

Vol. 768
No. 104



Tuesday
2 February 2016

PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS
OFFICIAL REPORT

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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

Tuesday, 2 February 2016.

2.30 pm

Prayers—read by the Lord Bishop of Norwich.

Land Registry Question

2.36 pm

Asked by Lord Lea of Crondall

To ask Her Majesty's Government whether they have any plans to privatise the Land Registry.

The Earl of Courtown (Con): My Lords, in the Autumn Statement last year, my right honourable friend the Chancellor announced the Government's intent to consult on options to move operations from the Land Registry into the private sector from 2017. The Government are currently looking at the best options to achieve their objectives. No final decisions will be made on the future of the operating model of the Land Registry until a public consultation has been completed.

Lord Lea of Crondall (Lab): My Lords, Ministers have referred to the rationale for this decision in terms of asking the public and ourselves what overriding reason there is for the Land Registry to stay in the public sector, which is an ideological position. Two questions arise from that. First, I return the compliment and ask: on what grounds is the noble Earl parting company with William the Conqueror who, in 1086, ordained the compilation of the Domesday Book of all land holdings, successfully completing this as a state function? Indeed, it is a natural monopoly like tax collection, and as such is identified in all economics textbooks as the classic exception to the normal case for competitive and profit-maximising private enterprise. Secondly, there was nothing on this in the Government's manifesto and according to a recent poll it is opposed by 95% of the British people, so how come the Government announced their intention—as the Minister said—to sell it for a sum of £1 billion, according to the *FT*, with only the flimsiest lip service paid to protecting the integrity of the register?

The Earl of Courtown: My Lords, I am not sure I have any relationship with William the Conqueror. Seriously, the noble Lord asked a number of questions but in essence asked why we are doing this. As he is aware, the Government continually review all their assets to ensure that public services operate efficiently and effectively for the taxpayer. A sale of part or all of the Land Registry operations is expected to deliver a capital receipt for the Government. That can be invested elsewhere for the benefit of the taxpayer. Where there is no strong policy reason for continued public ownership of an asset, it is right that the Government look at the merits of sale.

Lord Rooker (Lab): My Lords, why cannot the Land Registry do more to stop London becoming the money-laundering capital of Europe by at least ensuring that all property transactions—all of them, but particularly

from abroad—have the beneficial owner listed rather than just corporate ownership, as is the case with properties purchased by companies inside the UK, so that it is fair for all? Lastly, why can it not publish all the purchase prices of properties where they are purchased from abroad? It publishes only 70% of the purchase prices of properties purchased from abroad and that leaves us, as a country, wide open to massive money-laundering.

The Earl of Courtown: The noble Lord makes some very interesting points. He must also be aware that we are going to have this open and public consultation in which he will have the opportunity to make those points.

Baroness Butler-Sloss (CB): My Lords, are the Government entirely appreciative of the enormous importance of the integrity of the Land Registry? Having worked for many years as a lawyer, I would like to be sure that before the Government take the step of privatising it, they understand the implications and that whoever takes it over must have the same degree of integrity as the people who run it now.

The Earl of Courtown: My Lords, I thank the noble and learned Baroness for that point. She is quite right—the integrity of the Land Registry has to continue; it has to be trusted by customers, people selling property, conveyancing bodies and the law societies. At an early stage, the project team engaged with officials across Whitehall, and outside government we have been in contact with the Land Registry Advisory Council, which includes the Building Societies Association, the Law Society and the Conveyancing Association, among others.

Lord Anderson of Swansea (Lab): My Lords, the danger is surely that the Government will see the changes as an opportunity for a job-cutting exercise. In evaluating the options, what weight will be given by the Government to the preservation of jobs in areas of high unemployment?

The Earl of Courtown: My Lords, there will be no immediate change for Land Registry staff; no decisions will be taken until, as I said earlier, public consultation has taken place. In the case of a change, we will look to make all changes compliant with employment law and, after appropriate communications and engagement, with the trade unions. I should add that in the Land Registry 63% of employees are represented by the PCS and the FDA, and I know that they have regular conversations with the management and that even at the most senior level that happens as well.

Lord Cormack (Con): My Lords, in view of the Land Registry's incredible photographic survey, can my noble friend assure the House that there will be no selling to Google?

The Earl of Courtown: My Lords, my noble friend, as ever, poses an interesting point. I am not sure whether this is an area that the company mentioned is involved in.

Lord Stevenson of Balmacara (Lab): My Lords, if the Land Registry is purchased, I assume that the Government will put in place measures to prevent a new commercial owner exploiting access to the register for commercial gain. If so, will that not reduce the price?

The Earl of Courtown: My Lords, obviously, as the consultation has not taken place and we do not actually know how the sale will be established, we cannot even talk about the price. But the noble Lord makes a point about exploitation, and he is quite right that those aspects must be guarded.

Lord McNally (LD): My Lords, I declare an interest in that the Land Registry was the first organisation to offer me a job at the age of 16, so I have always had a fondness for it. Is the Minister aware that the reason why the noble and learned Baroness, Lady Butler-Sloss, is so right is that Land Registry is a key part of the most important thing that most people ever do, which is to buy a house? The public trust the Land Registry. If the public consultation that the Minister has proffered as a way forward shows overwhelming hostility to the Government's plans by the general public, will the Government accept that decision?

The Earl of Courtown: My Lords, I cannot possibly pre-empt what is said in the consultation and what Her Majesty's Government will say in response. As I said earlier, the consultation will be taken very seriously by the department.

Energy: Carbon Capture and Storage Question

2.45 pm

Asked by Lord Teverson

To ask Her Majesty's Government what assessment they have made of the potential in the United Kingdom for the development of carbon capture and storage.

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, the Government believe carbon capture and storage has the potential to play an important role in the long-term decarbonisation of the United Kingdom's power and industrial sectors.

Lord Teverson (LD): I thank the Minister for that very short reply. In the Committee stage of the Energy Bill this Session, he stated that,

"CCS is central to what we are seeking to do on decarbonisation".—
[*Official Report*, 7/9/15; col. 1230.]

Given the cancellation of the projects in Scotland and Yorkshire earlier this year, is that still the Government's view, or is this a new vision of CCS and decarbonisation?

Lord Bourne of Aberystwyth: My Lords, a decision was taken to cancel the competition rather than the projects to which the noble Lord referred. CCS remains vital to what we are seeking to do in decarbonisation. There are many ways in which we are pushing it forward, not least with industrial carbon capture and storage, innovation and, with our partners, looking at joint research and joint sharing of information.

Lord Howell of Guildford (Con): My Lords, I am sure that the noble Lord, Lord Teverson, is right in theory that, if CCS can be made to work, it will be the means of continuing to burn oil, gas and coal in a low-carbon way and thus preventing the looming power crisis that seems all too likely in the near future, but would not my noble friend agree that, in fact, it is impossibly expensive and that the technique of storing in North Sea oilfields is slightly dubious and not fully proven? Would it not be much better to divert resources, such as they are, to carbon capture and utilisation—a cheaper method of carbon capture and sequestration—and to increased energy efficiency?

Lord Bourne of Aberystwyth: My Lords, my noble friend is right to address the enormous cost of the competition. It was going to cost £1 billion. We remain very active in sharing information and data with the United States, Canada, Norway, South Korea, Japan and China, all of which are pushing forward on this, and we are sharing research and information.

Lord Framlingham (Con): My Lords, although methods of capturing and storing carbon are becoming more and more sophisticated, the simplest, pleasantest and most efficient way of doing it is still by the use of trees. Can I urge the Minister to do all he possibly can to urge the Government to apply maximum energy on the care of trees and planting of trees, particularly in our towns and cities?

Lord Bourne of Aberystwyth: My Lords, my noble friend is absolutely right on the vital nature of this. It was a leading part of the discussions in Paris and was spearheaded by His Royal Highness the Prince of Wales. The United Kingdom is very much of the same view, as was the rest of the world at Paris.

Lord Broers (CB): My Lords, getting back to the cost of CCS, I think at the moment the strike price for it is about three times the reference price, which means that if we went that way, the cost would increase three times. We are hoping the price may come down in the 2020s to only twice the cost, but should we not get on with anything we can to understand that situation and the costs more? As the noble Lord, Lord Howell, said, it may not be feasible at all. It is a surprise to most of us that this competition was cancelled.

Lord Bourne of Aberystwyth: My Lords, I agree with most of what the noble Lord said, except about the cancellation. The cancellation was of an extremely expensive project. He is absolutely right that our role, along with others, is vital. We are a leading part of the Carbon Sequestration Leadership Forum internationally and, as I indicated previously, we are talking with key allies about what to do in this area.

Lord Grantchester (Lab): My Lords, key organisations have written jointly to the Prime Minister deeply concerned about the Government's decision to withdraw £1 billion of funding for CCS. This decision is no way to encourage businesses or investor confidence and is undermining the development of a low-carbon economy. Will the Government accept that they have perhaps made a mistake in axing this programme, recommit the funds and come up with a new strategy?

Lord Bourne of Aberystwyth: My Lords, I agree with the noble Lord about the importance of CCS, but I disagree with him in relation to the cancellation of the project. As I have indicated, we are looking at other ways of advancing CSS, including an innovation budget, possibly a contract for difference and international co-operation. This is the right way forward with value for money.

Baroness Featherstone (LD): My Lords, as the UN's Intergovernmental Panel on Climate Change concluded, CCS is a hugely important part of tackling climate change, particularly with regard to cost-effectiveness. Without the crucial £1 billion investment in the cancelled CCS project—as the Government themselves phrased it just a year ago—how else are binding carbon targets to be met? I urge the Government to reconstitute the £1 billion pioneering project.

Lord Bourne of Aberystwyth: My Lords, the noble Baroness is wrong: it is not £1 million but £1 billion. This is the whole point. It is a massively expensive project. We have to look at value for money and at achieving the best ends for the best value. As I say, we recognise the importance of CCS. That is why we are carrying it forward in so many other ways.

Lord Hain (Lab): My Lords, if the Minister is as positive about carbon capture and storage as he has indicated with his warm words, why is he slashing its budget so savagely?

Lord Bourne of Aberystwyth: My Lords, I have indicated that it is an issue of value for money. We do not believe that £1 billion spent on a competition is the right way forward. We are spending money elsewhere, such as on industrial carbon capture and storage; we are working with allies; and we have a powerful innovation budget. This is a key area, but we must get value for money.

Lord Teverson: My Lords, surely this cancellation—this U-turn, this emergency brake—has taken away our reputation as decarbonisation leaders in the world, and has taken away investor confidence in the sort of low-carbon energy projects that we want in this country.

Lord Bourne of Aberystwyth: My Lords, anyone who was present in Paris for the conference at the end of the year, post the decision on the cancellation, would recognise that we are seen as having a leading role on decarbonisation. That is the reality.

Railways: South East Flexible Ticketing Scheme Question

2.51 pm

Asked by **Baroness Randerson**

To ask Her Majesty's Government what is the expected date for the full implementation of the South East Flexible Ticketing Scheme.

The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con): My Lords, we are completely committed to the introduction of smart ticketing as set out in our manifesto. The South East Flexible Ticketing programme is proceeding with its existing contractual obligations and I fully expect these to be delivered by the end of 2016. We want to accelerate progress, support programmes where necessary and challenge operators to do more.

Baroness Randerson (LD): My Lords, £37 million has been spent on the scheme so far but now it appears that the Government have abandoned completing it. Last November they were blaming train operating companies for delays, but now they say that they will leave the rest of the scheme to those same companies to complete as part of their franchise requirements. This will slow down implementation, affecting all passengers but particularly part-time workers, 75% of whom are women. When do the Government think smart ticketing will now be fully introduced across all lines? Will future franchises require full integration of ticketing with other train operators, not simply a paperless system?

Lord Ahmad of Wimbledon: I remind the noble Baroness of the Answer I just gave: we are looking to complete that by 2016. The five operators that have already signed cover 73% of the network. With regard to part-time season tickets, through the franchise competitions we are ensuring that operators develop appropriate proposals for pricings within that.

Lord Bradshaw (LD): My Lords, might the Minister consider the fact that, I believe, smart ticketing now depends on contactless cards? These require an enormous back-office facility to adjust the money between operators. The operators cannot agree to share the information with one another. Would it not be better if ATOC, the independent association of train operators, which deals with revenue matters now, addressed this?

Lord Ahmad of Wimbledon: We are seeing increased co-operation across train operators and we are working closely with the industry to ensure just that. As I have already indicated, there is 73% coverage with the existing operators. In one case, for season ticket holders we already have 22% of the market covered through smart ticketing.

Lord Rosser (Lab): The Rail Delivery Group has recently had discussions with the Rail Minister, Claire Perry. She was going to send a formal letter to the group setting out the Government's expectations on ticketing. In order to clear up any doubts about the current situation and the position with the South East Flexible Ticketing smartcard scheme, and indeed with other schemes, can I ask whether that letter has been sent? If so, will the Minister place a copy in the Library?

