. I am working from memory but I think that the committee pointed out that, had the draft regulations been available, it would have recommended negative in the ordinary run of things because the original regulations had been negative. In fact, the draft regulations were not available, which is why it recommended the affirmative procedure. Will he go away and think about that?

The fact that the Minister said that the service normally will be by telephone gives me a glimmer of hope that the department might be willing to consider a face-to-face service for vulnerable consumers. I hope he will consider that. I will not take on the point made by the noble Lord, Lord Young, although I disagree with him. Given the lateness of the hour and the fact that we went around this issue fairly effectively in Committee, I will set that to one side. I thank the Minister for his other comments. I hope that when he looks at the record he will check the presumptions that I have made as to the operation of the scheme.

[Baroness Sherlock]
Should any of those prove to be wrong and not to have been corrected by him, I hope that he will write to me. On that basis, I beg leave to withdraw the amendment.

Amendment 46E withdrawn.

Amendment 46F not moved.

Clause 18: Consequential amendments

Amendments 47 to 49

Moved by ***Lord Freud***

47: Clause 18, page 17, line 36, at end insert—

"( ) In section 170 of the Social Security Administration Act 1992 (Social Security Advisory Committee), in subsection (5)—

(a) in the definition of "the relevant enactments", after paragraph (an) insert—

"(ao) sections 16, 17 and 19 of the Welfare Reform and Work Act 2016;";

(b) in the definition of "the relevant Northern Ireland enactments", after paragraph (an) insert—

"(ao) any provisions in Northern Ireland which correspond to sections 16, 17 and 19 of the Welfare Reform and Work Act 2016;"."

48: Clause 18, page 17, line 36, at end insert—

"( ) In section 2 of the Social Security Act 1998 (use of computers), in subsection (2)—

(a) omit the "or" after paragraph (m);

(b) after paragraph (n) insert "or

(o) sections 16 to 19 of the Welfare Reform and Work Act 2016."

( ) In section 8 of the Social Security Act 1998 (decisions by Secretary of State)—

(a) in subsection (3) (meaning of "relevant benefit"), after paragraph (bb) insert—

"(bc) a loan under section 16 of the Welfare Reform and Work Act 2016;";

(b) in subsection (4) (meaning of "relevant enactment"), for "or section 30 of that Act" substitute ", section 30 of that Act or sections 16 to 19of the Welfare Reform and Work Act 2016".

( ) In section 11 of the Social Security Act 1998 (regulations with respect to decisions), in subsection (3), in the definition of "the current legislation", for "and section 30 of that Act" substitute ", section 30 of that Act and sections 16 to 19 of the Welfare Reform and Work Act 2016".

( ) In section 28 of the Social Security Act 1998 (correction of errors and setting aside of decisions), in subsection (3)—

(a) omit the "or" after paragraph (i);

(b) after paragraph (j) insert "; or

(k) sections 16 to 19 of the Welfare Reform and Work Act 2016."

( ) In section 39 of the Social Security Act 1998 (interpretation etc of Chapter 2 of Part 1), after subsection (1) insert—

"(1A) In this Chapter—

(a) a reference to a benefit includes a reference to a loan under section 16 of the Welfare Reform and Work Act 2016;

(b) a reference to a claim for a benefit includes a reference to an application for a loan under section 16 of the Welfare Reform and Work Act 2016;

(c) a reference to a claimant includes a reference to an applicant for a loan under section 16 of the Welfare Reform and Work Act 2016 or, in relation to a couple jointly applying for a loan under that section, a reference to the couple or either member of the couple;

(d) a reference to an award of a benefit to a person includes a reference to a decision that a person is eligible for a loan under section 16 of the Welfare Reform and Work Act 2016;

(e) a reference to entitlement to a benefit includes a reference to eligibility for a loan under section 16 of the Welfare Reform and Work Act 2016.""

49: Clause 18, page 17, line 41, at end insert—

"( ) In section 131 of the Welfare Reform Act 2012 (information-sharing in relation to welfare services etc), in subsection (12), in the definition of "relevant social security benefit" for the words from "has" to the end substitute "means—

(a) a relevant social security benefit as defined in section 121DA(7) of the Social Security Administration Act 1992, or

(b) a loan under section 16 of the Welfare Reform and Work Act 2016 (loans for mortgage interest etc);"."

Amendments 47 to 49 agreed.

Clause 22: Exceptions

Amendment 50

Moved by ***Lord Best***

50: Clause 22, page 21, line 8, at end insert—

"(c) the accommodation is owned by a fully mutual housing co-operative within the meaning of paragraph 12(1)(h) of Schedule 1 to the Housing Act 1988 (local authority tenancies etc);

(d) the accommodation is owned by a community land trust within the meaning of section 79 of the Housing and Regeneration Act 2008 (English bodies)."

Lord Best (CB): My Lords, I rise to speak to Amendments 50 and 51, the first two amendments in the group, in my name and those of the noble Lords, Lord McKenzie of Luton, Lord Shipley and Lord Kerslake, and to support the other amendments in the group that follow in the names of the noble Lords, Lord Ramsbotham and Lord Kerslake, and the noble Baroness, Lady Meacher.

We return to the rent cuts of 12% over four years for the housing associations and councils. This will achieve savings for the Treasury in housing benefit of approaching £2 billion per annum by 2020 and every year thereafter. The problem is that, although the major developing housing providers can absorb this unwelcome loss of income by reducing the extra services they supply, and/or doing a bit less new building, and/or running down their reserves, some housing bodies cannot take the hit. The aim of Amendments 50 and 51 is to prevent the rent cuts impeding the vital work of these organisations.

There is no margin for a rent cut where the organisation, or the specialist part of a larger housing provider, does not currently make any surplus to set aside, either because rents are carefully kept at a level that covers only loan costs and management and maintenance costs—as with the co-ops and community land trusts covered by Amendment 50—or because the provision of extra services means that existing rents are barely

enough, as with the supported housing and extra care housing for older people covered by Amendment 51. The 12% rent cut would clobber the housing associations in these categories for very slim pickings for the Treasury.

I couple my comments on these proposed rent cuts with an equal concern about the proposal that housing benefits for all social housing tenants should be capped at the level for private sector tenants—that is, at the local housing allowance ceilings. Again, the tenants of the major housing providers, whose rents are mostly way below those in the private sector, should not be too hard hit—although, as an aside, I am very worried about some of those aged under 35 who would suddenly get only the shared accommodation rate. But, the biggest problem of the LHA rent cap is, again, supported housing and extra care schemes for older people, where the rents are much higher than for a similar home let by a private landlord because, of course, the work of the provider of supported housing goes far beyond simple property management and maintenance. The LHA private sector cap is clearly entirely inappropriate for supported housing. Applying it in April 2018 for all those who become tenants after 1 April 2016 would mean that very few of the residents who move in just two months from now could continue to stay in this specialist accommodation in two years' time. Where would they all go if the projects have to close or the supported accommodation has to be switched to general needs housing?

In response to these points on rent cuts and benefit caps, and following representations from many charities working in this field, including Riverside, St Mungo's Broadway, YMCA, Crisis, Homeless Link and the National Housing Federation, the Minister has taken some very constructive decisions that he will, no doubt, spell out tonight. I am delighted that the noble Lord has determined that housing under all the categories in my amendments—including the housing co-operatives, community land trusts and almshouses, which were of special concern to the noble Lord, Lord Ramsbotham—are to be taken out of the rent cuts while better arrangements are determined, with increases in rent permitted in line with the existing regulations for the time being.

I welcome the Minister's decision to work in close collaboration with the relevant specialist providers to use a one-year moratorium on rent cuts to devise a satisfactory basis for determining the funding arrangements for supported housing. This is entirely sensible and the Minister will be able to take into account the findings from an important supported housing review by Ipsos MORI, which he has instigated. I am grateful to him for the care and attention he has given to this matter and for today's important announcement.

9.30 pm

On the intertwined issue of the benefits payable to those in supported housing, the Minister has undertaken to ensure that there is appropriate protection from the totally unsuitable private sector standard LHA benefit cap. This is indeed at least as important as the protection from the rent cuts. As I understand it, protection for supported housing will be effected within exactly the same exercise as for protection from the rent cuts. There will be a pause while the overarching review sorts out the best system for assisting supported housing over the months ahead. I hope the Minister will forgive me for seeking just a little more clarity in this respect.

As currently planned, no tenant will be hit by a reduction in their housing financial support as a result of the introduction of the LHA cap until 2018, but anyone who moves into a property after 1 April 2016 who needs housing benefit would face a disastrous reduction in help within two years. A housing association with lettings to make from April this year—just two months away, and offers need to be sent out now—must hold back until it is possible to accept people who are likely to remain there for two years or more, as would nearly always be the case for housing for older people moving into extra care schemes, for example. If the Minister can tell us tonight that the year-long exception for supported housing while a long-term solution is found will apply equally to the imposition of the LHA rent cap for benefits and to the rent cuts, then all these organisations can continue to let their property in the mean time. Even then, some will feel it necessary to keep projects in the pipeline on hold until the new system is known, so urgency in concluding the exercise is still badly needed.