Lord Ahmad of Wimbledon: I have just enjoyed a sandwich lunch with my honourable friend the Rail Minister, and I asked her that question. That letter will be sent shortly, and as soon as it is issued I will ensure that a copy is put in the Library. The noble Lord

[LORD AHMAD OF WIMBLEDON]

pointed to wider arrangements. Through the Smart Cities Partnership, nine additional regions are looking at smart ticketing.

Lord Geddes (Con): Does my noble friend agree with the leader of Her Majesty's Opposition in another place that the railways should be renationalised?

Lord Ahmad of Wimbledon: I do not think I agree with anything the leader of the Opposition in the other place says.

Lord Christopher (Lab): My Lords, will the noble Lord confirm or deny the very strong rumours reaching me—I declare an interest in that I travel on Southern trains—that there are plans to transfer Southern to Transport for London? Can he also confirm that, if that is true, it would be quite legal for Transport for London to exceed the boundaries of London?

Lord Ahmad of Wimbledon: I will write specifically on that issue to the noble Lord. I believe that the noble Lord was referring to the awards of franchises; it is true that we are working very closely to ensure that there is an open competition. However, I will write to him on his specific question.

Lord Tomlinson (Lab): The Minister has declared to the House that he does not think that he would agree with anything said by the leader of the Opposition in the other place. Is he really saying that as a Minister in the Government he is declaring himself opposed to the referendum that will take place on our membership of the European Union?

Lord Ahmad of Wimbledon: My right honourable friends have made clear their position on the EU referendum; we are negotiating. I am a member of my right honourable friend the Prime Minister's Government and stand with him. He is ably leading negotiations and it is in the interest of everyone, both in the other place and this House, to show full support for our Prime Minister of Great Britain.

Commercial Debt: Late Payments

Question

2.56 pm

Asked by Lord Harrison

To ask Her Majesty's Government what action they plan to take, in the light of the report by the Groceries Code Adjudicator regarding Tesco's supplier payment policy, to address the late payment of commercial debt.

The Earl of Courtown (Con): My Lords, the Government are implementing a package of measures to help create a responsible payment culture, where larger companies recognise the benefits of having a sustainable and robust supply chain and smaller businesses feel able to challenge poor behaviour. A new reporting requirement on the UK's largest companies this year will compel larger companies to report on payment practices and policies. Our proposed Small Business Commissioner will help small businesses resolve payment disputes with larger businesses.

Lord Harrison (Lab): Given that the Groceries Code Adjudicator found in one case that a supplier was owed a multimillion pound payment for two years, and given that many smaller suppliers find the risible Prompt Payment Code entirely useless when it comes to getting their rights, will the Minister say what powers and resources both the adjudicator and the newly created commissioner will be given to help the 5.4 million small businesses, which have laboured for too many years under this imposition of slow and late payment of commercial debt?

The Earl of Courtown: My Lords, the noble Lord is quite right in what he says about late payment to SMEs. From my own experience in that area, having jointly run an SME, I know how difficult it is for a profitable and competitive SME if you get late payment from your customers and have to pay early to your suppliers. I should also make the noble Lord aware that the Government are taking significant steps to tackle late payment. In addition to the measures I have already outlined, we have strengthened the Prompt Payment Code to promote 30-day payment terms as a norm. The code will also enforce maximum 60-day payment terms for all signatories. At the moment, there are over 1,700 signatories to the Prompt Payment Code, many of which are some of our largest companies.

Baroness Sharples (Con): Will the Minister tell us whether all government departments are paying their debts on time?

The Earl of Courtown: My Lords, as far as the public sector prompt payment measures are concerned—to pay 80% of undisputed invoices within five days and all within 30 days—my department, BIS, exceeded this target and paid 99.5% of its invoices on time in 2014-15.

Lord Stevenson of Balmacara (Lab): My Lords, we all applaud that. The Groceries Code Adjudicator's report definitively establishes that Tesco has been in breach of all 10 of the undertakings required of members of the Prompt Payment Code. The Enterprise Bill is still in the other place, so would it not be sensible for the Government to bring forward an amendment to that Bill that would make a statutory Prompt Payment Code, backed by significant penalties for those who are unable to meet it?

The Earl of Courtown: My Lords, as the noble Lord is aware, because he took a leading role on the Enterprise Bill in your Lordships' House, the Groceries Code Adjudicator does have weapons and is able to fine companies up to 1% of turnover, which is a considerable amount of money. The Government welcome the findings of the first investigation by the GCA. The report highlights that we still have some way to go to create a responsible payment culture in the UK. The Government remain committed to tackling the poor payment practices that hinder our small businesses.

Baroness Jenkin of Kennington (Con): My Lords, I understand that the terms of reference are shortly to be finalised, but will my noble friend confirm that,

in the forthcoming statutory review, there will be full consultation with the grocery supply chain, including farmers, NGOs and Civil Service organisations?

The Earl of Courtown: My Lords, my noble friend refers to the performance review in the Groceries Code Adjudicator Act. My noble friend will be glad to hear that consultation will be as wide as possible.

Baroness Burt of Solihull (LD): My Lords, this report lifts the lid on the abuse suffered by suppliers at the hands of Tesco. On late payments, the Liberal Democrats urged the Government to impose statutory fines for repeat offenders in the Enterprise Bill, which was alluded to by Labour earlier. The Government refused, and the Small Business Commissioner, who the Minister has already mentioned, has barely any powers to tackle this scourge. In the light of this report today, and if the Government do not want to be perceived as having a deferential attitude towards big business, will they think again?

The Earl of Courtown: My Lords, I cannot answer for part of what the noble Baroness says, but, basically, the whole issue is for companies to treat their suppliers in a way that cuts down late payments. However, the noble Baroness is quite right to say that we are not going to impose sanctions as she described.

Baroness McIntosh of Pickering (Con): Will the Minister congratulate the Groceries Code Adjudicator on this her first decision? Will he insist that a proportion of the fine be used to increase her resources to enable her to do more such investigations? Will she be allowed to take own-initiative investigations, off her own bat, rather than wait for a referral from small producers that simply are too timid to do so?

The Earl of Courtown: My noble friend is quite right that support has to be given to small producers and SMEs in this instance. As far as more powers for the adjudicator are concerned, I feel that those will be part of the performance review. However, if there is anything more that I can add to that, I will write to my noble friend.

Lord Rooker (Lab): Does the code cover the cases that I came across in my early days as a Minister, where big companies did not just squeeze their suppliers but found out who the suppliers to their suppliers were and squeezed them, too? The big companies know they have the supplier over a barrel, and the suppliers do not complain about it because they are scared stiff. This is not a straightforward A to B; it is A jumping over B to get to the supplier's supplier and squeeze them as well.

The Earl of Courtown: The noble Lord is quite right. I do not know the answer to his question, I am afraid, but I will write to him. It goes back to the issue that I talked about before, where SMEs are being squeezed at both ends of the job. They are being squeezed by the people they have to buy from, sometimes they have to pay money upfront, and if they find that they have to pay 90 days later, they are being squeezed by their customers.

Lord Foster of Bishop Auckland (Lab): When will the Government be as tough on companies behaving badly as they are on benefit claimants?

The Earl of Courtown: My Lords, we are being tough on companies. The Groceries Code Adjudicator, as I said earlier, has had powers for all investigations since April 2015, when the order went through, and to fine these companies up to 1% of their turnover, which in anybody's language can be a considerable amount of money.

Lord Lexden (Con): Do the Government believe that supermarkets are treating our milk producers fairly?

The Earl of Courtown: My Lords, milk production is going through a difficult position at present, but I will have to write to my noble friend about that issue. I can say that any mistreatment of the suppliers by the large supermarkets is basically unfair.

Lord Empey (UUP): The Minister may be aware that, certainly in Northern Ireland this year and I suspect elsewhere, farm incomes dropped by 41%. I am sure that that is the case in many other areas. How is it possible to ignore the fact that large companies are screwing these small farmers because they can? There needs to be a more vigorous approach by his department. Does he agree?

The Earl of Courtown: My Lords, farmers who are being squeezed in the middle by the low price of milk and high seed costs have great problems. I am afraid that I am slightly out of my knowledge area here, but I will write to the noble Lord to see if I can give him any more information.

Access to Palliative Care Bill [HL]

Order of Commitment Discharged

3.06 pm

Moved by Baroness Finlay of Llandaff

That the order of commitment be discharged.

Baroness Finlay of Llandaff (CB): My Lords, I understand that no amendments have been set down for the Bill and that no noble Lord has indicated a wish to move a manuscript amendment or speak in Committee. Unless, therefore, any noble Lord objects, I beg to move that the order of commitment be discharged.

Motion agreed.

European Union

Statement

3.06 pm

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, with the leave of the House, I will repeat a Statement made a short while ago in another place by my right honourable friend David Lidington. The Statement is as follows:

“Mr Speaker, at about 11:35 this morning the President of the European Council, Mr Donald Tusk, published a set of draft texts about the United Kingdom's

[BARONESS ANELAY OF ST JOHNS]

renegotiation. He has sent these to all EU Governments for them to consider ahead of the February European Council. This is a complex and detailed set of documents that MPs will understandably wish to read and study in detail. With that in mind, subject to your agreement, the Prime Minister will offer an Oral Statement tomorrow following PMQs to allow MPs to question him, having first had a chance to digest the detail on the papers that have been issued in the last hour.

The Government have been clear that the EU needs to be reformed if it is to meet the challenges of the 21st century. The British people have very reasonable concerns about the UK's membership of the EU and the Prime Minister is determined to address those. He believes that reforms that Britain is seeking will not just benefit Britain but the EU as a whole. So our approach in government has been one of reform, renegotiation and then a referendum. We are working together with other countries to discuss and agree reforms, many of which will benefit the entire EU, before holding a referendum to ensure British people have a final and decisive say about our membership.

The House will recall that the Prime Minister made a Statement after the December Council. At that meeting, leaders agreed to work together to find mutually satisfactory solutions in all four areas at the European Council in February. The Prime Minister's meetings in Brussels on 29 January and his dinner with President Tusk on 31 January were steps in that negotiation process.

We are in the middle of a live negotiation and are now entering a particularly crucial phase. The Government have been clear throughout that they cannot provide a running commentary on the renegotiations, but I am able to say that much progress has been made in recent days, and it appears that a deal is within sight. The publication of the text is another step in that process, but I would stress to the House that there is still a lot of work to be done. If the text tabled today is agreed by all member states, it will deliver significant reforms in each of the four areas of greatest concern to the British people.

On sovereignty, the text shows significant advances towards securing a UK carve-out from ever closer union. On relations between the euro-ins and euro-outs, the document offers steps towards significant safeguards for countries outside the eurozone as euro members integrate further. On competitiveness, we are seeking a greater commitment by the entire Union for completing single market trade and cutting job-destroying regulations on business. On free movement, there are important ideas in President Tusk's drafts for reducing the pull factor of our welfare system and on action to address the abuse of freedom of movement of persons. We believe that real progress has been made, but I would stress that more work still needs to be done and more detail to be nailed down before we can say that a satisfactory deal has been secured".

3.11 pm

Baroness Smith of Basildon (Lab): My Lords, I am grateful to the Minister for repeating the Answer to the Urgent Question and for her diligence in keeping your Lordships' House informed. We understand that

it must be embarrassing that this was not a Statement from the Government to Parliament. The Prime Minister is today making his statement to journalists and Ministers had to be summoned to the Dispatch Box through an Urgent Question in the other place to ensure that Parliament is properly informed. I realise that the Minister says that there will be an Oral Statement tomorrow, but she also said that this is a complex set of documents that MPs will understandably wish to read and study in detail. I hope they are able to do that overnight, because most of them will not be able to look at and absorb such a complex and detailed set of documents in order to hold a full debate tomorrow. It would have been helpful if the Government could have made a process Statement today.

Perhaps I may ask the Minister a few questions. First, given that the Prime Minister has himself emphasised in all his negotiations the role and power of national Parliaments, why have the Government sought to bypass Parliament today? Secondly, I know that the noble Baroness understands the importance of this issue to your Lordships' House, so when will we have a proper opportunity—not just tomorrow, but a proper opportunity, having considered all the evidence—to debate and discuss the Prime Minister's deal and the case to enlist widespread EU support?

Baroness Anelay of St Johns: My Lords, the Government do not bypass Parliament. In one breath the noble Baroness berates the Prime Minister for not being here to deliver a Statement, but with the next she berates him, it seems, for wanting to make a Statement tomorrow on what is a complex issue, and therefore it is too soon. I sympathise with all Members of the House, in that I know they pay a great deal of attention to the renegotiations, as we should as parliamentarians. They have done so throughout the process and I will continue to do my very best to update them. Of course, it is as ever for the usual channels to determine when there are debates, and I know they are listening carefully to me because the need for Parliament to be closely involved in discussions on these matters is as dear to them as it is to me. However, the papers refer to a work in progress.