I believe that moving back the April 2016 LHA deadline for a year while the new arrangements are hammered out is precisely what the Minister meant in his words of comfort and reassurance on the protection for supported housing from the LHA cap. But the many people in organisations who are working hard for those in need of supported housing, and the many people who need those homes, will sleep much easier tonight if he can confirm that the one-year pause he has so helpfully decided upon for the rent cut will also apply to the LHA cap, and will ease the problem. I am pleased to move my amendment but have every intention of withdrawing it shortly.

Lord Shipley (LD): My Lords, I will not detain the House that long, but I want first to pay tribute to the noble Lord, Lord Best, in particular and to other colleagues for the progress that has been made in discussions with the Minister on this important matter. Some associations would find it difficult to manage properly with such a reduction.

I received two letters this morning. One was from the Minister, the noble Lord, Lord Freud, explaining the policy the Government are now following, which is a welcome change and I thank him for that. I hope it will prove to be a durable, long-term solution to the problem. I also had a letter from the noble Baroness, Lady Williams of Trafford, also dated 27 January. I had asked a question about the cost of supported housing being exempt from the 1% rent reduction, and I had been told that the total sum involved was around £75 million a year. There has not been clarity about that sum. I am surprised that the Government do not seem to know the cost they will have to meet, given the decision not to implement the measure for one year and, hopefully, for longer. Is there a figure to which the Government are working? I look forward to the Minister's reply because when we are discussing policy in your Lordships' Chamber, it is important that we

[LORD SHIPLEY]
have some idea of the sums involved. If it proves to be true that the figure is £75 million, that is not in fact a significant sum.

As I say, I look forward to hearing the Minister's reply. I welcome the progress that has been made on this matter, which will be very gratefully received by many people outside your Lordships' House.

The Earl of Listowel (CB): My Lords, having six weeks ago spoken to a mother who had just moved into a refuge with her daughter and granddaughter, and heard from her about the years of abuse she had experienced in her family home, I am very grateful to my noble friends, noble Lords and the Minister for the announcement that he has made today.

Lord Kerslake (CB): My Lords, I declare my interest as chair of Peabody and president of the Local Government Association. I support Amendment 50 and wish to speak specifically to Amendments 53, 61 and 63. I will keep my comments brief as I am conscious of the hour.

I add my welcome to the movement and the moratorium referred to by other noble Lords. This is a demonstration of the Government listening and acting, which I welcome. I reinforce the importance of taking early decisions and not using the whole year for the review process, not just because of the uncertainty for existing schemes but for investment in new schemes that are so desperately needed.

Amendment 53 follows on from the debate we had in Committee, when we debated the very abrupt move from the 10-year plan of CPI plus 1% for rent increases to a four-year period when there would be a 1% reduction per annum. We had a considerable debate on what the impact of that change of policy would be. In tabling an amendment in Committee, I was ever hopeful that after the four-year period the Government might return to the original 10-year plan. However, the noble Baroness, Lady Williams, made it clear that that was not the Government's intention and that they would take a decision on future rent movements in four years' time. Given the difference of view on this issue, with the Institute for Fiscal Studies clearly saying that there will be a loss of housing association new build as a result of this policy and the Government's view that the figure will be absorbed through efficiencies and reductions in surpluses, it seems to me imperative that an evaluation is undertaken before policy is set in four years' time. I emphasise that it should be an evaluation, not simply monitoring the existing policies, and that that evaluation should be independently commissioned.

There is plenty of precedent in government for doing this—for example, with the new homes bonus, where such an independent evaluation was produced and published, and, indeed, influenced government policy on the bonus going forward. It is good practice for government when they introduce such a significant change to not just monitor the impact of that change but to evaluate its impact in the widest sense. That is why I think this amendment is so important. I would like to hear from the Minister what the Government's view of this is but also how they expect to assess this impact.

Amendments 61 and 63 come together because they relate to social rents and affordable rent. I take very seriously the debate we had yesterday on the Housing and Planning Bill, and particularly the Minister's view that we should do everything possible to maximise new housebuilding in this country. I endorse that view, whatever that new housing happens to be. This issue is specifically about new build schemes and the flexibility there has hitherto been for setting rents at the commencement of those schemes. This relates not to the viability of the housing association but to the individual schemes. It is why I have tabled the amendments which perhaps require a bit of elaboration.

When a housing association considers its investment programme in new supply, it looks at two things. First, it looks at its wider viability as a housing association and the risks attached to the scale of the programme it is undertaking. The second thing is to look at the viability of the individual scheme before it commits to it. In some cases the scheme will be highly viable and profitable and would go ahead regardless of this rent reduction. In other cases there will be schemes that were not viable before and with the rent reduction would most certainly not be viable now.

However, there is a small but important group of schemes which are on the margin of viability, with risks that are evenly balanced. Having the flexibility to start the rent at a slightly different point at the time the scheme starts will crucially influence whether those schemes go ahead and whether they do so now. This is the particular issue that I am focused on. It will not be a big cost but the numbers could be important. Given the crisis that we face on housing, "every little helps". I hope that Ministers will hear this point and retain that flexibility. The small cost that is involved will be far outweighed by the confidence it gives to housing associations to go ahead with their schemes. I urge the Government to consider this carefully.

Baroness Hollis of Heigham (Lab): My Lords, I have a brief comment and a brief question.

I support everything that the noble Lord, Lord Kerslake, has said. On Amendment 53, I urge the Minister to take seriously the need for housing associations to be able to plan their building programme and their revenues more than three to four years ahead. The viability of their bank covenants depend on that, and, therefore, their capacity to manage new investment. If there is a query as to whether this 1% rent reduction will be continuing in three years, in whatever form, there will be a serious question mark over the Government's ability to meet their goal of affordable housing through the social landlord sector.

I urge the Minister to take that amendment very seriously. Some of us have been engaged in negotiations with banks worried about there being no direct payments and therefore tenants having to pay rent out of their UC. They were worried that this would destabilise the rent roll and asked if they could refloat their loans at X, Y or Z. Some of us have already been through that and banks are quite willing to inflate a risk in order to

get the revenue returns they would like to see on their covenants. Therefore, the more predictability the Minister can give us, the better. I hoped we would have a clear line, and that after 2019-20 this would stop. If it does not, housing associations and local authorities will have real difficulty in managing their business plans.

Like everyone else I welcome the one-year suspension of the 1% rent reduction in the social rental and supported housing sector. Can the Minister tell me how that will end? Does he expect to notify the House by virtue of an SI? In other words, will he say to the House that from this point on this accommodation will, as a result of this review, be expected to have a 1% rent reduction? Will the Government claim financial privilege, given that it will be a financial measure, so that this House will find it very difficult to discuss it and, possibly, ask the other place to reconsider?

9.45 pm

The Lord Bishop of Durham: My Lords, I support Amendment 51 in the name of the noble Lord, Lord Best. I am speaking partly on behalf of the right reverend Prelate the Bishop of Rochester, who spoke on this matter in Committee.

Prior to being the Bishop of Durham I was the Bishop of Southwell and Nottingham, and I had the privilege of working closely with Framework, which provides much supported housing across Nottinghamshire, Derbyshire, Lincolnshire and South Yorkshire. Andrew Redfern is its incredibly impressive chief executive, and I quote him:

"We house more than 1,200 of the most vulnerable people in the communities we serve. They include rough sleepers, people with mental health, drug and alcohol problems, care leavers, young mothers and people with multiple and complex needs".

He goes on to say:

"The exemption of specified accommodation from the 1% rent cut will offer some breathing space—a fighting chance to save what has survived the various rounds of local authority de-commissioning. If specified accommodation is not exempted, we will lose about half of our current provision over the next four years. Homelessness and rough sleeping will continue to increase".

I am delighted to hear that the Minister has proposals that will be good news to Framework and many other providers, and I look forward to conveying it to them.

Baroness Manzoor: My Lords, I, too, very much welcome the letter that the Minister sent to all noble Lords earlier today. As I said in Committee, it is vital that supported housing and specified housing are looked at very carefully because this would have had an adverse impact on them. I hope that during this period while evaluation takes place, as the noble Lord, Lord Kerslake, argued, so that there is some comfort for the future as to what happens within this type of accommodation. It is the very basic bare necessity for people who need it, and we have already discussed the people who need to use not only the accommodation but the services that are provided by these types of organisations.

In my haste to withdraw Amendment 46C, I did not thank the Minister for saying that he would meet me and the Child Poverty Action Group. I thank him very much for that.

Lord Ramsbotham (CB): My Lords, in speaking to my Amendment 52, I do so very much in context rather than proposing it. I thank the Minister, first, for seeing me before Christmas on this and other issues and, secondly, for his very welcome letter this morning. At the same time, I salute my noble friend Lord Best for his mastery and tireless pursuit of social housing issues.

I am very glad that this moratorium has been imposed and I sincerely hope that the Minister will encourage urgent consultation with organisations such as the almshouses and the YMCA, which he mentioned in his letter, and which I would have mentioned if the amendment had been going forward as normal. What was unfortunate about the way that the Bill was proposed was that it led to unintended consequences, which I think officials would do very well to consider in the consultation, in which they will hear from the YMCA, the almshouses and others about what would have been the effect if these proposals had been allowed to go forward.

Lord Young of Cookham: My Lords, from these Benches I join other noble Lords in commending the negotiating skills of the noble Lord, Lord Best. As a former Housing Minister, I know what a plausible advocate he can be on behalf of those in social housing. I also commend my noble friend the Minister for listening to the case made by both sides in this House a few weeks ago.

The only clarification I seek from my noble friend is in relation to Amendment 51, which says:

"Section 21 does not apply to social housing which meets the definition of supported housing".

I wonder if my noble friend can confirm that it will be absolutely clear, if we go ahead with this amendment or something similar to it, exactly which housing schemes will benefit from the exemption and which will fall outside, and, related to that, how the good news he is about to announce will be communicated to those associations or organisations which run operations that will qualify under Amendment 51 and indeed some of the other related amendments.

Baroness Warwick of Undercliffe (Lab): My Lords, I declare an interest as the chair of the National Housing Federation. I speak in favour of Amendment 51, which seeks to protect schemes that house some of the most vulnerable people in the country from a damaging cut to their rents.

In answer to a question from me on Monday on the associated issue of the local housing allowance cap, the noble Lord, Lord Freud, referred to a review of the supported housing sector. That review was referred to again today in another place. Indeed, much has been said today in another place on both rent cuts and the LHA cap. It is only right that we fairly consider what has been said in another place and factor that into our discussions here. Referring to the review, the Government said that it would report urgently by the end of March. In addition, we have heard of a one-year delay in the implementation of the 1% rent cut for supported housing. This extra year's delay is welcome, since it means that incomes will not be reduced as

[Baroness Warwick of Undercliffe]
much as feared. Unfortunately, that is only at the margins when measured against the impact of the LHA cap on supported housing as announced in the spending review. This will have a much more significant and lasting impact, and is a threat to the very existence of much supported housing.

The National Housing Federation has been pressing the Government to urgently clarify that the LHA will apply only to working-age tenants in general needs accommodation. The Government have not done so. A survey of NHF members showed that this lack of certainty will result in 156,000 homes becoming unviable and being forced to close—41% of the sector—while 2,400 homes planned for development will now not be built. I find it hard to believe that it can be even remotely possible that it is the Government's intention to put all this supported housing at risk. The impact on vulnerable people will be acute: on the elderly, people with disabilities, those fleeing domestic violence and those who served our country in the Armed Forces. The knock-on impact on public services in trying to pick up the pieces will be immense. These services desperately need a long-term commitment to safeguard their future.

The Government had the opportunity today in another place to set this right and clarify their intentions. They did not do it. The Government will carry out a review of how supported housing is funded—excellent. But surely the purpose of a review is to think first and only then act. Why create this level of uncertainty leaving housing association boards, which have to take decisions about future provision now, completely blind-sided about whether or when the cap may now be introduced? A one-year delay on the rent cut, welcome though it is, may not make much difference at all on this issue. The uncertainty is having a damaging and dangerous effect now. Tough decisions are being taken already: to close supported housing schemes; not to renew contracts; and to halt development of new schemes because there is not the certainty that they will be affordable in the near future, whether that be in two years or three. Protective redundancy notices are being prepared now. No provider can risk the cost of new building unless they are confident that the rent will cover that cost.

The announcement made by the Government today will do nothing to allay the fears on this issue of housing associations or the people living in these homes. I urge the Minister to think again and announce now that the LHA cap does not apply to supported and sheltered housing. I also urge the Government, through him, to work with the sector to develop a long-term sustainable funding model for supported housing.

Lord McKenzie of Luton: My Lords, we support each of the amendments set down in this group and have added our names to some of them. On Amendments 50, 51 and 52, we join other noble Lords in congratulating the noble Lord, Lord Best, on his negotiating skills—doubtless assisted in that endeavour by the noble Lord, Lord Kerslake—and the Minister for listening and helping with at least a partial solution.

The deferral of the rent reduction programme is clearly welcome. The clarification on the comfort in respect of LHA caps is clearly important as well. The more that the Minister can say on that, the better. My noble friend Lady Warwick has outlined some of the problems because of the known existence of that aspiration. The Minister could, I hope, therefore go further. It is always the way that Ministers come forward with concessions, and then everybody piles in and wants just that little bit more, but this is a very important issue.

That raises the question of where that leaves the amendments, as the Minister's proposition in his correspondence effectively covers co-operatives, almshouses and community land trusts, as well as housing associations. Are the Government going to accept the amendments, substitute something for them or simply rely on what is on the record of this debate?

The noble Lord, Lord Kerslake, spoke to Amendments 53, 61 and 63, each of which we can support. He stressed the importance of an independent evaluation of what has gone on, in good time for rent policy for the subsequent period to be settled. In respect of Amendments 61 and 63, the noble Lord explained the importance of flexibility in respect of new-build, particularly for schemes of marginal feasibility. We had a very helpful meeting with members of the Bill team and the noble Baroness, Lady Williams, on this. Hopefully, embedded in this long list of government amendments is one that addresses that issue specifically. It may not necessarily have the breadth or flexibility the noble Lord is seeking, but I think it at least seeks to address the principle.

Amendment 59A, in the name of the noble Baroness, Lady Manzoor, proposes a report on local housing allowance rates. We debated this in Committee, but the Minister probably still owes us a reply. The purpose of that discussion was to recognise that, with the moratorium following the 1% limitation, LHA rates are increasingly going to move away from the reality of what renting in the private sector actually entails.

The noble Lord, Lord Ramsbotham, was clearly pleased with the outcome for almshouses. All in all, we should be grateful to the Minister for responding as he has—or hopefully will—at the Dispatch Box in confirming this. This is a real issue of substance which was worrying many people.

The noble Lord, Lord Best, is probably happy with the definition of supported housing that we have here, which is the broadest possible. I know there have been issues with specified support—what is in and what is out—but I take it from the correspondence and what has gone before that the moratorium is in respect of the widest definition of supported accommodation.

Lord Freud: I will start by picking up a point made by the noble Lord, Lord Ramsbotham, on unintended consequences. The House of Lords has done its job in alerting us to some unintended consequences in time for us to sort them out. I know that I rely on this House for that again and again, and in this case I express my gratitude to a number of noble Lords—with the noble Lord, Lord Best, leading the field—for enabling us to deal with these issues.

Let me now do the business on these amendments. Amendments 50 and 51 would exempt housing co-operatives, community land trusts and supported accommodation, while Amendment 52 would extend that exemption to almshouses. I will just make a few comments before I turn to the rent reductions in social housing. We face a challenge on the overall housing benefit bill and believe that social housing providers need to play their part in helping to bring that bill down. However, we also recognise the vital role that many housing providers play in supporting people who need the most help.

The Government have always made it clear that our policy will protect the most vulnerable members of society. To achieve that, the Bill has built into it the flexibility to except some social housing and provide exemptions for providers facing financial difficulty as a result of the reduction. We have also made several amendments to the Bill, including some today, which we believe will be helpful.

10 pm

We continue to look very carefully at supported accommodation. As I said, I am grateful to noble Lords for some very powerful arguments in this respect. I am also very grateful for the helpful engagement I have had with providers of supported accommodation. I emphasise that the Government recognise the important work that providers do in this area to support some of the most vulnerable members of our society. We are determined to ensure that providers who are delivering those vital services can continue to do so.

As Brandon Lewis confirmed in the other place earlier today, we are conducting a review of supported accommodation, from which we will start to get findings in the spring. We want to ensure that we get the review right, and then use it to find workable and sustainable long-term solutions for both the supported housing sector in its widest sense and the Government. I recognise the value of the expertise of the providers of supported accommodation. Therefore, they will be fully involved in that process.

To pick up a point made by the noble Baroness, Lady Hollis, there will clearly be an SI on the one-year exception, which I shall come to in detail. I do not know what the long-term solution to how we run the sector will be. It could be anything from primary legislation down. I am unable to give her more information.

The noble Lord, Lord Shipley, will have seen me smile wryly at him when he asked for figures. One of the key outcomes of the review will be a much more robust understanding of the sector, providing some of the figures we need to reach judgments.

I can announce today that the Government will put in place a year-long exception for all supported accommodation from the 1% reduction. That gives us the time to study the evidence from the review. We will start to get findings in the spring, as I said. We will work with the supported housing sector to ensure that the essential services they deliver continue to be provided after the year-long exception—also making sure, of course, that the taxpayer is protected and the Government's fiscal commitments are met, and that we make the best use of the money available. We will look urgently at this to provide certainty for the sector. While the exception is in place, those providers will be able to continue to apply the CPI plus 1% rent increase to any supported accommodation that they own.

My noble friend Lord Young asked what we include in the sector. As I said, it is a wide definition and it includes housing such as domestic violence refuges, hostels for the homeless, sheltered accommodation for older people, extra care housing and accommodation for people with mental health or drug/alcohol problems, ex-offenders, people at risk of offending, women at risk of domestic violence—a large number of groups. I have spelt out some, but there will be others. I can also confirm that the one-year exception will extend to housing co-operatives, almshouses and community land trusts. The detail will be set out in the regulations we will bring forward very soon, following Royal Assent. The intention is that these regulations will be in place for the start of the new financial year.