Baroness Smith of Newnham (LD): My Lords, it is welcome to note that progress appears to have been made in all four of the important areas for reform that the Prime Minister has identified. Would the Minister reflect for a moment on one aspect of the sovereignty basket and the role of national Parliaments? As someone who hopes very much to campaign to remain in the European Union, and that the Prime Minister will be leading that campaign, I ask whether the Minister can explain how a red card system that requires 55% of Parliaments to make a case is really an improvement on the current yellow card system, which requires a third of Parliaments to do so. Might not an inter-institutional agreement that deals with and strengthens the current system be somewhat better?

Baroness Anelay of St Johns: My Lords, I appreciate that the noble Baroness has done a lot of work on the academic detailed background to this, which is an advantage that many of us do not have. The 55% figure,

which the BBC has reported, is not in the text released by Mr Donald Tusk, so the proposal for a majority depends on how that is defined. This is a working document, not a final agreement. The noble Baroness asks a very reasonable question about how a red card system is more effective. Those on a football pitch know what happens when they have a red card.

Baroness O’Cathain (Con): My Lords, first, I want to thank my noble friend for making these papers available to us. I recommend that everybody in the House get a copy of them and read them. They should read them in a spirit of tolerance—

A noble Lord: Oh!

Baroness O’Cathain: Well, because tolerance should be our reaction. The whole issue has been so hyped up that we do not know where we are. The letter by President Donald Tusk is the most generous and accommodating letter I ever expected to see from the EU. Not only that, he pays tribute to us. He says:

“To be, or not to be ... that is the question”.

And:

“Nothing is agreed until everything is agreed”.

The whole tenor of this letter is good. Will the Government use this to try to lower the tension between those who want to stay in and those who want to go? Let us have a period of calm.

Baroness Anelay of St Johns: My noble friend is absolutely right. The British public will be facing the greatest decision they have had to make in a generation, and it is right that Parliament retains its approach of careful scrutiny, which is a model in this House, through the European Union Scrutiny Committee. My right honourable friend David Lidington said that he has written to the chairs of the European Union Select Committees of each House, and he will provide them with that letter before Friday. I understand he is also offering to send a memorandum of explanation so that they can better reach their own decisions. All papers have been deposited for scrutiny—not just partially but all of them—so that we may have the measured debate my noble friend calls for.

Lord Grocott (Lab): As these negotiations continue seemingly interminably towards a conclusion we all know—the Prime Minister declaring that he has achieved a triumph in his renegotiations and will be recommending a “remain” vote—is not one thing obvious to any neutral observer? It really is bizarre that the leader of a sovereign state—our Prime Minister—in order to make a relatively minor change in our social security system, should require the agreement of 27 other leaders of sovereign states. It sounds a bit like a sledgehammer to crack a nut.

Baroness Anelay of St Johns: My Lords, as the noble Lord knows—for some years, he was Chief Whip in this House—the European Union has rules to which we all adhere if we are to enjoy the benefits of membership. When we discuss the details of the proposals, I have no doubt that noble Lords will take different views about the benefits. Clearly, great steps forward have been made. We will have the opportunity to discuss that.

Lord Howell of Guildford (Con): My Lords, obviously the main debate on the detail of these arrangements will take place tomorrow, and indeed in the coming days and weeks, in profusion. Will the Minister accept that what many people are also waiting for is evidence of the profound rethink in the EU’s methods and aims, which an increasing number of voices from all quarters—Eurosceptics and Europhiles—are calling for? I am referring to the reform of the European Union that people are hoping for and want to see evidence of.

Baroness Anelay of St Johns: My noble friend is right. Of course, in the renegotiation talks that have been carried on by my noble and right honourable friends, we have concentrated very much on economic governance, competitiveness, sovereignty, social benefits and free movement—the very reforms that I think the British people want to see.

Lord Stoddart of Swindon (Ind Lab): My Lords, I have to confess that I have not read the document yet, but I had understood that there was to be a fundamental reform of the European Union, with significant powers returned to the United Kingdom. Would the noble Baroness tell me what those powers are?

Baroness Anelay of St Johns: My Lords, I should first say that the documents have been deposited in the Library and, I understand, in the Printed Paper Office. Although they were published only a short time ago by the President of the European Council, we have made them available.

It would be wrong of me to try to summarise the document here. All I can say to the noble Lord is that we will have an opportunity to discuss in detail those advances set out here. It has been made clear—not only by the President, Mr Donald Tusk—that this is still a work in progress, but clearly it is important that all other members of the European Union have a chance to consider this before we get to the February Council and, possibly but not definitely, a decision at that stage.

Lord Garel-Jones (Con): Does my noble friend agree that perhaps one of the reasons why we have seen a number of extremist parties, of both the left and the right, across Europe is that there has been too much centralising of decision-making in Brussels in recent years? If the Prime Minister can return through the red-card system a certain amount of real sovereignty to national parliaments, that will be one of the most important achievements of the last decade.

Baroness Anelay of St Johns: I agree entirely with my noble friend.

Zika Virus
Statement

3.21 pm

The Parliamentary Under-Secretary of State, Department for International Development (Baroness Verma) (Con): My Lords, with the leave of the House, I will repeat in the form of a Statement the Answer to an Urgent

[BARONESS VERMA]

Question given earlier today in the other place by my honourable friend the Parliamentary Under-Secretary of State Nick Hurd. The Statement is as follows.

“The World Health Organization is working with the Governments of the countries worst affected to lead the response to the Zika virus. We welcome the recommendations of the WHO emergency committee on Zika and the UK Government are assessing our response.

The UK has been at the forefront of global efforts to ensure that the WHO has the funding, expertise and systems to respond to emerging disease threats such as Zika. As the second-largest national funder of the World Health Organization, the Department of Health met the UK’s £15 million commitment to WHO core funding in 2015, alongside political and technical support to strengthening the organisation and its preparedness. In addition to this, the Department for International Development made a discretionary contribution of £14.5 million in 2015. As part of the UK effort to strengthen global health security, DfID contributed an additional £6.2 million to the WHO’s contingency fund for emergencies, which can be used for the management of Zika.

In response to this outbreak, the first thing to say is that the risk to the UK population from the Zika virus remains extremely low. We have already taken a number of steps to ensure that the UK public are protected, but, of course, we are not complacent and we will review our approach in the light of the WHO’s decision, both in terms of actions to mitigate the risk to the UK and considering what additional support the UK could offer to the countries and regions affected.

The Department for International Development is working with Department of Health and colleagues across government on our response at the highest level”.

That concludes the Statement.

3.23 pm

Lord Collins of Highbury (Lab): My Lords, I thank the noble Baroness for repeating the Answer to the Urgent Question. I welcome, too, the Government’s response, working with Public Health England and the Department of Health to ensure that the public in this country receive clear and proper guidance, particularly those who travel. However, our thoughts must be with those affected, with 16,000 cases of microcephaly occurring. There is no test, no cure and no vaccine. People are facing a life of disability and poverty.

Ebola has shown the limitations of the global community’s approach to health emergencies and it triggered a huge debate on how we should reform the WHO to make it fit for purpose. While I, too, welcome the speed of the emergency committee’s response to Zika, what steps have the Minister’s department taken in pressing for a review of the international approach to health emergencies, incorporating the function, structure and funding of the WHO? I am particularly concerned about the expectations and role of major donors. I note what the Minister said about Britain’s contribution but our part in this must be to encourage others to do more. This crisis also underscores the importance of investing in a strong system of research and development

for global health. We had a debate on neglected tropical diseases in which we highlighted this issue. On a point of clarification, in relation to the additional funds being made available through the Ross fund and the Gates Foundation, it was not clear whether there would be additional money for the development of vaccines. I would be grateful for an answer on that.

Baroness Verma: My Lords, I am grateful to the noble Lord for welcoming the work that DfID is doing in responding to this outbreak. He referred to the response to Ebola and the lessons we have learned from that: for example, that health systems on the ground needed to be strengthened. Since then, we have worked to ensure that there is strong reform of how the WHO responds.

The noble Lord also referred to funding. While the UK plays its role, other major donors must also raise their own contributions. As the noble Lord is aware, we work very closely with partners to ensure that we get appropriate funding. We have learned many lessons. Part of that was ensuring that people on the ground are able to respond fully, with trained people in place. Therefore, we have concentrated on looking at how the systems are responding, particularly in Brazil, where we have seen the larger outbreak. This outbreak has elevated itself into people’s minds. The Zika virus is well known in Brazil. Research is being undertaken in a number of areas. Public Health England has offered support through the Pan American Health Organization. We are waiting for that offer to be taken up. The Ross fund, to which the noble Lord referred—the £1 billion that was announced by the Chancellor—will provide funding for research and development. Included in that will be the UK vaccines network, which will have £120 million of funded support and will be headed by the chief scientific adviser from the Department of Health, Professor Chris Whitty. The UK is doing a range of things and is responding. We know very well that we do not have antiviral for this virus at this moment in time. Those exercises are currently taking place.

Baroness Walmsley (LD): My Lords, 80% of those infected show no symptoms. However, a test is about to be made available all over Brazil. It is effective as long as it is given within five days of infection. Therefore, will the Government ensure that the test is available immediately for any pregnant woman returning from one of the 24 infected countries who thinks that she may have been exposed? Is the UK planning to follow the US by banning anyone who has travelled to one of the infected countries from donating blood until it can be determined that they are not carrying the virus?

Baroness Verma: My Lords, on the issue of testing when pregnant ladies come back, if anyone has a concern—whether they are travelling to or from the country—the best advice is to go and see their doctor. It is really important that people who have a concern go and see their doctors. However, the actual virus does not travel well because the climate in the UK is not consistent with its doing so; nor is it passed from person to person. So the risks in the UK are low, but my advice would be to see a GP if there are concerns.

I do not have a response to the noble Baroness’s second point about blood donors. I will have to find out the answer.

Lord Patel (CB): My Lords, the virus, having been found in 1947 with low infectivity to humans, has now gradually spread to larger populations. Three things are important. The first is surveillance: what surveillance measures need to be undertaken to identify where the disease is spreading? The second is vector control. It is a daytime mosquito, so insecticides and self-protection are important. However, in the long term, the vector itself must be controlled and this is where Britain has an important role to play. While vaccines will take a long time to develop, modern techniques of gene editing and gene modification of insects are the way forward. Britain leads the world in this science and Brazil is the next country that has expertise in it. The two countries can work together to produce, in a very short time, modification of these mosquitos so that the incidence of the disease is reduced. Will the Ross fund be used to help our scientists do this?

Baroness Verma: My Lords, as I have said, the Ross fund will be used for research and development. On the noble Lord's point about doing research with Brazil, only last week the UK announced a £400,000 Newton fund Zika research project between Glasgow University and Fiocruz in Brazil, which is in the hotspot area of the outbreak.

Lord Trees (CB): My Lords, Zika is the latest of a series of infectious diseases to have emerged in recent years in humans and animals. Some 75% of new infectious diseases emerging in humans are derived from animals. Does the Minister agree that, at this time, when our biosecurity is threatened by globalisation, we need to strengthen national surveillance capabilities for infectious diseases in humans and animals?

Baroness Verma: My Lords, the wider point is, as the noble Lord, Lord Patel, said, that the rate of spread of this particular virus is low. However, I agree with the noble Lord that we need to understand better why this virus and others are suddenly increasing at a greater rate than the normal pattern in the past. The UK is showing leadership by putting money behind research and development. Working with countries where outbreaks are taking place will not just benefit our own understanding but will build resilience for those countries.

Viscount Ridley (Con): My Lords—

Lord Taverne (LD): My Lords—

Lord Gardiner of Kimble (Con): My Lords, we have not heard from the Conservative Benches yet.

Viscount Ridley: My Lords, I have a feeling that the noble Lord, Lord Taverne, and I were going to say much the same thing, so I will have a go at it. Will the Minister undertake to look at the report on genetically modified insects by the Science and Technology Committee, under the chairmanship of my noble friend Lord Selborne? This came out in December, which was extremely timely, and examined the fact that a British company, Oxitec, has managed to suppress mosquito populations in Brazil by 90% in some areas. This is a fantastic new technology which could be much more helpful than other approaches in this case.

Baroness Verma: My Lords, I am aware of that research.

Charities (Protection and Social Investment) Bill [HL] *Commons Amendments*

3.34 pm

Motion on Amendments 1 to 7

Moved by Lord Bridges of Headley

That this House do agree with the Commons in their Amendments 1 to 7.

1: Clause 1, page 2, line 15, at end insert—

“() The Commission may vary or withdraw a warning under this section.

() Subsection (2) applies to the variation or withdrawal of a warning as it applies to a warning.

() Subsections (3) to (6) apply to the variation of a warning as they apply to a warning, except that—

(a) in subsection (5)(a) references to the warning are to be read as references to the warning as varied, and

(b) the matter to be specified under subsection (5)(b) is any change as a result of the variation in the action previously proposed by the Commission.”