I am really grateful for the support of the providers for this approach, and I look forward to working with them further over coming months to achieve our shared aims. I can quote from the providers on this issue. They have written to me as follows:

> "Homeless Link, YMCA England, Riverside and St Mungo's welcome the Government's decision to suspend the 1% rent reduction to supported housing whilst the review into the housing costs of tenants living in this type of accommodation is completed. This decision means they have listened to, and acted on, the concerns of supported housing providers across the country working with disadvantaged people. We remain keen to carry on this constructive dialogue to find solutions to the big funding challenges as we work with Government to find a fair, effective and sustainable way of supporting the needs of the most vulnerable".

That is the issue around the 1% rent.

The noble Baroness, Lady Warwick, and the noble Lord, Lord Best, talked about the concerns around bringing housing benefit for social tenants into line with that for the private rented sector, which will start to take effect from April 2018. I am not in a position to be utterly specific about how we will do this, but I can say that we will put in place the appropriate protections for those in supported housing. DWP and DCLG will be working closely together to make sure that those protections are in place. We appreciate the concern, and we will aim to do this urgently. There are various solutions one could discuss, but I make that commitment in the context of what I have already said about the 1%. We will now just sort out the caps.

Amendment 53, tabled by the noble Lord, Lord Kerslake, requires an independent review. We cannot accept this amendment. The Government will be keeping rent-setting policy closely under review, especially as we draw closer to the end of the rent reduction period. At that time, we will also wish to take in a range of outside views to ensure that the Government's understanding is as informed as possible. We therefore see no merit in legislating for an independent review ahead of 2020. We are also concerned that, for it to report in time, it would need to start midway through the rent reduction period and it is therefore unlikely to be fully informed. I am aware that the noble Lord is concerned about providing some certainty to the sector about the rent-setting position after the four years of rent reduction are concluded, but there is a risk that

[LORD FREUD]
setting up an independent review may prolong any uncertainty because the Government will want to consider a number of factors in addition to the outcome of any review before determining their future rent policy.

Amendments 61 and 63 were also tabled by the noble Lord, Lord Kerslake. Schedule 2 to the Bill set outs how maximum rents should be determined during the four years of rent reductions for tenancies that were not in place after the beginning of 8 July 2015. This will therefore apply to new tenancies. Different rules apply to existing and new social housing and affordable rent housing, and they are set out at paragraphs 1 to 3 of Schedule 2. Rents for new social housing may be set at up to the social rent rate.

My noble friend Lady Williams explained in Committee how this will work and made clear that we have sought to make the 1% reduction work in a similar way to existing policy in so far as we can and that the Government's intention is that the formula rent as defined in regulations will mirror the formula for 2015 as set out in the rent standard guidance and the Government's guidance for rent. In the Bill, this is set out in Schedule 2 at paragraph 1(4). The first step is for a provider to determine what would have been the rate of formula rent for that social housing at the beginning of 8 July 2015. Once that is determined, the social rent rate is found by then applying a 1% annual reduction.

With regard to the noble Lord's concerns about the impact of local circumstances, it is important to understand that formula rent already takes into account relative property values, local earnings, the size of the property and an overall rent cap. Local circumstances are therefore built into the formula. As mentioned, the intention is to reflect current policy in so far as we can. This currently allows providers some flexibility to set social rent at up to 5% above formula rent for general needs housing, and up to 10% for supported housing.

The 10% flexibility in supported housing was intended to reflect the higher costs in providing support and services for this type of housing. I completely accept that this flexibility should continue. I am grateful to the noble Lord for giving me this opportunity to reiterate the commitment we made in another place to allow rent setting for new tenancies in supported housing at up to 10% above the rate for general needs housing. This has been welcomed by the sector and will be brought in by regulation under Clause 26. However, we do not think that it is right to allow general needs housing the same continued flexibility: for general needs housing, this was only ever intended to be applied in exceptional circumstances. Allowing it now would undermine the objective of the rent-reduction measures.

We are bringing forward amendments today to enable the regulator—or Secretary of State, as applicable—to issue a direction giving a provider this flexibility, where an individual provider has been exempted due to financial difficulties. I reiterate that we have listened to providers' concerns. That is why the Bill had been amended in another place to enable all providers to re-let social rent properties at the social rent rate—that is to say, formula with the 1% per annum reduction applied—even if they were previously let at a much lower rent. This has also been welcomed by the sector.

Turning to affordable rent housing, paragraph 3 of Schedule 2 provides that the rent payable by that tenant should be set at no more than 80% of the amount that would be the market rent for that property, and that in the following years a 1% per annum reduction to that maximum rent applies. However, this is a maximum rent. The guidance is clear that local factors should also be taken into account: for example, the local market conditions, or the local housing allowance for that area. Providers already have flexibility to set rents below 80%, if they think it appropriate. The 5% and 10% flexibility we referred to previously are specific to the formula rent model and do not, therefore, normally apply to affordable rent. However, under the current policy, affordable rent housing may be let at the formula rent if it is higher than 80% of the market rate. I understand that the noble Lord is concerned about this point.

To reflect this, I am pleased to say that we are proposing amendments—to be discussed later—that are intended to address this, and which better align affordable rent setting with existing policy. Again, I want to reiterate that, to mitigate the impact of the reduction, we have already made amendments in another place that will enable affordable rent housing to be re-let at up to 80% of the market rate even if it was previously lower than that rate. Housing which may be let on the affordable rent basis will be identified as such in regulations under paragraph 4.

I recognise that noble Lords are concerned about future housing supply. We have made it clear that this is our key priority, and it is backed by our commitment to invest £8 billion to deliver 400,000 affordable housing starts.

I turn now to Amendment 59A. The purpose of freezing LHA rates for four years is to build on the housing benefit reforms introduced during the last Parliament, which saved £6 billion. Savings from freezing LHA rates are estimated to be around £655 million for the whole of Great Britain over the four years. As noble Lords may be aware from amendments tabled in Committee, within DWP we already monitor the levels of LHA rates in comparison with market rents to assess any divergences. The rent officer services provide DWP with rental data for each broad rental market area for the last 12 months up to the end of September each year. This is used for monitoring purposes and in the last two years has been the basis for identifying which rates should be increased by the targeted affordability funding.

This amendment calls for an independent review of the relationship between the rates and private rents to be carried out at least on an annual basis. While I appreciate what is intended here, undertaking an independent review with such frequency is likely to be of significant cost to the department, especially considering the time of officials required to arrange this each year. Rent officers already publish annually on their respective websites the 30th percentiles of market rents for each area alongside the LHA rates and have done so for the

last three years. The Secretary of State has the power to review LHA rates or to provide in regulations for the maximum housing benefit to be an amount other than these rates; those powers have been in place since 2012.

We recognise that rents in some areas will increase and at different rates. In view of this, we will recycle 30% of the savings generated from the freeze through the targeted affordability funding—we have already distributed £140 million since 2014. Because there was no inflation during the relevant period, this means that no savings will be made from the freeze in 2016 and 2017, and therefore no targeted affordability funding, but it will be made available from the savings in subsequent years. In addition, local authorities are able to provide support to those affected by housing benefit reform with an enhanced package of £870 million of discretionary housing payment funding.

In light of these arguments, I urge the noble Lord to withdraw his amendment.

10.15 pm

Baroness Warwick of Undercliffe: Might I press the Minister for a moment on the LHA cap issue? I am not quite clear about what he means. He said that he could not be specific, and I understand that, but I am very conscious of the uncertainties that boards now face as regards the decisions they have to take in the next few weeks. Do we take it from what he said that the slate is clean as far as they are concerned, there is no assumption that the LHA cap will be applied and that the outcome of the review will look at this afresh?

Lord Freud: There will be a review, which will look at how we fund. We have given ourselves a year to come up with that, so clearly they can look to that in the medium term. However, I have already said that we accept that it is urgent to make sure that their immediate concerns are taken off the table, and we are working to make sure, as we look forward to a more fundamental review, that those protections in that short-term period are in place.

Lord Kerslake: The proposal with regard to the exemption and flexibility for the regulator in those difficult circumstances is entirely welcome. Although it does not go as far as I sought, it is a very helpful move indeed, so I thank the Minister.

Lord Best: My Lords, this has been an excellent debate. Many thanks to the noble Lord, Lord Shipley, my noble friends Lord Listowel and Lord Kerslake—I was pleased to hear him say that he welcomed the announcement by the Minister—and the noble Baroness, Lady Hollis, who may have been satisfied to some extent on the process. We should have a chance to debate these things in the future. I thank the right reverend Prelate the Bishop of Durham, who told us about the work of Framework, a typical housing association, which is feeling very nervous and which, I hope we are pretty well fully reassured, will not go out of business as a result of these measures—that will just not happen. I also thank the noble Baroness, Lady Manzoor, my noble friend Lord Ramsbotham, for championing the cause of the almshouses, the noble Lord, Lord Young of Cookham, for joining in very helpfully; and the noble Baroness, Lady Warwick. She continues to feel fearful but I hope that she gained the distinct impression that it would be a bad idea to hold back on the basis of thinking, "The Government will probably let us down; the rents won't meet what is required".