2: Clause 9, page 7, line 1, leave out Clause 9

3: Clause 10, page 8, line 3, at beginning insert “it relates to the management of the charity, and”

4: Clause 11, page 10, line 15, at beginning insert “it relates to the management of the charity, and”

5: Clause 11, page 12, line 16, after “spent” insert “or, where condition B applies, would become spent if it were a conviction for the relevant disqualifying offence”

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

“Reserve powers to control fund-raising

(1) The Charities Act 1992 is amended as follows.

(2) In Part 2, after section 64A (reserve power to control fund-raising by charitable institutions) insert—

“64B Reserve power in relation to fund-raising regulators

(1) Regulations under section 64A may, in particular, impose on charitable institutions requirements to do any of the following—

(a) to comply with requirements imposed by a regulator; (b) to have regard to guidance issued by a regulator;

(c) to pay fees to a regulator of an amount determined by the regulations or determined by the regulator in accordance with the regulations;

(d) to be registered with a regulator for the purpose of its regulation of charity fund-raising.

(2) “Regulator” means a body specified in the regulations as a regulator for the purposes of this section.

(3) A body may be specified as a regulator for the purposes of this section only if the regulation of charity fund-raising appears to the Minister to be a principal function of the body.

(4) A body maintained out of money provided by Parliament may not be specified as a regulator (and this section does not confer power by regulations to establish a body to act as regulator).”

(3) In Part 2, after section 64B insert—

“64C Reserve power to confer additional powers on Charity Commission

(1) In the case of charity fund-raising which—

(a) is carried on by a charity, a person managing a charity or a person or company connected with a charity, or

(b) involves soliciting or otherwise procuring funds for the benefit of a charity or a company connected with a charity, or for charitable purposes,

regulations under section 64A may, in particular, make provision conferring functions on the Charity Commission, including provision applying or reproducing, with or without modification, any provision of the Charities Act 2011.

(2) The regulations may provide for a power that is exercisable by the Commission by virtue of the regulations to be exercisable by a person appointed by the Commission for the purpose.”

(3) Where regulations by virtue of this section apply in relation to charity fund-raising by institutions that are not charities, section 19 of the Charities Act 2011 (fees and other amounts payable to Commission) applies in relation to the regulations as it applies in relation to the enactments relating to charities (but that is without prejudice to the application of other provisions by virtue of this section or section 77(3)).”

(4) In section 64A(2) after “this section” insert “and sections 64B and 64C”.

(5) In section 77(4) (regulations and orders) at the end insert “and, in the case of regulations made by virtue of section 64B or 64C, shall in particular consult the Charity Commission.””

7: Clause 17, page 20, line 34, leave out subsection (6)

The Parliamentary Secretary, Cabinet Office (Lord Bridges of Headley) (Con): My Lords, it is a pleasure to be back at the Dispatch Box to debate the amendments made in the other place to this important Bill. It is good to be in the final lap, so to speak, with the chequered flag fluttering in the distance. I will try to keep my comments brief.

Commons Amendment 1 is a sensible tweak which would enable the Charity Commission to withdraw or vary an official warning issued under Clause 1. The Charity Commission already has powers under the Charities Act 2011 to vary, revoke or discharge its orders, and we consider that the commission should have a similar ability to vary or withdraw an official warning. Any variation of a warning would be subject to the same processes and safeguards as issuing a new warning.

Commons Amendment 2 would remove Clause 9 from the Bill. This is perhaps one area where there has not been the same degree of agreement across the House as is the case for most of the Bill—a rare exception. But the Government’s position on this remains that Clause 9 is unhelpful and could have damaging unintended consequences for charities. The rationale for Clause 9 when it was introduced into the Bill on Report in this House was that it would send a clear signal to the Government about concerns relating to our manifesto commitment to extend right to buy to housing associations. The principal concern was that charitable housing associations could be compelled to sell their assets in a manner incompatible with their charitable purposes.

The Government listened to the concerns raised and, rather than legislate to deliver the right to buy, we reached a voluntary deal with the housing associations. Under the voluntary deal, there can be no question of housing associations being compelled to sell their assets in a manner incompatible with their charitable purposes; nor is there anything in the Housing and Planning Bill that would compel this. I also point out to noble Lords that the Housing and Planning Bill has been brought to this House and this represents the right place to make points about the Government’s housing policy.

Putting to one side the points about right to buy, our main concern about Clause 9 was that such an attempt to reflect the case law in a simple statutory provision would simply not work and would have potentially damaging unintended consequences for charities. For example, it was not clear how the clause would affect compulsory purchase orders or other court or Charity Commission orders. It was not clear what impact the clause might have on charity financial assets and investments. It was not clear how it could impact existing rights such as the preserved right to buy or right to acquire, which benefit 1.4 million housing association tenants. Some of your Lordships may wish to repeat or echo concerns about this issue but, for the reasons that I have just set out, I strongly encourage the House to support Commons Amendment 2.

Commons Amendments 3, 4 and 5 relate to the disqualification provisions in the Bill. Clause 10 extends the effect of disqualification to the most senior executive roles in a charity, normally the chief executive officer and, where there is one, the chief finance officer. We became aware that there was a risk that under the unamended provision, a person employed by a charity but who did not exercise any management function could still be caught. This may be the case in small charities in which only the trustees are involved in the management of the charity. Commons Amendment 3 addresses that in relation to automatic disqualification. Commons Amendment 4 makes the same change in relation to the proposed Charity Commission power to disqualify in Clause 11, where the same problem could otherwise arise.

I should point out that in response to various concerns raised by rehabilitation charities in relation to the Bill’s disqualification provisions, the Minister for Civil Society committed to a period of at least 12 months before the automatic disqualification provisions would be commenced. The Government and Charity Commission will work with rehabilitation charities ahead of implementation to assess the impact of these provisions on such charities, and will seek to ensure, where possible, that the provisions do not undermine their important work.

Commons Amendment 5 was another concession that responded to a point raised by rehabilitation charities. Under the proposed power to disqualify in Clause 11, one of the conditions for the exercise of the power—condition B—is that the individual has been convicted outside the UK of an offence against a charity or involving the administration of a charity, which, had it been in the UK, would have automatically disqualified the individual. Under Clause 11, the commission would be able take into account only an overseas conviction that is not spent under the law of the territory concerned, where the conviction took place. Rehabilitation charities pointed out that it would be more proportionate if this limitation related to the UK rehabilitation period for an equivalent UK sentence, rather than the rehabilitation period of the overseas jurisdiction. Commons Amendment 5 makes that change.

When the charities Bill was last discussed in your Lordships’ House, there was much interest in and support for strengthening the regulation of fundraising. Noble Lords will remember that in response to last

year's fundraising scandals my honourable friend the Minister for Civil Society, Rob Wilson, asked Sir Stuart Etherington, the chief executive of the National Council for Voluntary Organisations, to chair a cross-party panel tasked with exploring whether the system of fundraising regulation as a whole is the right one. I once again express my particular thanks to my noble friend Lord Leigh of Hurley, the noble Baroness, Lady Pitkeathley, and the noble Lord, Lord Wallace of Saltaire, who all forsook their deckchairs to spend much of last summer deliberating on this question.

I am pleased to say that the Government accepted the recommendations of the Etherington review. Charities have one last chance to show that self-regulation is the appropriate way to govern fundraising. I am very grateful to my noble friend Lord Grade of Yarmouth for agreeing to act as interim chair and set up the new fundraising regulator. I am sure that noble Lords will join me in congratulating him on his new role and wishing him well for this important endeavour. I also take this opportunity to draw your Lordships' attention to the Public Administration and Constitutional Affairs Committee report on charity fundraising, which was published last week. I welcome its main finding, namely that charities must seize this opportunity to show that self-regulation can work effectively. The Government will consider all the committee's recommendations and respond in due course.

That brings me on to Commons Amendment 6, which seeks to extend the existing reserve power to regulate fundraising in Section 64A of the Charities Act 1992 and should act as a safeguard if self-regulation fails. It would do so in two main ways. First, new Section 64B would enable regulations made under Section 64A to prescribe a fundraising regulator with which charities must register and pay fees, which would have to be set in line with regulations, comply with the regulator's requirements and have regard to its guidance. The second element is in new Section 64C, which would enable regulations to confer the power to regulate fundraising on the Charity Commission. It would enable the commission to subcontract day-to-day delivery of fundraising regulation while retaining overall control, and enable fees to be charged under Section 19 of the Charities Act 2011.

As the Minister for Civil Society said in the other place, he hopes that these powers will not be needed and that charities will get behind self-regulation and make it work. I am happy to report that many of the largest fundraising charities have already said that they will commit to the new system by registering with the new body which my noble friend Lord Grade is setting up. I commend them for their initiative and dedication to reforming charitable fundraising in such a way, which will safeguard the interests of the public and beneficiaries alike. The extended reserve powers sought in Commons Amendment 6 send a clear signal regarding the Government's intention to see better regulation of fundraising in future. Fundraising regulation can no longer be allowed to be governed by vested interest or to turn a blind eye to free riders and those seeking to exploit the extraordinary generosity of the British public. The changes made to the Bill in Commons Amendment 6 will ensure this and I hope that noble Lords will join me in supporting it.

Finally, I turn to Amendment 7. This is the standard-form provision added on Third Reading in this House to avoid issues of privilege. Privilege issues would otherwise arise because the Bill authorises expenditure and charges, which are set out in the Ways and Means resolution. In accordance with standard procedure, the privilege amendment was removed at Commons Committee stage. There ends my canter through these amendments. I hope that your Lordships will support the Commons amendments, and I beg to move.

3.45 pm

Baroness Hayter of Kentish Town (Lab): My Lords, I thank the Minister for that very fast canter—it was almost a gallop. We on this side of the House continue to welcome the Bill, especially with the changes, some of which were made in your Lordships' House and some by the Government in the Commons, most of which we applaud. The Bill strengthens the power of the Charity Commission and gives charities the power to make social investments which provide both a financial and social return. Importantly, in what we termed Olive's law, in memory of that poppy seller, it now improves the regulation of fundraising by charities.

I want to make just three points as we bid this Bill farewell. The first is, unsurprisingly, on Commons Amendment 2, which overturns your Lordships' vote by 257 to 174 to repeat what is, as the Minister said, current case law so that charities could not be,

"compelled to use or dispose of their assets in a way which is inconsistent with their charitable purposes".

We feared then, and still fear now, that forcing housing associations to sell their properties to sitting tenants, where this is not allowed for in their charitable purposes, will fall foul of charity law. We will not seek to reinsert this clause today, but we tell the Government, and indeed the Charity Commission, that we will be watching to make sure that, as this part of the Housing and Planning Bill is implemented, it does not force trustees to breach either their trust deed or charity law.

The greatest wickedness, of course, is the selling off of the family silver, forcing councils to sell off their best council houses to fund £100,000 subsidies, not to housing associations but to the lucky few tenants who, within a few years, will be able to sell off that house and pocket the £100,000. We have yet to understand which part of charity law, or indeed general fairness, this meets.

Secondly, I turn to the Charity Commission's regulation of charities and the increased powers in the Bill. Given that the lobbying Act restricts what charities can do in the way of campaigning and that, as we learned last week, the Department for Education is to stop "civil society"—usually charities—intervening on issues such as fair admissions, we see such restrictions on charities challenging government as part of a piece, alongside other attempts to curtail any opposition, whether from this House, through freedom of information or from other political parties.

The Government rejected our amendments to add the Charity Commission's own guidelines to the Bill on charities having the right to campaign, thus leaving discretion on this with the Charity Commission. We will therefore look to the Charity Commission, in exercising

[BARONESS HAYTER OF KENTISH TOWN]

its new powers, to enhance charities' abilities to achieve their charitable objectives in the best way possible. We urge the commission to pay rather more attention to poor practice—for example with Kids Company, where it failed to grasp the extent of the financial mismanagement—rather than seeking to crack down on the legitimate activities of charities.

Thirdly, I turn to the Government's amendment on fundraising, which we warmly endorse and which arose partly from our amendments in this House. I know the Minister had much sympathy with the approach then and tabled some of his own amendments on Report, which we were happy to support. We withdrew ours when the Government set up the Etherington inquiry. Even better, Sir Stuart and his three wise Peers reported in record time, and the Government adopted all their recommendations. Not stopping even to draw breath, they then appointed the noble Lord, Lord Grade, to chair a reinforced fundraising regulator.

Last week, as the Minister said, the Public Administration and Constitutional Affairs Committee, in its report, *The 2015 Charity Fundraising Controversy*, reiterated that this really is, "the last chance for self-regulation".

It commented:

"It would be a sad and inexcusable failure of charities to govern their own behaviour, should statutory regulation become necessary".

We concur with that judgment as clearly as the Government. We also congratulate the Government on meanwhile tabling Amendment 6 in the Commons, which backs the new regulator and, vitally, includes that backstop reserve power for the Charity Commission should self-regulation fail. I congratulate both the Minister and his colleague in the Commons, Rob Wilson, on their fast footwork and firmness of purpose on this.