For some years I chaired one of the housing associations—Hanover, which runs the most extra care housing schemes in the country. I thought to myself, "Knowing what I know, would I say to my board that it is too risky to go ahead with an extra care scheme in these circumstances, because by 2018 we may find that there is no money on the table and we will go out of business?". I would say from the chair, "Let's go for it. I don't believe we're going to be put out of business", but I fully accept that some of my fellow board members might take a more cautious view. That is the anxiety that remains until the Minister is able to come up with something that has a watertight guarantee. However, his words tonight were as reassuring as we could expect them to be.

I echo the Minister's tribute to the many organisations that have beaten a path to his door. I am sure that they were much more influential than myself or anyone else in this House because they bring the real experience of the front line through to the ministerial office. I am delighted that he is deeply committed to engaging those same organisations in the process that now follows to find a permanent solution.

However, best of all, I am very pleased that the Minister has been able to announce that, while the review takes place and Ipsos MORI comes up with its research, with the providers being part of the process of finding a permanent solution, rents can be increased by CPI plus 1% in these schemes. That will keep the wolf from the door. I have pleasure in begging leave to withdraw the amendment.

Amendment 50 withdrawn.

Amendments 51 and 52 not moved.

Amendment 53 not moved.

Clause 24: Enforcement

Amendment 54

Moved by ***Baroness Evans of Bowes Park***

54: Clause 24, page 23, line 42, at end insert—

"(b) regulations under section 26 of that Act, or

(c) Part 1 of Schedule 2 to that Act.""

Baroness Evans of Bowes Park (Con): My Lords, the amendments in this group are mainly technical in nature. The majority of them respond to points raised by the Delegated Powers and Regulatory Reform Committee and we hope that they will be welcomed. Others stem from issues which we have identified might have been of concern to social housing providers, or they might be helpful to them in accommodating the rent reduction measure.

[Baroness Evans of Bowes Park]

I start by addressing some of the points raised by the committee. In its report it expressed concern both that the power in Clause 26 to make provision for excepted cases through regulations was drafted too widely, which could provide latitude to make different provision for rent control or enforcement, and that negative procedures apply here. The powers under Clause 28 provide important flexibility to put in place, by means of regulations, alternative provision for how maximum rents should be determined in special cases. Our broad intention is to use these powers either to relax the requirements for social housing providers or to protect tenants.

However, we recognise some of the committee's concerns and, in response, have brought forward Amendment 77, which restricts the use of the power so that it may not be used to increase the annual 1% reduction specified in the Bill or to impose a maximum rent below the social rent rate in a case where an exception from Part 1 of Schedule 2 applies. The amendment also provides clarity regarding how the power may be used to apply modifications of the provisions.

The power remains a wide one, and necessarily so, because it will allow the flexibility to put in place provisions which soften the effect on providers of the rent restriction measure. It will also put in place protection for tenants and, if necessary, make provision for new rent products launched during the life of this measure. These are important flexibilities to ensure the proportionate application of the Bill's provisions so that they are aligned, as far as possible, with the current rent policy, and they will enable us to respond to developments in the sector. It is not our intention to use them to put in place significantly different or more onerous provision for large swathes of social housing. That is why we have not accepted the committee's recommendation that regulations under this power should be affirmative. That would make implementing measures intended to assist providers or help tenants more burdensome and it would curtail the Government's ability to act quickly to modify the effect of provisions where required.

Amendment 80 is consequential on Amendment 77, and Amendment 65 is, in turn, consequential on Amendment 80.

The committee also expressed concerns about the different approach to enforcement of Part 1 of Schedule 2 and of regulations under Clause 26—both, as originally drafted, powers to provide for enforcement—as well as enforcement of Clause 21, which is on the face of the Bill. We accept that there should be consistency of approach, so Amendments 54 to 58, 74 and 78 align enforcement of Schedule 2 and Clause 26 with that of Clause 21 so that all enforcement will be provided for on the face of the Bill through Clause 24. Amendment 60 is consequential on Amendment 74. Amendment 59 is a consequential amendment which transposes Clause 24 to after Clause 28.

We are grateful to the committee for identifying an inconsistency in drafting relating to the definition of formula rent and have brought forward Amendment 64 to address this. We have also taken the opportunity to clarify that the power to define formula rent includes the power to provide that it is a rent set in accordance with a method specified in regulations. The committee also expressed the view that delegation of the power to define "formula rent" is inappropriate in the absence of a proper justification and includes unacceptable sub-delegation. I hope that I will be able to reassure the House on both points.

As many of your Lordships will know, formula rent is a principle that is well understood in the social housing sector and a key element of the current rent policy regime. We have been clear that the definition of formula rent in the Bill will be aligned to the definition under the rent standard and government guidance on the reference date, albeit with the qualification that the flexibility to deviate from formula in exceptional circumstances will no longer be available. That policy intention has been subject to parliamentary scrutiny and, given that the method for determining formula rent is complex and involves reference to numerous tables of supporting data, we remain of the view that it is appropriate to set the definition out in secondary legislation and to refer to the rent standard and guidance from which that definition is derived. We do not accept that cross-reference to these historic documents is inappropriate, but do accept that the drafting did not make the intentions in this regard clear. Amendment 64, therefore, restricts such references to the rent standard and guidance documents applicable on the reference date.

Finally, the committee expressed similar reservations about the power to define affordable rent. Having reflected on them, we have tabled Amendment 70 to address the criticism of sub-delegation. We agree that cross-referring from the regulations to the content of the rent standard and guidance documents is not necessary. Instead, the regulations may provide that it is a rent set in accordance with a method specified or described in regulations. However, again, the Government's clear view remains that the complexities of the definition are such that they are more appropriately dealt with in secondary legislation, which can, if necessary, be adjusted to reflect the terms of new affordable rent agreements.

I now turn to Amendments 66 to 68. These are important amendments to address a drafting oversight and to allow the continuation of the present policy that affordable rent housing may be let at the social rent rate when this is higher than the affordable rent, as may be the case in some low market-value areas.

Amendments 71 and 82 will enable continuation of the present policy that affordable rents are inclusive of service charge when determined on the percentage of market rent principle, but exclusive of service charge when determined on the social rent model.

Amendment 79 is a consequential amendment and removes the definition of "affordable rent housing" and "affordable rent" from the interpretation section, as these terms are no longer used other than in Schedule 2. Amendment 69 adds an example to the list in paragraph 4(4) of types of arrangements and agreements to which the definition of "affordable rent housing" may refer.

I now turn briefly to Amendments 72 and 73. I know that my noble friend Lady Williams had a helpful meeting with some of your Lordships to explain

the purpose of these amendments. They amend Schedule 2, paragraphs 6(2) and (8), and would enable the regulator of social housing or the Secretary of State to issue an exemption allowing a provider to set initial rents at a specified percentage above the social rent rate if the statutory conditions for granting such an exemption are met.

Amendment 81 is a small clarification that, for the purpose of calculating rent reductions, the day on which a tenancy begins or ends should be treated as a full day. The purpose of this is to simplify calculations for providers.

Amendment 62 modifies the principles for determining the assumed rent in order to avoid disadvantaging providers who implement their annual rent increases later in the year than 8 July. An "assumed rent" is a rent set by reference to the rent of a previous tenant, and this amendment corrects a drafting anomaly which could have meant that, in certain circumstances, the assumed rent would be determined by reference to the provider's 2014-15 rate, not the 2015-16 rate as intended. Again, the Government's intention here is that this amendment should prove helpful to providers.

Amendments 75 and 76 are consequential amendments.

I apologise to noble Lords, but I misspoke earlier: I was supposed to have said Clause 26 and not Clause 28. Due to the technical nature of these explanations, if it would be helpful, I am happy to write to noble Lords to clarify exactly what I meant and to correct what I said. Because it is late and these are technical amendments, I am very happy to pick up other points in correspondence if, having read what I said, noble Lords would like any further clarification. I am sorry about the length of time that that took. I beg to move.

10.30 pm

Lord McKenzie of Luton: My Lords, I thank the Minister for that quick but extensive exposition of what is in the amendments. Clearly there is a lot that we need to study in the record. I thank her for the notes we received in advance but we have had a limited time in which to absorb them. If we need to, perhaps we could take up the offer of a meeting between now and Third Reading, whenever that is. However, as a matter of prudence, we reserve the right to come back at Third Reading if anything proves to be contentious. We accept the proposition that these are enabling, protective or technical amendments and that that situation should not arise but, frankly, until we have had the chance to study them in detail—which we should have—I hope the Minister will accept that.

Amendment 54 agreed.

Amendments 55 to 59

Moved by ***Lord Freud***

55: Clause 24, page 24, line 3, at end insert—

"(b) regulations under section 26 of that Act, or

(c) Part 1 of Schedule 2 to that Act.""