Finally, I thank the Minister, his Bill team and the Charity Commission for their help and hard work throughout this process. I add my thanks to those of the Minister to my noble friend Lady Pitkeathley and the noble Lords, Lord Leigh of Hurley and Lord Wallace of Saltaire, who sat on the Etherington committee. I also thank my noble friend Lord Watson for his input, and our legislative office colleague, Molly Critchley, for steering us calmly and expertly through the process.

Lord Grade of Yarmouth (Con): My Lords, I thank both Front Benches for the warmth of their greeting to me as the chairman-designate of this new fundraising regulator. I hope that the depth, sincerity and warmth of their kind remarks bear no relation to the level of lethal poison in the chalice that I have inherited. I join the thanks expressed to the noble Lords, Lord Leigh and Lord Wallace, and the noble Baroness, Lady Pitkeathley, for the incredible work that they put into the Etherington review, which has been so unanimously welcomed.

It might help the House if I gave a short update on where we have got to in the fast-track creation of the new regulator. The show is on the road: the chief executive has been appointed and began work on 4 January. Within four weeks, we now have an office,

generously provided by the Charities Aid Foundation, and six staff. Appointments to the board will be announced in the next few weeks, and we will also need to put in place a standards committee and, to hear and resolve complaints, an adjudication committee.

I do not think I underestimate the task ahead if we are to deliver on our intention to be fully operational in the early summer, but we are on track at the moment. At the point of handover from the Fundraising Standards Board, we will take ownership of the code of guidance from the Institute of Fundraising, and the rule book on street and door-to-door collections from the Public Fundraising Association. We are working very closely with both organisations, and I welcome their endorsement of the new regulatory arrangements. At handover, the arrangements for registration—obviously, we want as many charities as possible to sign up to the fundraising regulator, although that will not stop us from investigating those which may not sign up—and for levy payments by the larger fundraising charities will need to be in place.

Our proposals for the fundraising preference service will also be ready. The working group developing those proposals, serviced by the NCVO on our behalf, is already well under way. Let me emphasise that until the point of handover, the 2,000 member charities of the Fundraising Standards Board will need to continue to support that organisation, financially and otherwise, while it retains responsibility for fundraising regulation, until we are absolutely ready to go. We and the Fundraising Standards Board are committed to a seamless transition, which is essential if the purposes of the Bill are to be realised, and we want to inherit its experience and learn from what has worked well.

There is general acceptance, however, that the Fundraising Standards Board was somewhat under-resourced. We will have the levy resources necessary to do the job. We will be independent, with ownership of the code of guidance, and we will not hesitate to apply sanctions where appropriate. We will liaise closely with the Charity Commission, taking full account of its revised fundraising guidance for trustees and, if all else fails, referring to it contentious cases that may breach the guidance.

The Etherington review, the Fundraising Standards Board's excellent but deeply worrying report on the sad, sad case of Olive Cooke and the recent report from the Public Administration and Constitutional Affairs Committee in the other House have all demonstrated serious shortcomings in the fundraising practices of many larger fundraising charities. That is why this Bill is such an important and timely contribution. The public's very negative view of this was confirmed last week in the YouGov poll published by the Information Commissioner's Office.

The British public are as generous as anybody on this earth when it comes to putting their hands in their pockets to help those in need. However, charities cannot take that generosity for granted. There have been serious breaches in terms of the ethical way in which fundraising practices have begun to grow up in this country. We must take steps, which this Bill provides with the creation of this fundraising regulator, to make sure that that generosity is not taken for granted.

The fundraising regulator now has a responsibility to the general public and, for the future of charities, to donors and potential donors, not least when they are vulnerable, to ensure that they are protected from undue pressure and unacceptable fundraising practices. That protection will be our first priority and these amendments and the Bill will, we hope, go a long way to ensuring that the public are protected and their generosity not taken for granted.

Lord Hope of Craighead (CB): My Lords, as the Minister will recall, I had the privilege of chairing the Joint Committee that conducted pre-legislative examination of what was then called the Protection of Charities Bill. I cast my mind back to a year ago, when our committee was still sitting and considering the terms of our report. It is a pleasure to see some members of my committee in the House this afternoon. It is against that background that I pay my own tribute to the Minister and his Bill team for bringing the Bill to this stage: we are now truly at the last lap. One of our main concerns was that there should be no delay in the legislation we were examining. It is a great pleasure to see that matters have been taken this far forward with the changes made.

The only amendment I wish to comment on—I do not want to arouse too much controversy about this—is Amendment 2. I listened with great care to what the noble Baroness, Lady Hayter of Kentish Town, said and I appreciate the concern on the point she mentioned. However, the one feature I stress is that we did not as a committee have the chance to examine Clause 9. As the noble Lord said, that was introduced to the Bill on Report. It is the kind of clause that, speaking for myself, we would have wanted to examine with great care because of not only its implications on the point that the noble Baroness made but also its width. It is completely unqualified. If it had been more precisely targeted, we might have been a little more inclined to support it. I rather suspect that a clause as general as this would impose a very great burden on the Charity Commission. To a large extent, because of the protection of charity law generally, the clause would not be needed. I stress that I speak only for myself but I am relieved, against the background of what I have mentioned and having heard the Minister explain the reasons for it, that this amendment has come forward. I very much support it. My main point in rising to speak at all was to express my thanks and appreciation for the fact that we are now at this stage, in effect bringing the matter to an end.

Baroness Barker (LD): My Lords, I, too, congratulate the Minister on getting his first piece of legislation through to its conclusion. I thank him also for the way in which he took us through the amendments today.

I will concentrate initially on one aspect of these amendments that has not so far been discussed: Amendments 3, 4 and 5, dealing with matters to do with the rehabilitation of offenders. I and other members of the committee had great sympathy with the case made to us by the charity Unlock about the problems that this Bill would pose particularly for charities that specialise in the rehabilitation of offenders. Their great concern was that up to approximately 50,000 people in this country with past convictions would find themselves

now unable to take part in the process of being a trustee, even though they had committed those offences some considerable time ago and had managed to rehabilitate themselves. Last week in court there was a ruling on the matter of the severity of minor offences and their duration in relation to people having to make declarations. I rather suspect that, if that judgment is upheld, this legislation will have to be revisited fairly swiftly. I simply draw that to noble Lords' attention.

4 pm

On the matter of fundraising regulation, I wish the noble Lord, Lord Grade, well. He is about to live in very interesting times, as they say in the Chinese proverb. I say that not least because I went to an academic lecture last week about public perceptions of fundraising in charities, and the noble Lord will not be surprised at all to know that the great British public, as represented in focus groups, are all thoroughly in favour of charities having their fundraising activities absolutely and thoroughly regulated—but they do not want to see them paying any money for that, because they would like all their charitable donations to go direct to beneficiaries. So on the one hand I wish him well, but when the chips are down about who pays for the services of his inestimable organisation, he may well have an interesting time, as do all regulators. None the less, this is a right response to what happened last summer. It will need to be kept under review. I look forward to seeing the Charity Commission having the appropriate responses to deal with this and the fallout from Kids Company, as referred to in the committee's report last week.

Lord Hodgson of Astley Abbotts (Con): My Lords, I should like to join others and pour a little more honey over my noble friend's head and over the head of the Bill team, which has worked hard to bring the good ship into harbour. I shall focus on Amendment 6 and I congratulate the Government on that amendment and the fundraising aspects of it. I urge them to keep up the pressure and wish my noble friend Lord Grade every success in this difficult task.

It is important that we are trying to strike a balance here, which is quite rightly focused on the public not being unduly hassled and being asked in the right way. That is absolutely appropriate, but we must not lose sight of the charities' right to be able to ask, because if they cannot do so, the effect on our charitable sector, which is vital to our civil society, will be quite extreme. When I carried out the review for the Government a few years ago, it was clear that that balance had not been reached appropriately, given the alphabet soup of regulatory bodies and the different types of fundraisers who blame each other for their bad reputation, along with the fact that the public were confused and wanted a single point of contact. In my report, which was sent to Ministers in July 2012 and accepted by Ministers, I suggested a six-month deadline. Three years later, last summer, as the noble Baroness, Lady Hayter of Kentish Town, pointed out, we had the flashpoint over fundraising, caused by the sad case of Olive Cooke. I congratulate Sir Stuart Etherington and the Members of your Lordships' House who took part in that review. I think they have come up with some excellent proposals. But this is the last chance of the last chance of the last chance saloon; we have been around this now two or three times.

[LORD HODGSON OF ASTLEY ABBOTTS]

I am not in favour of statutory regulation against a rapidly changing scene. However, I have to say to my noble friend and to the Minister that in my conversations with the sector there remains a distressing tendency still to see this as somebody else's problem—still to say, “We are a charity and our reputation is everything, therefore we wouldn't do anything wrong and how can you possibly think that we are doing anything wrong?”. It is an issue that has still to be hammered home in certain parts of the charity sector to make sure that the message gets over. The reputation of the sector is as strong as the weakest link in the chain, and there remain too many weak links in the chain, which I hope that my noble friend and his colleagues will be able to tackle.

My noble friend has to keep fingering the trigger marked 64C. We have to see his knuckle tightening around the trigger to make the sector understand that this is really important because the distressing tendency to think it will all go away remains. Last week, one charity said to me, “We don't need to worry about it because we're good. We're a charity and the Government don't want to pull the trigger anyway”. My noble friend must be ready to pull that trigger and make it clear that he will do it. I want to see his trigger finger whitening over the next few months.

Lord Bridges of Headley: My Lords, I am extremely grateful for those incredibly kind words. The Bill has been through a long journey of consultation, pre-legislative scrutiny and parliamentary scrutiny and has emerged all the better for it. I thank a number of noble Lords for all they have done, not just in this parliamentary Session but well before it to make the Bill such a success. The Bill has seen this House at its very best. Where we have differed, we have managed to iron out our differences on the Floor of the House and off it. We have made concessions in the light of very good points that were made by a number of noble Lords. The Bill is all the stronger for it.

I will keep my remarks very brief, but I associate myself with a lot of what my noble friend Lord Hodgson said. I thank him in particular for what he has done to make the Bill what it is today. We can get into lots of clichés about having last orders in the last chance saloon with my finger on the trigger. I think we all agree that the charitable sector must heed the measures now before it. It must act and show that it is acting in short order. We will all be keeping our eye on what it does.

On that point, I thank my noble friend Lord Grade for his update. We are right behind him as well as alongside him. I urge him to make all the use he can of the expertise and good will on all sides of this House as he ventures out on his enterprise. There is a lot of wisdom to be drawn from this House and a lot of good will to make sure that his regulatory flourish produces the results we all want.

Before I finish, I will say a couple of words of thanks. I thank the Whip, my noble friend Lord Younger of Leckie, the noble Baronesses, Lady Hayter and Lady Barker, and the noble Lord, Lord Watson of Invergowrie, all of whom have helped me on this, my first Bill. I repeat my thanks to the noble and learned Lord, Lord Hope of Craighead, and my noble friend

Lord Hodgson of Astley Abbotts. I thank again my noble friend Lord Leigh of Hurley, the noble Baroness, Lady Pitkeathley, and the noble Lord, Lord Wallace of Saltaire, who helped me a lot during the summer, enabling us to make fast progress on the fundraising front. I thank the Cabinet Office and Charity Commission officials in the Bill team for their work in supporting the passage of the Bill.

We will soon hand over the Act to be implemented by the Charity Commission. I know that noble Lords will be watching closely to ensure that the powers in the Act are used fairly and proportionately. I am sure that they will be, and I look forward to a positive report when the Act comes to be reviewed in three years' time. Charities' life-blood is public trust and confidence, which have been undermined by several regulatory failures. The Bill will do much to support the effective protection and regulation of charities and will help restore the public trust and confidence on which charities rely.

Motion agreed.

Childcare Bill [HL] Commons Amendments

4.09 pm

Motion on Amendments 1 to 3 Moved by Lord Nash

That this House do agree with the Commons in their Amendments 1 to 3.

1: Clause 1, page 1, line 2, leave out Clause 1

2: Clause 2, page 2, line 25, leave out from “about” to end of line 26 and insert “—

(i) the form of a declaration and the manner in which it is to be made;

(ii) the conditions to be met by the person making a declaration;

(iii) the period for which a declaration has effect.”

3: Clause 2, page 2, line 26, at end insert—

“(4A) For the purposes of assisting the Secretary of State in the discharge of the duty imposed by subsection (1), the Commissioners for Her Majesty's Revenue and Customs may carry out functions in connection with the making of determinations as to whether a child is a qualifying child of working parents.”

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, I am pleased that the Bill brought back to this House today for our consideration is in such good shape. As a result of the scrutiny in both Houses, I believe that the Bill now presents the right framework to deliver the 30 hours of free childcare for working parents of three and four year-olds.

As we have discussed at length in this Chamber, for too long childcare has been the issue and the barrier for parents deciding whether to return to work or work more hours. The Bill, and the entitlement that it creates to 30 hours of free childcare, will support working parents to make real choices about how they balance raising their children and working to provide for their families. We are clear that parents need and expect the childcare provided under this Bill to be high quality and delivered in settings where they know their children are safe and well cared for.

I hope that after the debate today noble Lords will agree that this Bill is fit for purpose and that, while our discussions should continue, our focus should move on to implementation and ensuring that the details of regulations and statutory guidance are right. I hope noble Lords agree that turning this Bill into action is an exciting opportunity for parents, providers and local authorities, beginning later this year with early implementation.

I am delighted that today the Department for Education has announced the areas that will benefit from 30 hours of free high-quality childcare places a year earlier than planned, taking pressure off parents and helping children to fulfil their potential. Around 5,000 children residing in York, Northumberland, Newham, Hertfordshire, Portsmouth, Swindon, Staffordshire and Wigan will benefit early from this entitlement. In addition, the department has announced today that it has set aside £4 million to support an additional 25 local authorities to develop innovative flexible childcare for working parents, and to ensure that we can meet the needs of children with special educational needs, in homeless working families and in rural communities.

Amendment 1 in this group removes the funding review clause that was inserted as Clause 1 to the Bill on Report in the Lords. Debate on funding in the other place prompted by the clause was extensive. Members in the other place were able to use all stages of the Bill to scrutinise, challenge and support the evidence presented by the Government's review into the cost of providing childcare and the outcome in the spending review settlement. The amount of detail and certainty about the funding settlement for early years has increased significantly since your Lordships last debated this Bill, most notably the announcement in November's Autumn Statement that the Government will invest an additional £1 billion per year by 2019-20 to fund the free entitlements in the early years. This funding includes £300 million per year for a significant uplift to the rate paid for the two, three and four year-old entitlements, fulfilling the Prime Minister's commitment to increase the average hourly rate that providers receive to deliver the free entitlement.

These decisions on funding are underpinned by the review into the cost of providing childcare, published on 25 November. I hope that noble Lords have been able to look at this review document and the wealth of evidence and information it provides. I hope noble Lords agree that this is a thorough and comprehensive piece of work, and that all Peers who were able to meet the funding review team in October and again in January found these discussions helpful.

It is really important that the department is now able to build on this generous settlement and ensure that every pound is used as effectively as possible. This is why the Government have committed to introduce a new national funding formula in the early years to ensure that funding is fairly and transparently distributed across the country. It is also why we will also be ensuring that as much funding as possible reaches providers and that it is fairly distributed between different types of provider.

I am also pleased that the Government have confirmed that £50 million of capital will be allocated to support the creation of early years places for the free entitlement.

We believe strongly that the childcare market will grow to deliver the extended entitlement, but we are not complacent and are taking steps to build capacity—for example, through the free schools programme, which could create at least 4,000 places, building on provision available in free schools such as Reach Academy in Feltham, which offers free entitlement places for two, three and four year-olds. This capital investment, combined with an attractive increased rate to providers, will enable providers to seek investment to expand if they want to.

I hope that based on this significant amount of new information and detail, noble Lords will agree that the funding review clause inserted on Report is no longer required. That clause prompted debate in the other place on the important issue of funding but Members have signalled clearly that they do not believe that a further funding review upon Royal Assent is necessary, nor should it hold up the important next steps needed to ensure that early implementation can begin this year. The sooner we can tell local authorities about their funding allocations, the sooner they can begin to plan with their local childcare providers. A further review would simply delay this whole process. I hope your Lordships agree that this is the best way forward.

4.15 pm

Amendments 2, 3 and 6 relate to the role of HMRC in relation to the extended entitlement, and to a consequential amendment that would enable this to come into force immediately on Royal Assent. I am pleased that in considering the Bill in the other place, the Secretary of State for Education was able to confirm at Second Reading that parents will be able to apply for the extended entitlement as part of a simple, joint online system that is being developed by HMRC for tax-free childcare. This means that parents will have to provide information on their personal circumstances only once to apply for both schemes, which will create a simple and smooth customer journey for parents and minimise burdens on providers. I hope that noble Lords will welcome this.

Amendment 2 would enable regulations to be made under Clause 1 to set out the conditions to be met by a person making a declaration as to a child's eligibility for the extended entitlement. For example, the person making the declaration will need to be the person who is responsible for the child, as is also the case for tax-free childcare. It is crucial that we are able to provide clarity for parents about the declaration they will have to make, and to ensure that HMRC will be provided with the information it will need to decide whether a child is eligible for the extended entitlement. Regulations, which will be brought to this House for consideration, will say more about these matters in due course.

Amendments 3 and 6 are linked. They will make it clear in the Bill that HMRC will verify and make a determination as to a child's eligibility for additional free childcare, and will allow for this provision to come into force on Royal Assent, so that HMRC can begin to build the technical aspects of the joint eligibility checking system. Ensuring the operational aspects of the extended entitlement are in place in good time will enable us to test that the eligibility checking system runs smoothly for parents. I wish to be clear that the

[LORD NASH]

responsibility for the 30 hours' free entitlement programme remains with the Department for Education, and local authorities are under a duty to secure places and fund providers. HMRC's role will be restricted to providing the joint application and eligibility checking process for parents.

The debate on these amendments in the other place was technical, reflecting the nature of the changes. Members of the other place were reassured about the role of HMRC and agreed that it was necessary that the building of the systems to support eligibility checking should begin in earnest, so that they can be tested as part of the early implementation phase. I hope that noble Lords will be able to support those amendments today.

The Government recognise the importance of Parliament having the opportunity to scrutinise the details which will be set out in secondary legislation, so Amendment 5 in this group requires that the regulations made under the Bill be subject to the affirmative approvals process on their first use. Subject to parliamentary timetabling, we hope that this will take place later this year, ahead of early implementation. The Government believe that the affirmative procedure for the first use only is the right approach, particularly given that, since we introduced the Bill over the summer, we have provided much more detail about how the Government intend to deliver their manifesto pledge and have committed to undertaking a formal public consultation on the draft regulations in 2016 before they are laid before Parliament.

If the Government are required to timetable a debate in both Houses when details need to be amended in regulations, this will be likely to have a detrimental impact on the successful delivery of the new entitlement. We want the Secretary of State to be able to respond efficiently and effectively, where necessary, to support local authorities, providers, parents and their children without seeking and receiving the approval of Parliament to do so. Once the fundamental principles have been agreed, we do not believe that it would be a good use of the parliamentary timetable to make changes that would ordinarily be dealt with under the negative resolution procedure—for example, if consequential changes were made to the current entitlement to reflect the introduction of the education, health and social care plans and the replacement of residence orders with child arrangements orders. Such changes are straightforward and not controversial, but if the regulations were subject to the affirmative resolution procedure, then these amendments would require a full debate in both Houses.

In the other place, after a debate on this issue, all sides of the House agreed with the Government's proposal. The shadow Minister for Childcare said:

"The Minister has given assurances for the first time that the regulations will get full debate in both Houses, and the negative procedure is normal practice in other areas, so I am happy with that".—[*Official Report*, Commons, Childcare Bill Committee, 10/12/15; col. 119.]

I hope noble Lords will agree with this approach today.

The Government recognise the expertise of this House, particularly on the details of how the entitlement will be delivered in practice. I would therefore like to meet interested Peers in March to begin an ongoing dialogue on the draft regulations and policy details ahead of public consultation. I look forward to having detailed discussions at that meeting and, quite probably, subsequent meetings.

Amendment 7 is a technical amendment to remove the privilege amendment made in this House before the Bill passed to the other place. As noble Lords will be aware, this standard formula of words is incorporated into a Bill as it moves from your Lordships' House to the other place to avoid infringement of financial privilege. A money resolution has been passed conferring parliamentary approval for financial expenditure incurred as a result of the Bill, and the removal of the privilege amendment is a formality.

I hope that the significant progress made on this Bill since it was last debated in this place in October will be welcomed. The detail on the wider policy and funding to deliver 30 hours of free childcare for working parents of three and four year-olds shows that the Government are committed to delivering their manifesto pledge in a way that works for parents, providers and local authorities. I hope that noble Lords are able to support the Government's amendments today.

Baroness Jones of Whitchurch (Lab): My Lords, I am grateful to the Minister for his progress report and for introducing the government amendments this afternoon. I am also grateful to him for the many meetings he has arranged since the Bill left this House, and in particular for the briefings on the outcome of the financial review.

As we stated at the outset and continue to make clear, we support the aims of the Bill. Our concern was that what could have been a more effective, ambitious and streamlined initiative to deliver free childcare has been let down by a lack of foresight and planning, and we continue to have that concern. So we were disappointed that the Government chose to reject our amendments in the Commons, because we believe that they would have enabled a more detailed analysis of the childcare funding system to take place, with properly costed long-term solutions to be put in place.

The amendments would also have ensured a proper degree of parliamentary scrutiny for a Bill which, as we rehearsed at the time, is skeleton in nature and relies on a raft of regulations to bring it to fruition. Instead, we will be reliant on debating secondary legislation—over which, quite clearly, we do not have the same influence—to agree the fundamentals of what the future childcare offer will be. I have listened carefully to the Minister's outline of the next steps, and I am very grateful for the offer of continuing involvement in the regulations. I hope they will be as meaningful as he has now suggested, and let me make it clear to him that we will hold him to his word on this matter.

In the mean time, sadly, we are left with a Bill which is a pale shadow of its original ambition as set out by the Prime Minister at the election. The truth is that lots of parents who believed the election promises now stand to be disappointed. In order to bridge the funding gap, which, incidentally, we told the Government all

along was a problem, the Government have now squeezed the eligibility for free places, so that less than half of all three and four year-olds will be eligible. The original plan was that 630,000 children would be eligible, and now that figure has been reduced to 390,000. It is the poorest parents who will lose out the most—those on the edge of the labour market with short hours, part-time work and zero-hours contracts. As we know, it is those parents, the most disadvantaged, whose children would benefit the most from the provision of quality childcare to help them to close the attainment gap. That is a fundamental regret of the Bill.

At the same time, despite the welcome injection of extra funds, the Government still do not appear to have squared the funding crisis. Research by the House of Commons Library has revealed a shortfall of £480 million over the Parliament, which means up to £470 per child per year. I am not sure that the latest figures announced by the Minister will square that figure. Those figures, which are backed by Ceeda research from the Pre-school Learning Alliance, make the case powerfully that the impact on the capacity in the system may lead to fewer rather than more places becoming available. In addition, as in the past, there appears to be no uprating mechanism, so that funding runs the risk of falling further behind over time. Will the Minister clarify how future costs will be evaluated year on year? He mentioned the national funding formula, but I am not sure that that will address those concerns.

I also regret that the Government did not pay more heed to our concerns and those raised by numerous stakeholders across the sector on these matters. Nevertheless, we do support the Bill. It clearly represents a step forward. For many parents, it will provide a welcome lifeline back into paid work and for many children it will become a new route into quality care, which will obviously give them a much better start in life. It addresses one segment of a much bigger problem of affordable childcare for all and the need to close the attainment gap between children on free school meals and their peers. In the mean time, we will continue to press this case. We will watch the rollout of the Bill with interest and we will participate in the scrutiny of the regulations with vigour. I thank the Minister for his commitment up to this point.

Baroness Pinnock (LD): My Lords, I thank the Minister very much for what he said today and for the discussions that he organised during the course of the Bill. The Bill is very different from the one that first saw the light of day in this House, which was only notable by its lack of detail. It has certainly gained considerable flesh on the original skeleton, and I am grateful for that. However, it is not necessarily a fully formed being just because it has grown throughout its progress. We still have some concerns about the detail that the Minister has finally given the House today.

There has been a broad welcome across the House, which we agreed with, for the Government's additional childcare offer. I will comment on two particular aspects of the Bill in its final form, in the light of the discussions that we had in this House. First, we have always been concerned about the funding. There were wide discussions in Committee and on Report about

the viability of providers if there were no adequate recompense for the hourly rate, and we welcome the additional funding that the Government have put into that, albeit that it is 30p an hour. I have great concerns that it will not up be upgraded annually by either RPI or CPI. If it is not, that will put additional stress on the financial viability of providers.

An issue that we on this side particularly raised in the course of the discussions was that of the additional capital that should be made available to enable providers to offer the further 15 hours, and there were many discussions about how that could be achieved. I welcome the Government's capital fund that they have set aside for just that purpose, which demonstrates that some of the arguments we made have been recognised, albeit perhaps not enough, in my view.

4.30 pm

The second amendment that I want to talk about relates to eligibility. In relation to the Government's policy statement published in October last year, it was stated that:

"Eligibility for the free entitlement will include households where ... both parents are working or one parent working in lone parent families, for their children aged three- or four-years-old. This will be defined as earning the equivalent of 8 hours per week on national minimum wage and this can include self-employment".