56: Clause 24, page 24, line 7, at end insert—

"(b) regulations under section 26 of that Act, or

(c) Part 1 of Schedule 2 to that Act.""

57: Clause 24, page 24, line 11, at end insert—

"(ii) regulations under section 26 of that Act, or

(iii) Part 1 of Schedule 2 to that Act,"."

58: Clause 24, page 24, line 15, at end insert—

"(ii) regulations under section 26 of that Act, or

(iii) Part 1 of Schedule 2 to that Act,"."

59: Clause 24, transpose Clause 24 to after Clause 28

Amendments 55 to 59 agreed.

Amendment 59A not moved.

Clause 25: Further provision about social housing rents

Amendment 60

Moved by ***Lord Freud***

60: Clause 25, page 24, line 21, leave out ", exemptions and enforcement" and insert "and exemptions"

Amendment 60 agreed.

Schedule 2: Further provision about social housing rents

Amendment 61 not moved.

Amendment 62

Moved by ***Lord Freud***

62: Schedule 2, page 32, line 40, leave out sub-paragraphs (i) to (iii) and insert—

"(i) was payable at the beginning of 8 July 2015 by the person who was the tenant of that social housing, in a case where 8 July 2015 is the relevant day,

(ii) was payable at the beginning of the relevant day by the person who was the tenant of that social housing, in a case where the relevant day falls after 8 July 2015 and the person who was the tenant at the beginning of 8 July 2015 continued as tenant until at least that later time,

(iii) is likely to have been payable at the beginning of the relevant day by the person who was the tenant at the beginning of 8 July 2015 if the person's tenancy had continued until at least that later time, in a case where the relevant day falls after 8 July 2015 and the person who was the tenant at the beginning of 8 July 2015 ceased to be the tenant before that later time, or

(iv) is likely to have been payable at the beginning of the relevant day by a tenant of that social housing, in a case where there was no tenant at that time and sub-paragraph (iii) does not apply,"

Amendment 62 agreed.

Amendment 63 not moved.

Amendments 64 to 76

Moved by ***Lord Freud***

64: Schedule 2, page 33, line 20, leave out sub-paragraphs (7) and (8) and insert—

"(6A) The Secretary of State may by regulations define "formula rent" and may, in particular, provide that it is a rent set in accordance with a method specified in the regulations.

(6B) Regulations under sub-paragraph (6A) may, in particular, make provision by reference to—

(a) the standard published in January 2015 by the regulator under section 194(2A) of the Housing and Regeneration Act 2008 (the powers of the regulator to set standards relating to levels of rent),

(b) Rent Standard Guidance published in January 2015 by the regulator, or

(c) Guidance on Rents for Social Housing published in May 2014 by the Secretary of State."

65: Schedule 2, page 34, line 17, leave out sub-paragraph (6)

66: Schedule 2, page 34, line 26, leave out from beginning to end of line 30 and insert "the higher of—

(a) the amount found by—

(i) determining the rate of the market rent for that social housing when the tenancy begins, and

(ii) determining the amount that is 80% of the amount that would be payable in respect of a year if that rate had applied during the year, and

(b) the amount that would be payable in respect of the first relevant year if the tenant were paying rent at the social rent rate."

67: Schedule 2, page 34, line 40, leave out from "is" to end of line 44 and insert "the higher of the amounts described in sub-paragraph (3A)."

68: Schedule 2, page 34, line 44, at end insert—

"(3A) The amounts referred to in sub-paragraph (3) are—

(a) the amount found by—

(i) determining the rate of the market rent for that social housing when the tenancy begins,

(ii) determining the amount that is 80% of the amount that would be payable in respect of a year if that rate had applied during the year, and

(iii) (if necessary) reducing that amount in proportion to the part of that relevant year that elapsed before the tenancy begins, and

(b) the amount that would be payable in respect of the period in question if the tenant were paying rent at the social rent rate."

69: Schedule 2, page 35, line 31, at end insert—

"( ) an arrangement between a local authority and the Homes and Communities Agency, the Greater London Authority or the Secretary of State under which rents for social housing may be set on a particular basis."

70: Schedule 2, page 35, line 32, leave out sub-paragraphs (5) and (6) and insert—

"(4A) Regulations under sub-paragraph (2) may define "affordable rent" and may, in particular, provide that it is a rent set in accordance with a method specified, or of a description specified, in the regulations.

(4B) The methods that may be specified in the regulations include, but are not limited to, methods that provide for a maximum level of rent when accommodation is initially let to be a certain percentage of market rent in certain cases or circumstances."

71: Schedule 2, page 35, line 41, at end insert—

"( ) A reference to an amount of market rent includes a reference to an amount payable by way of service charge."

72: Schedule 2, page 37, line 26, at end insert—

"( ) a direction that Part 1 is to have effect in relation to a private registered provider specified in the direction as if a reference in Part 1 to the social rent rate were a reference to that rate increased by the percentage specified in the direction;"

73: Schedule 2, page 38, line 12, at end insert—

"( ) a direction that Part 1 is to have effect in relation to a local authority specified in the direction as if a reference in Part 1 to the social rent rate were a reference to that rate increased by the percentage specified in the direction;"

74: Schedule 2, page 38, line 38, leave out paragraph 7

75: Schedule 2, page 39, line 9, after "1(5)(a)(iii)" insert "or (iv)"

76: Schedule 2, page 39, line 10, leave out "the beginning of 8 July 2015" and insert "a particular time"

Amendments 64 to 76 agreed.

Clause 26: Provision about excepted cases

Amendments 77 and 78

Moved by ***Lord Freud***

77: Clause 26, page 24, line 43, at end insert—

"(3A) Regulations made by virtue of subsection (3) may, in particular, provide for section 21 or Part 1 of Schedule 2 to have effect with modifications.

(3B) The modifications that may be made by virtue of subsection (3A) include (but are not limited to) modifications that—

(a) provide for the maximum amount of rent to be increased from year to year by no more than a percentage specified in the regulations;

(b) provide for the maximum amount of rent to be determined by disregarding the effect of a temporary reduction or waiver of rent;

(c) provide for the maximum amount of rent to be determined by reference to a different period;

(d) provide for section 21(1) or paragraph 1(4)(c) or (5)(c) or 3(4) of Schedule 2 to have effect as if it referred to a different percentage;

(e) provide for paragraph 1, 2 or 3 of Schedule 2 to have effect as if the social rent rate were uplifted by a percentage specified in the regulations;

(f) provide for paragraph 3(2) or (3) of Schedule 2 to have effect as if paragraph 3(2)(a)(ii) or (3A)(a)(ii) referred to a different percentage;

(g) provide for the maximum amount of rent to be determined by reference to what would have been the amount if an exception in regulations under section 22 or paragraph 5(5) of Schedule 2(including an exception making such provision as is described in section 22(7) or paragraph 5(7)) had not applied.

(3C) Regulations made by virtue of subsection (3B)(d) may not provide for a higher percentage to have effect.

(3D) Regulations made by virtue of subsection (3B)(e) may, in particular, make provision in relation to cases where an exception in regulations under paragraph 5(5) of Schedule 2 making provision about social housing which satisfies conditions prescribed by the regulations as to design, facilities, use or the provision of support to tenants applies.

(3E) Regulations under subsection (1) may not provide for a maximum amount of rent payable by a tenant of social housing in respect of a relevant year, or a part of a relevant year, which is less than the amount that would be payable by the tenant in respect of that period if the rent was payable at the social rent rate in that period, in a case where an exception in regulations under paragraph 5(5) of Schedule 2 applies."

78: Clause 26, page 25, line 15, leave out subsection (8)

Amendments 77 and 78 agreed.

Clause 31: Interpretation

Amendments 79 to 82

Moved by ***Lord Freud***

79: Clause 31, page 27, leave out lines 33 and 34

80: Clause 31, page 28, line 10, at end insert—

""social rent rate" has the meaning given by Schedule 2;"

81: Clause 31, page 28, line 34, at end insert—

"( ) In determining the maximum amount of rent payable by a person who is a tenant of social housing for part of a relevant year, a fraction of a day during which the person is a tenant of that social housing is to be treated as a whole day during which the person is a tenant of that social housing."

82: Clause 31, page 28, line 37, leave out from beginning to "does" in line 40 and insert—

"(a) in a case where the maximum amount applying under regulations under section 26 or Part 1 of Schedule 2 is determined on a basis that treats an amount, or a description of an amount, payable by way of service charge as part of the rent payable, includes a reference to an amount, or an amount of that description, payable by way of service charge,

(b) in a case where section 21 applies after regulations under section 26 have, or Part 1 of Schedule 2 has, applied a maximum amount determined on a basis that treats an amount, or a description of an amount, payable by way of service charge as part of the rent payable, includes a reference to an amount, or an amount of that description, payable by way of service charge,

(c) in a case not falling within paragraph (a) or (b) where, under the terms of the lease or agreement, an amount, or a description of an amount, payable by way of service charge is part of the rent payable, includes a reference to an amount, or an amount of that description, payable by way of service charge, and

(d) in any other case,"

Amendments 79 to 82 agreed.