All our deliberations were on that basis. Whatever the Government's current thinking, the original concept was to include those families with the lowest incomes, because providing childcare has to have more than the single aim of helping more parents into work—it should also be about helping to prepare young children for school.

Much of the early discussion in this House focused on the need for quality of provision and on the qualifications of those delivering it, so it is much to be regretted that the Bill has returned to us with the eligibility criteria substantially changed so that parents are required to work 16 hours before accessing the additional hours. I hope that the Minister will be able to justify this significant change, which means that almost 350,000 children will not have the benefit of the full 30 hours a week that will be enjoyed by other children. That has enormous social and educational consequences.

What we are saying in this Childcare Bill is that the offer will be accessed only by those parents who are already more advantaged, because they are in full-time or substantial part-time work, and are able to support their children's development. However, those parents who are struggling the most financially, because they are in low-paid, very part-time work, are the ones who will be omitted from this scheme—albeit that they will be able to access the current entitlement of 15 hours. When compared with more advantaged families, they will be left out. It seems to me that those are often the children who the Government and we as a country ought to be putting more focus on rather than on the children of other more advantaged families.

I suppose that it is a stark contrast, really. What the Government are saying is that parents whose household income is £200,000 a year will qualify for the additional 15 hours of free childcare, while parents whose income is less than £10,000 a year will not. That tells the full

[BARONESS PINNOCK]

tale. I am very disappointed that we are not putting more focus on offering greater support to the families who need help the most. I would urge the Minister to explain to the House why the eligibility criteria have been changed so dramatically and perhaps give us some hope that in the future they will be revised.

Baroness Howarth of Breckland (CB): My Lords, I thank the Minister for the work that has been put into this Bill and I welcome it. I also thank him for the meetings that he arranged, which were extraordinarily informative and helpful, together with the documentation, which I have looked at but needs quite a lot of study to get a grip on the numbers.

I have two points. Like the Minister, I am keen to see implementation, so I am delighted that there will be projects moving forward early. How will the lessons that are learned from these early projects be applied to looking again at regulations, and how can we improve any further projects, which look rather like pilots, if I can use that word? I should be pleased to know how that learning is carried forward.

Listening to the noble Baroness, Lady Pinnock, I, too, have a concern that some of the poorest and most disabled children will not gain access to this funding. I have spoken to the Minister on a number of occasions about autistic children and children in specialist care provided by the non-governmental sector where it is very much at the whim of the local authority as to whether someone gains funding for their project. Can we at some point look at that? As far as I can see, the eligibility criteria have been changed because of the financial ceiling that is available for this work to go forward. Knowing how keen the Minister is on children and their education, and on giving them a good start, maybe in the lifetime of this Parliament, more children will be able to enjoy the benefits of early childcare places. When we learn about the benefits, maybe another childcare Bill will be introduced in the future.

Lord Nash: My Lords, I thank the noble Baronesses, Lady Jones, Lady Pinnock and Lady Howarth, who have spoken in the debate. Their contributions in today's debate emphasise the extensive knowledge and experience of childcare policy across the House. This is a widely supported manifesto commitment, much anticipated by parents who want the Government to provide more help with their childcare costs. It is very pleasing to hear support across the House and the other place for the aims of the Bill and the Government's commitment.

As has been highlighted during the passage of the Bill, we all recognise the benefits that free childcare can bring. This includes supporting those who are most disadvantaged by increasing their social mobility through providing opportunities to work or work more, rather than the availability of quality affordable childcare being a barrier to getting on. The amount of detail and certainty about the funding settlement for early years has increased significantly since noble Lords last debated this Bill, as I said earlier. As we have heard today from the announcements of the spending review, we are looking at a really positive position for early years. We have gone over and above our promise

by investing a record amount in childcare and making a clear commitment to paying more to those providers who wish to deliver the free entitlement.

We want the increased rate to enable and encourage providers to deliver the entitlement. Following our comprehensive review of the cost of childcare and our significant additional investment, we are confident that this will happen. We firmly believe that we have established a sustainable rate for providers, taking into account the evidence that we gathered throughout our cost of childcare review. The upfront nature of our funding uplift, coupled with the introduction of a national funding formula, will help providers to manage future cost pressures, such as the introduction of the national living wage. We are confident in the work of the cost of childcare review, and there is no case for establishing a bureaucratic and costly process that repeats the review on an ongoing basis. The Government will monitor the implementation of 30-hour free childcare, for example, through the early implementers, and if any issues arise relating to funding they will be considered in the context of delivery of the whole policy.

The noble Baronesses, Lady Jones and Lady Pinnock, talked about eligibility. Parents will be eligible where they work the equivalent of 16 hours at national minimum or national living wage, whichever applies to them. The Government have also taken the decision to introduce a higher earnings threshold, so that where parents earn more than £100,000 per year each, they will not be eligible for the additional hours. I remind noble Lords that all three and four year-olds remain eligible for the first 15 hours of free childcare, which remains universal. We estimate that the additional 15 hours will benefit around 390,000 children.

As noble Lords will be aware, the free entitlement hours sit within a wider package of childcare support available to parents. This package includes the universal 15 free hours for three and four year-olds and disadvantaged two year-olds, tax-free childcare, and universal credit, under which parents can receive up to 70% of their childcare costs, increasing to 85% from April this year.

The noble Baroness, Lady Jones, is quite right about the 600,000 figure. This was the original estimate of the families who could benefit from the extended entitlement, but that included children in reception classes who could choose to stay in an early-years setting. The effect of the revised eligibility criteria is nowhere near as dramatic as the noble Baroness, Lady Pinnock, referred to. It is a reduction of 50,000 places, of which 9,000 are as a result of the income cap. Parents on zero-hours contracts will be included if they meet the minimum income requirement. In addition, part-time workers may well be able to access the entitlement and remuneration. It is important to note that they will all access the existing early education entitlement.

I thank the noble Baroness, Lady Howarth, for her remarks. The intelligence from early implementation will inform us about operational issues and market challenges as we finalise the functioning of the operational delivery system, enabling us to adjust our plans as we move towards full rollout in September next year. Shared learning from early implementation will provide

us with early intelligence on how we can refine the system ahead of that time. The department has established a local authority working group, which the Minister, Sam Gyimah, met with in January. It will feed real-time intelligence back to the department on learning from the early implementers.

The noble Baroness also raised the case of disabled children, which is obviously an extremely important issue that was discussed at length by the Bill Committee in the other place and which I know is of interest to many noble Lords. The review found that the nature and level of support required by children with special educational needs and disabilities can vary significantly for each child, as does the prevalence of additional needs across each setting. The cost estimates reported in the review made allowances for these factors, but the review is very clear that funding for children with additional needs in the early years cannot be solved with a one-size-fits-all approach. In response, the Minister for Childcare has committed to consider early-years funding for children with special educational needs and disabilities as part of our wider consultation on allocation and a fairer funding system. The department is now working with the sector and local authorities on how this might work.

The message is clear: the Government are on the side of working parents, helping them to get on and supporting them at every stage of their life. That is why we are pressing ahead with these reforms, going further than ever before to help with childcare costs, help hardworking families and give people the choice to get into work or work more hours. This will all lead to having the right childcare in place, which will mean more parents can have a genuine choice, security and peace of mind when it comes to being able to support their family. The Bill clearly delivers on those objectives, and I hope that noble Lords will support the Government's amendments.

Motion on Amendments 1 to 3 agreed.

Motion on Amendment 4

Moved by Lord Nash

That this House do agree with the Commons in their Amendment 4.

4: Clause 3, page 3, line 46, leave out subsection (3)

Lord Nash: My Lords, I shall speak to Amendments 4 and 4A in this second group. Amendment 4, and Amendment 4A, tabled by the noble Baroness, Lady Pinnock, relate to flexible childcare provision for working parents. When we debated the amendment on Report, I was clear that the Government are fully committed to ensuring that sufficient flexible provision of childcare is made available to support hard-working parents. Indeed, if the new additional free hours are to support parents to work, they need to be delivered in a way that meets parental demand. We know that a large number of parents, particularly those on low incomes, work all year round and outside nine to five. We want to ensure that the new entitlement provides childcare to support their working patterns.

4.45 pm

I will come on to explain why we think that the amendment to the Bill the noble Baroness, Lady Pinnock, proposes would not deliver a flexible system in practice but I would first like to thank her for highlighting this very important issue, and reiterate that the Government strongly agree with the principle of this amendment. We have made good progress on flexibility since Report stage in October. As a result, I am pleased to confirm that regulations will cover the need for childcare to support parental working patterns, and that we will review statutory guidance to remove any barriers to flexibility and clearly set out the types of flexibility that local authorities should consider.

In developing the regulations and guidance, we need to work closely with local authorities and providers to look for innovative ways to meet the needs of parents, and to encourage new providers to enter the market to give parents more choice. We need to build on the existing best practice of local areas offering flexibility in the childcare system—for instance, Brighton & Hove City Council, where 82% of year-round nurseries offer a stretched entitlement; Bradford council, which offers a community nanny scheme, providing flexible childcare for lone parents struggling to access work or training; and Swindon council, which has started offering weekend sessions. The department is already working with local authorities and the Local Government Association through a newly established local authority working group to identify and address any barriers to offering flexible provision.

It is clear that the market will need to adapt to support a flexible childcare offer in the extended entitlement, and we will encourage different types of providers to offer the additional hours. Childminders, for example, will have a very important role to play. More than 46,000 childminders are registered on the Early Years Register and we want carefully to consider how to encourage more of them to offer the free entitlement, as we know that they can contribute to flexible delivery in a way that many other providers cannot—such as providing childcare overnight and outside term time.

This Government have removed many of the previous restrictions to childminders offering the free entitlement. We have seen significant increases in the number of childminders offering funded hours as a result, and we want this to continue. From this January, childminders are able to spend up to half their time working from non-domestic premises. This is opening up new opportunities for them—for example, in working with schools—and will further enhance their role in the 30-hours delivery.

I am pleased that the Government have today announced the successful early implementer areas, where the extended entitlement will be introduced a year early, and will look at ways to provide flexible childcare for working parents. All the early implementers will test innovative approaches to encourage flexibility, and four out of eight of the early implementers will have a specific focus on it. When I met the noble Baronesses, Lady Pinnock and Lady Tyler, last night, I slightly sold ourselves short when I said that the figure was three out of eight. It is, in fact, four out of eight. The noble Baroness was pleased with three; I hope that she is even more pleased with four.

[LORD NASH]

There are some very exciting proposals. For example, York will test a “banking system” to enable parents to access the extended entitlement during the school holidays, and Portsmouth will trial a stretched offer over 51 weeks supported by sessional providers and childminders working in partnership. The Government have also announced £4 million of funding for early innovators to test flexible and different approaches to delivering the extended entitlement with a number of providers across the country.

While the Government agree with the principle of ensuring that the 30 hours is delivered flexibly, we have been clear that placing requirements around flexibility in primary legislation—as the noble Baroness sought at Report stage, and seeks again today with her Motion to disagree with the Government’s amendment—is not the right approach, and the other place agreed. I would like to be very clear that such requirements in primary legislation would simply not work in practice. Dare I say that her amendments to increase flexibility would, we think, be very inflexible? Local authorities are dependent on the market to supply childcare places and it would not be reasonable to place a statutory duty on them to guarantee out-of-hours and holiday provision for every parent who wants it, since their local childcare market may not be able to deliver this.

There are a number of local authorities, particularly in the north-east, where the majority of childcare is delivered by sessional providers, such as maintained schools or nurseries. These providers cannot offer out-of-hours or holiday provision and placing a duty on local authorities will not change this overnight. It is also important to note that local authorities, rightly, cannot require private providers to deliver childcare. Therefore, it is simply not right to give them a legal duty to secure flexible provision for every parent in their area.

Every parent’s needs are individual, and while the priority for some parents is to be able to access childcare during the school holidays, for others the pinch point is between them leaving work and collecting their child from a childcare provider. Different local authorities need to work with their local childcare providers to ensure that these needs can be met; a one-size-fits-all approach in primary legislation will not allow them to do this. As the Local Government Association has said:

“We are pleased the Government listened and has removed clauses which would have allowed the Secretary of State to prescribe the types of and times at which childcare is provided. The clauses would have placed duties on local authorities that they have little control over.”

I know that one of the issues which the noble Baroness, Lady Pinnock, is rightly concerned about is ensuring that there will be transparency on how the entitlement is delivered and that flexible childcare is available for parents. I reassure the noble Baroness that this is really important and that is why we have included a requirement in the Bill for local authorities to publish information to parents on their local childcare offer, which will include information on the availability of childcare and how that fits with parental need. I hope the noble Baroness will find this reassuring.

On the basis of the work that the department has under way with local authorities to remove barriers to delivering flexible childcare, and the commitments made in the other place around regulations and statutory guidance, I hope that noble Lords are content to support the Government’s position. I beg to move.