Amendment 82A

Moved by ***Baroness Meacher***

82A: After Clause 31, insert the following new Clause—

"Housing costs: payments to landlords

Housing costs: payments to landlords

(1) Regulations made by the Secretary of State under section 5 of the Social Security Administration Act 1992 (claims and payments regulations) must provide for the payment of the housing costs element of an award of universal credit to the landlord where the claimant requests such payment to be made to the landlord.

(2) In this section—

"landlord" means the person who is entitled to payment of rent for the occupation of the accommodation occupied by the claimant as his or her home;

"rent" includes the license or similar payment for the use and occupation of the accommodation."

Baroness Meacher (CB): My Lords, in moving Amendment 82A I hope not to take up much of the House's time. The amendment requires the Secretary of State to make regulations that would enable tenants receiving universal credit to choose to have the housing element of universal credit paid directly to their landlord.

We debated this matter in relation to an earlier welfare reform Bill and I am aware of the Government's resistance to the measure. As benefit levels fall drastically under successive rounds of cuts, the need for this provision has grown over time. Until the introduction of local housing allowances, private tenants were able to choose to have rent payments paid direct to their landlord. Currently, social tenants can still request that housing benefit be paid direct to their landlord. However, under universal credit, tenants, whether social or private, will lose this flexibility and thus the opportunity to ensure that their rent is paid regularly so that they can at least be guaranteed a roof over their heads even if they cannot feed their children.

The Government argue that to include housing benefit payments within the universal credit payment promotes financial responsibility and helps prepare claimants for the world of work, when they will need to manage their entire budget without help from the state. Of course, in a perfect world this is a reasonable argument. However, it fails to take account of government policy to ensure that work pays. But this is being done by reducing out-of-work benefits substantially. The result is that it is highly doubtful that any of us in this House could manage to live on out-of-work benefits—pay the bills, feed the family and pay the rent. If we could not do it, why should we expect others far less privileged to be able to do so?

The Government's attitude to this matter suggests to me, I fear, little understanding of the incredible challenges faced by out-of-work claimants under the regime which has been unfolding since 2010.

I wish to put on record in your Lordships' House that tenant choice, as set out in the amendment, was supported by the Work and Pensions Select Committee in its report *Support for Housing Costs in the Reformed Welfare System* published in April 2014. The Select Committee suggests that such arrangements could be available at least for the first few years of a UC claim as a transitional measure. I hope the Minister will be able to respond to that proposal.

There is considerable support for direct rent payments to landlords if claimants request it. In February 2015, for example, the Northern Ireland Executive confirmed that landlords will be paid benefit directly to cover tenants' rent. The Scottish Government have also indicated their wish to introduce such a provision. Both Shelter and Crisis support it, for obvious reasons.

An important point raised by the Residential Landlords Association is that direct payments will prevent an abusive partner using the rent money for their own purposes, an issue I had not thought of. Partners with a gambling or drink problem too often reduce their families to destitution. In fact, I was very familiar with such problems years ago, although they had rather gone out of my mind. This amendment would provide some protection for such families.

Finally, the Minister will be well aware that this is a big issue for landlords and hence for the adequacy of housing supply for benefit claimants. It seems that this is as powerful an argument for the amendment as the concerns about tenants. Quite simply, if landlords cannot be sure that the claimant will be able to pay the rent on time every time, they would be sensible not to

[Baroness Meacher]
rent their properties out to universal credit claimants. We already have an excess of demand for housing over supply. Does the Minister have an estimate of the expected fall in the supply of properties for rent for claimants in the coming years? Is the Minister concerned that research by the RLA earlier this year showed that 63% of private landlords with tenants on universal credit said that their tenants were in arrears with the rent? How many of those landlords will be willing to risk renting to benefit claimants again? In my opinion, only very few.

I very much hope that the Minister will be able to persuade the Secretary of State to take this amendment seriously in order to avoid a likely catastrophe in housing provision for universal credit claimants, and serious consequences for the children of the many parents who will be unable to cope. I beg to move.

Earl Cathcart (Con): My Lords, as the noble Baroness, Lady Meacher, has just said, under the old housing benefit scheme the tenant had the choice of the payment going to him or directly to the landlord. The Minister said that, under the new scheme, the,

"position is for universal credit to be paid as a single monthly sum direct to the claimant; that is designed to mirror what would happen if the claimant was in full-time employment, when they would be responsible for managing their own funds and paying their own rent".—[*Official Report*, 21/12/15; col. 2438.]

In an ideal world that is an excellent idea, but in the real world it invariably does not happen. As a landlord, I can foresee that when the tenant receives the universal credit, the temptation will be to buy the weekly shopping, petrol, clothes and so on, and by the time the rent becomes due there will not be enough money left, so the spiral of debt takes hold. But the Government are adamant that paying universal credit only to the claimant not only will work but does work. Is this experiment working as the Government say it is?

According to a survey conducted by the Residential Landlords Association, it is not. It found that of those private sector landlords who had tenants on universal credit, some 63% had tenants in arrears on their rent—a point just made by the noble Baroness. Of that group of landlords, 85% had contacted the Department for Work and Pensions to have the housing element of the universal credit paid direct to them after eight weeks of arrears, as is their entitlement. More than 57% of that group said that it had taken the department more than five weeks to respond to the request, which means that the landlord is already more than three months out of pocket. I understand that the problem is even worse for social housing, with nearly 90% of tenants in arrears. It is heartening that the Minister said in Committee that,

"we are doing a lot of work now with social landlords to get the problem under control".—[*Official Report*, 21/12/15; col. 2437.]

At least my noble friend admits that there is a problem and that the new system is not working quite as planned. Much of this could have been avoided if the rent had been paid direct to the landlord.

In October 2012, a survey of more than 1,000 landlords carried out by the Residential Landlords Association and the Scottish Association of Landlords found that more than 91% of landlords were less likely to rent to tenants on benefits as a direct result of the decision not to allow payment of the benefits direct to the landlord. Not making the payment direct to the landlord is not helping the landlords and it is certainly not helping the tenants. All the evidence, backed by Shelter, Crisis and the Money Advice Trust, has been that paying it direct to the landlord was popular with tenants, as they were assured that their rent was covered before they decided how else to spend their money.

If the Government really want to make tenants,

"responsible for managing their own funds and paying their own rent".—[*Official Report*, 21/12/15; col. 2438.],

what better way than the tenant asking for the rent to be paid direct to the landlord? To my mind, that is the height of responsibility for the tenant: to ensure that the roof over their heads is paid for before deciding how to spend any remaining money.

Baroness Hollis of Heigham: My Lords, I strongly support the amendment moved so ably by the noble Baroness, Lady Meacher. This is a real problem. The previous proposals that we were given, and the previous explanations that we wanted to model on the world of work, frankly belonged to a different planet. Those tenants, particularly in social housing, who need housing benefit are not those, for the most part, who are paid monthly. They very often are on ZHCs, have insecure or short-time jobs, or have fluctuating incomes week by week. That is topped up by universal credit. They want and need the security of a home in order to continue often to be able to find the jobs that they want, which would give them greater security. If they seek direct payments to the landlord, why does the Minister think that the Government and the DWP can second-guess what is in their best interest? Why not treat them as moral adults who can make their own judgment? The result that we are already seeing and beginning to worry about is, given the refusal to give alternative payment methods until after six to eight weeks' arrears, and the time of processing that, we can be talking about debts of more than £1,000, from which tenants never recover.

The alternative is to try to help tenants to find ways to bypass the rigidity of DWP. So we are busy setting up jam-jar accounts and other friends are busy trying to use credit unions in order to bypass the total universal credit going into the bank account where the bank then takes payments for any other outstanding debts or anything else. As a result, HB becomes the last thing to be paid to the landlord. Many are already experiencing those problems. Certainly, one local authority tenant said to me, "Well, I won't worry about that because that will be the last thing that gets paid. The local authority won't evict me. It costs them more to send me into temporary housing and, given that I've got kids, I can run that risk". That is the mental framework. She said, "I would be perfectly willing if they took it at the beginning of the month. But if I put it in the bank, it will be gone by the end of the month before I pay the rent".

I suggest that the Minister responds very positively to this amendment. Where the tenant seeks it, the department should agree that alternative payment arrangement and stop all the futile effort that so many of us are making trying to find ways to loop around

the system, to overcome the rigidities of the department, to help tenants avoid what will probably be debts from which they will never recover. I hope that the Minister will take the words of the noble Baroness and the noble Earl very seriously. It is a real problem on the ground.

Lord Layard (Lab): My Lords, the Government are great believers in the principle of "nudge" and have greatly expanded the nudge unit. The fundamental principle of nudge is that, by quite small differences in institutional arrangements, you can produce big differences in outcomes. One principle of nudge is to give people an opportunity to protect themselves against their worse natures. That is exactly what this is about: offering people an opportunity to protect themselves against their own weakness. It is difficult for me to understand why the Government are not willing to use this elementary psychological principle. Would the Minister consider consulting the nudge unit before insisting that this ideological line that is being pursued is consistent with modern psychology?

10.45 pm

Lord McKenzie of Luton: My Lords, we strongly support the amendment moved by the noble Baroness, Lady Meacher. Indeed, it replicates part of an amendment moved in Committee by the noble Earl, Lord Cathcart. We know from the Government's point of view that there is an article of faith here. Their starting point is that they overwhelmingly want and expect universal credit to be paid as a single monthly payment in arrears to the claimant. We know that there are opportunities for alternative payment arrangements and my noble friend Lady Sherlock set down our understanding in responding to the amendment in Committee.

The issue of eight weeks has been raised, but it is not eight weeks before you get to a solution. As I understand it, the guidance states that, when arrears reach one month's rent, the DWP will review the situation—I am not sure how long it takes it to do that—following notification by the claimant or landlord. When they hit two months or eight weeks, either the landlord or the claimant can request an APA. Again, I think the point was raised about how long it takes the DWP to respond to those questions. Even then, there is no automatic right to one because the Government are still clinging to the concept that managing benefits should mirror choices in managing money which they say that those in work have to make.

The issue is one not only of having a nominal system in place under which alternative payments can be made, but of how those are put into practice and what realistic timescales are involved. Even if it were on the dot of eight weeks, that is a time for a landlord to wait. Some landlords might be left in a marginal economic situation.

A question was posed about what information we have about claimants of universal credit and other benefits being effectively denied access to properties available for rent. It might be quite hard to get hard statistics on that, but it would be interesting to know what the department has. The landlords fear, even if they may ultimately get paid, that they will have to wait eight weeks or even longer before they get their money.

My noble friend asked about what is happening with universal credit and how many people are in the system at the moment. At December 2015, there were 287,000 universal credit claims—I think that this is internal management information and therefore not fully verified—and some 37% of those payments included a housing element. Again only preliminary analysis showed that 19% of those had a managed payment to the landlord. I suppose that that gives a glimpse of something that is working to an extent, but clearly is not working in a sufficiently robust way to address the very real concerns that have been raised.

We debated this endlessly during the passage of the Welfare Reform Bill. My noble friend will remember it, and jam-jar accounts have featured already this evening. The arguments were strongly made against not only monthly payments but the opportunity for direct payments, particularly in relation to housing. My noble friend Lady Hollis made an extremely important point that the fundamental is a roof over your head—pretty much everything else flows from that. How can you get a job if you do not have secure accommodation? How do the kids get to school if you do not have secure accommodation? It is a fundamental issue. Just a relatively small change to the system, giving people the choice of having direct payments, means the prospect of removing what is clearly a growing problem, as explained, and fixing it in an effective way, so we support the amendment.

Lord Freud: This amendment requires the Secretary of State to make regulations that would allow universal credit claimants to opt to have the housing cost element of their award paid direct to the landlord, irrespective of the reason. One key principle of UC is that the single, monthly payment mirrors the payment of monthly wages that most claimants would receive if they were in full-time employment. Whether they are receiving UC or are working, tenants need to make similar decisions on managing their money, including paying their own rent.

The Government understand that a move to a single, monthly household payment is a significant change for many claimants and that some will require help and support. Regulations came into force in February last year to allow DWP to inform social landlords whenever one of their tenants makes a claim for or is awarded universal credit with housing costs or when an existing universal credit claimant moves to one of their properties. This enables the social landlord to decide whether the claimant requires advice, support or assistance in budgeting so that they can manage their rental payments.

There will, of course, be instances where the claimant needs additional support and, to this end, the Secretary of State already has powers to pay all or some of a claimant's UC entitlement to a third party through alternative payment arrangements—or APAs, in the trade. There are three APAs: paying rent directly to the landlord; making more frequent than monthly payments; or splitting the payment within the household. APAs can be considered by the Secretary of State at

[LORD FREUD]
any point during the universal credit claim, whether at the outset or later on, if a claimant cannot manage the monthly payment arrangement.

Recent improvements allow the landlord to email their APA requests, which are dealt with in a matter of days as a priority—so some of the early teething problems as we started rolling out the system have been addressed to speed up that process. Wherever possible, these arrangements are time-limited and delivered with appropriate budgeting support to help claimants make the transition to monthly budgeting.

The arrangement also covers claimants who are in rent arrears, and managed payments to the landlord will be considered where claimants have arrears of at least one month due to repeated underpayment or where the claimant owes arrears of at least two months and is at risk of eviction. These protections, combined with the measures enabling landlords to recover arrears from a tenant's UC award, already mitigate any impact on landlords' income or on homelessness.

We are in fact making a series of initiatives in this area and one of the most interesting is the trusted partner trials, where we are working with local authorities so that they decide the people who should be put on an APA, at least initially, and then look to see the budgeting support that a person needs to run their own funding.

Picking up the point made by my noble friend Lord Cathcart on experience, in terms of arrears we did an elaborate direct payment project and we found that, in the early stages, the numbers who paid in full were running at 95.5%, compared with 99% of those where the state paid. However, by the 18th payment—these were weekly payments in the comparator in this project—the direct payments figure had risen to 99%. Interestingly, this happened when the removal of the spare room subsidy came in, and those tenants who had become used to managing their own rent handled the removal of the spare room subsidy better than the ones who had been on the state-managed payments system. That is not surprising because the managed payments system is not necessarily an easy option where there are reductions for non-dependants, the spare room subsidy and so on, because the claimant will still need to pay the shortfall to the landlord.

The other factor, which I am surprised that noble Lords have not clocked, is that a large number of the families on universal credit are in work. It is not like the old legacy system where you have one lot out of work and one lot in work; this is a blended group and people are moving from the out-of-work group into the in-work group. Therefore, the idea that you can be halfway down the taper—in the jargon—and have a managed payment would be incredibly hard for any organisation, including the DWP and the tenant, to manage. Two million households is equivalent to a quarter of the case load.

Baroness Hollis of Heigham: The noble Lord makes our point for us. If a substantial number of people are in work and managing fine—as, indeed, is the case; it is one of the reasons for supporting UC—they will not seek alternative payment arrangements. Who will seek them? It is those who have the self-knowledge to know that they are vulnerable when it comes to paying their rent, given the pressure of debt payday loans and all the other debts they may accrue. If they are being hounded, as we know they are, what will go first is the money that should be earmarked for their rent. I urge the Minister not to superimpose on people who find it hard to manage assumptions about how those of us with rather more comfortable incomes and reliable monthly salaries handle our accounts. It can be a very different and very difficult world.

Lord Freud: The core reason why I dislike this measure—and I do dislike it, so it is not a question of persuading the Secretary of State—is that we can actually see this situation right now. Interestingly, my understanding from conversations I had with welfare rights people in the 1980s was that they were against managed payments because they disempower tenants. It is funny that the political debate has come full circle. If you say that tenants can choose but you have an imbalance of power between the landlord and the tenant, which is the reality, you will find very quickly that every tenant will choose to have a managed payment because they will be told by their landlords—who would love to have someone with an AAA credit rating paying them—"You must have a managed payment". That is what has happened. Some 93% of people in social housing choose to have a managed payment. They are disempowered, which makes it hard for them to get back into work—I think the noble Baroness is shaking her head, as a landlord. You say lots of good things—

Baroness Hollis of Heigham: I have spent years in either local authority housing management or housing association management. I have represented, possibly unlike the noble Lord, a council estate—one of the largest in the city of Norwich—and day by day, week by week, year by year, we went knocking on doors. We know what we are talking about.

11 pm

Lord Freud: Perhaps I should not have personalised it.

The reason this idea of choice does not work is that it is too attractive for a landlord to have an AAA income stream. That is why the solution of the noble Baroness, Lady Meacher, cannot work. It is a retrograde step away from claimants being job-ready. We know that we need to give an enormous amount of help to people with budgeting, and we are doing so. We are looking to social landlords to help us with that, and many are doing a great job. But I am afraid that I must ask, with some passion, that the noble Baroness withdraws this amendment.

Baroness Meacher: It is extremely late but I would like to thank the noble Earl, Lord Cathcart, the noble Baroness, Lady Hollis, and the noble Lords, Lord Layard and Lord McKenzie, for their very helpful and powerful contributions. The Minister and I will have to disagree passionately about this issue: I do not think we are going to agree. The Minister is right that landlords have a lot of power. They will walk away. Why should they let out their properties and not have

their rent paid? They will not do it. That is my big worry—I say that seriously to the Minister: they will not do it. One can talk about budgeting help and all sorts of things but this is very difficult. As benefits reduce, people are going to find it incredibly difficult to manage at all. They simply will not be able to leave any money in the pot until the end of the month to pay their rent because of the pressures they will be under. I profoundly and passionately disagree with the Minister, as much as I respect and like him. But what am I supposed to do but withdraw my amendment?

Amendment 82A withdrawn.

In the Title

Amendment 83

Moved by ***Lord Freud***

line 5, after "interest" insert "and other liabilities"

Amendment 83 agreed.

Title, as amended, agreed.

House adjourned at 11.03 pm.

Volume 768
No. 100

Wednesday
27 January 2016

CONTENTS

Wednesday 27 January 2016