Amendment 4A to the Motion on Amendment 4

Moved by Baroness Pinnock

Leave out “agree” and insert “disagree”.

Baroness Pinnock: My Lords, noble Lords will recall that, on this side, we secured the support of the House for our amendment to include a flexible approach to the implementation of the additional 15 hours of free childcare. We did so because parents and providers told us that the main barrier to their working hours was access to childcare after school hours and during school holidays. Indeed, many parents—especially mothers—expressed to us the horror with which they viewed forthcoming school holidays, particularly the long six-week summer holiday, because of the difficulties they had in either affording childcare or dealing with it in some other way through family and friends. I have read with interest, and noted with satisfaction, that the Minister in the other place conceded the need for flexibility when he said:

“I completely agree with the principle of the amendments tabled in the other place”.—[*Official Report*, Commons, Childcare Bill Committee, 10/12/15; col. 103.]

I have listened very carefully to the Minister today and welcome his statement in support of the need for flexibility. We are, at last, all agreed: flexibility is important. Although we can all agree on the principle, it is the implementation that interests me. I also welcome and thank the Minister for his concessions towards implementing a flexible childcare offer. I am glad that, on this side, we have continually raised the issue of flexibility, which has put that bit of pressure on the Government to think about it and come up with an approach to dealing with it. It is absolutely vital to the lives of many working families that we address their difficult daily conundrums of “Am I going to get back from work in time to pick the children up?” or “What am I going to do in the school holidays?”—in fact, to have an offer which enables people to go to work with the worries of childcare not first and foremost in their minds.

I really do thank the Minister for what he said today. I will summarise it and then I will have a think about whether it is enough. First, he said that he will put in the regulations the need to support local authorities in developing a flexible approach. That seems to have it written down and, as long as the regulations are up to scratch, seems something that will work in providing flexibility. He also said that four out of eight of the early implementers—the pilot schemes, in my phraseology—will test this out. That also seems a very positive and constructive approach. He mentioned extra funding. I did not quite hear how much he said it would be. Perhaps he could repeat that in his response. If there is extra money, I am always in favour of that, especially if it is for childcare. I think he said that local authorities would be required to be transparent in their offer.

Using the examples he gave of Bradford, Brighton and Hove, Swindon and so on would show other local authorities what they could follow and replicate. If that is transparent and open, that would also be positive.

I welcome the approach to childminders, who play an enormously important role in the provision of childcare in this country. To encourage them to do more than in their own domestic setting is very much to be welcomed because it will enable a more flexible offer to lots of working parents, who often use more than one provider to enable their working lives to continue. They drop their children off with childminders before work; then the childminder takes them to a professional provider and collects them; the childminder has them at the end of the working day and the school day, and they are collected from there. To envelop all the providers into one—I hope—coherent package is very much to be welcomed.

It seems that great strides have been made towards enabling a more flexible approach, both out of school hours and during the school holidays. I hope that will, first, enable more parents to develop their own skills in the workforce without those constant worries that their children are not being properly and adequately cared for; and, secondly, enable more families to become financially secure, albeit not the families that I mentioned earlier. Given that the Minister has made such a great stride towards meeting the thoughts that I had on the flexible offer in childcare, I will hear what other noble Lords say but I thank him for the movement he has made. I beg to move.

Baroness Jones of Whitchurch: My Lords, I will speak very briefly on these amendments. As noble Lords will know, we agreed with and very much supported the amendment originally proposed by the noble Baroness on Report and we still think that the principles behind it are important. We also noted, both on Report and in the Commons, Ministers' wording when they agreed with what was proposed; that is, they agreed with the concept of flexibility and the need to build more flexibility into the system, so obviously that is very welcome. I suppose that my one remaining concern is that "flexibility" may be all things to all people. It can hide a thousand sins. I would like to drill a little more into what is meant by that word. The noble Baroness's original amendment specifically referred to flexibility being in the context of extending opening hours beyond nine to five and making provision in school holidays. It would be very helpful if the Minister could confirm that "flexibility", in his terms, is about those sorts of issues and not some weaker concept.

5 pm

I have another concern. If that flexibility is there and if the local authorities embrace it in the way that we hope they will, surely there will be funding issues. To provide a more flexible arrangement which may go into the evenings, weekends and school holidays would be an added cost. I am not clear how the scheme that the Minister is proposing would provide that extra funding for the flexibility that we all see as important. If the pilots work and show that that flexibility is welcome, can the Minister clarify what extra funding will follow those extra hours?

Finally, I have one more question. The funding review seemed to identify that one of the ways of making the scheme pay would be the spare capacity in the system. In other words there were nurseries which were not running at 100% capacity for 100% of the time, for example, and we could therefore ensure that they used their staff more effectively to increase the ratios and provide more capacity in that way. That is fine and I think we can all understand it although, for all the reasons that we also understand, I do not think that we would ever reach 100% capacity. But if we are to have flexibility with longer hours—some people might want school holidays and others would not—that would seem to run counter to it. We go for either maximum capacity or more flexibility; I do not quite see how those principles can run in parallel. I hope that the Minister is following my line of argument here. It would be really helpful to have some answers on that.

We do not want to delay the Bill by wrangling over this issue and we seem to have quite a lot of agreement. However, we want to be confident that the understanding with which we are going forward is a real one that will embrace the concepts in the noble Baroness's amendment and is not just something very general around "flexibility". As I say, that word could mean 101 things to people. I look forward to the Minister's response.

Baroness Tyler of Enfield (LD): My Lords, briefly, I support Amendment 4A. I reiterate my strong support for the principle behind the Bill: to help parents, particularly mothers, to enter and stay in the workforce by ensuring that their children have access to high-quality and affordable childcare.

My key concern today, which is something that we have pressed throughout the passage of the Bill, is that the extended free childcare should be available to everyone who needs it including those who work atypical hours. As we have heard, those might be early in the morning, late in the evening, at weekends and during the school holidays. The question that I ask myself is: does this Bill help low-income families and single parents—usually mothers—to enter and stay in the workforce? To be able to answer that with a resounding yes, we must be confident that the free childcare will be available on a flexible basis which matches the working patterns of all parents. I am thinking particularly of those people struggling at the very bottom of the income scale, who are generally in no position to negotiate their working patterns in the way that, thankfully, many parents working in professional and managerial positions or those in more stable jobs can.

We know from all sorts of surveys that there is much demand for flexible childcare outside of standard hours. We also know that the supply of it is currently very scant. The only figure which I will quote is from the Family and Childcare Trust's annual childcare costs survey of last year. It found that only 14% of local authorities in England said that they had sufficient childcare for parents working atypical hours.

I know that the Minister understands this issue very well and I welcome the plans that he outlined earlier in this debate to ensure that low-income families needing flexible childcare will actually be able to find it at hours that suit their needs. It will be vital that the strong focus on flexibility of hours is reflected in the

[BARONESS TYLER OF ENFIELD]

pilots and the regulations, and the Minister has made clear that it will be. I am pleased about that, but would press him to go a little further. He talked about transparency and the monitoring arrangements, all of which I welcome, but at what point will he decide to review whether those things have worked and whether the approach he has set out has delivered the intended results?

Lord Nash: My Lords, I thank all noble Lords who have participated in this debate for their contributions. I particularly thank the noble Baroness, Lady Jones, who has provided scrupulous challenge from the other side of the House throughout the passage of the Bill. She has seen the Bill through to the end of its passage, even though she has changed her responsibilities during that time. I also welcome the meetings and sessions we have held outside the Chamber, particularly on the funding review, which I hope noble Lords found useful.

I also pass on my thanks to the noble Lord, Lord Touhig, and the noble Baronesses, Lady Pinnock and Lady Tyler, who have provided a constant source of challenge to this policy, as they have today, always with the best of intentions. I pay special thanks to the noble Lord, Lord Sutherland, who provided support throughout the passage of the Bill, ensuring the relevant Peers were involved in the crucial steps we took to guarantee the Bill is the best that it can be to deliver this well-intentioned policy to support working parents. I look forward to continuing to work with him and other noble Lords as we produce regulations to make this policy a reality, and I welcome the important scrutiny I know they will provide.

Although we have not had an extensive discussion today on the quality of the entitlement and the workforce, I am thankful for the discussions I have had on these throughout the passage of the Bill, particularly with the noble Earl, Lord Listowel, and the noble Baroness, Lady Howarth. The Parliamentary Under-Secretary of State for Education and Childcare and I also thank all the officials in the Department for Education who have supported the passage of the Bill. Our particular thanks go to the excellent Bill managers who have so ably supported the Bill through both Houses: first Jenny Preece, then Katy Weeks.

The noble Baroness, Lady Jones, asked me to be a little clearer about what I meant by flexibility. She is always very suspicious and I am sure she thought that I was trying to use some mealy-mouthed words in that definition—I had hoped she would know me better by now. It covers all the things that she mentioned and others. It will of course depend on the particular needs in the area but it is meant in the widest sense: we are not trying any fastballs here. We believe that the funding we have come up with will be sufficient, including in terms of flexibility, but I note the quite technical points that she makes about the workings of this in relation to flexibility, as well as those made by the noble Baroness, Lady Tyler. I would be very happy to host a meeting when we have had feedback from the early implementers, particularly on this point, and to have further discussion about this. The points they raise are very important to making sure that this does actually work in practice.

As for the points made by the noble Baronesses, Lady Pinnock and Lady Tyler, the summary given by the noble Baroness, Lady Pinnock, was spot-on—it is delightful to see that the art of precis is still alive and well. As I have said, noble Lords will be involved in drafting the regulations in this regard. As to the money, £30 million has been announced for the eight areas mentioned to deliver the 30 hours of free childcare to 5,000 children from September 2016. Four of these, as I said, will focus on flexibility. In addition, we have announced £4 million to support an additional 25 local authorities in testing innovative approaches to flexibility. We agree and understand that balancing capacity and flexibility is complicated, which is why the Government have announced these issues today. I hope that the noble Baroness does not have to think very long and hard whether what I have said today and the assurances that have been given will enable her to withdraw her amendment to the Motion.

Baroness Pinnock: I thank all noble Lords who have contributed to this amendment on a flexible approach to the childcare offer and I thank the Minister most sincerely for the important offer that he has outlined today, which will take us very much in the direction of travel that I hoped we could achieve. With that, I beg leave to withdraw the amendment.

Amendment 4A to the Motion withdrawn.

Motion agreed.

Motion on Amendments 5 to 7

Moved by Lord Nash

That this House do agree with the Commons in their Amendments 5 to 7.

5: Clause 5, page 5, line 30, leave out subsection (4) and insert—

“(4) A statutory instrument containing (whether alone or with other provision) regulations mentioned in subsection

(5) may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament. (5) The regulations referred to in subsection (4) are—

(a) the first regulations made under section 2;

(b) the first regulations made under section 3(1); (c) any regulations under section 3(7);

(d) any other regulations that amend or repeal provision made by an Act.

(6) Any other statutory instrument containing regulations is subject to annulment in pursuance of a resolution of either House of Parliament.”

6: Clause 8, page 6, line 8, leave out from beginning to “come” in line 10 and insert—

“(1) The following provisions come into force on the day on which this Act is passed—

(a) section 2(4A); (b) section 7;

(c) this section;

(d) section 9.

(2) The remaining provisions of this Act”

7: Clause 9, page 6, line 19, leave out subsection (2)

Baroness Jones of Whitchurch: My Lords, I do not know whether this is the appropriate time to do so, but before the Bill passes, I wanted to extend my thanks to the Minister and his civil servants for their courtesy

throughout its passage. I know that it will continue to be extended to my noble friend Lord Watson for many months to come.

Motion agreed.

Feed-in Tariffs (Amendment) (No. 3) Order 2015

Motion to Annul

5.10 pm

Moved by Baroness Featherstone

That a Humble Address be presented to Her Majesty praying that the Order, laid before the House on 18 December 2015, be annulled (SI 2015/2045).

Relevant document: 20th Report from the Secondary Legislation Scrutiny Committee

Baroness Featherstone (LD): My Lords, this is an important debate, and it is with regret that I felt that I must table this fatal Motion, as I am aware of the significance of this action, but regard the matter as so serious as to merit such a Motion. The order makes policy changes which will have far-reaching and detrimental effects—effects which will not only put our renewables industries in serious jeopardy but impact on our ability to deliver our legally binding renewable energy targets. Furthermore, the strong economic case for investing in the sector seems to have been ignored, neglecting what could and should be an extremely significant source of Britain's future economic prosperity.

The feed-in tariff scheme is the Government's main mechanism to encourage the deployment of small-scale, low-carbon electricity generation, and the order imposes two caps: one financial and one that controls generation capacity. The financial cap of £100 million applies to all renewables technologies right up until 2018, meaning that they will get approximately £35 million a year between them all for new-build deployment. The generation cap on each technology sets a quarterly maximum which, translated, means that even if there is demand, suppliers will be prohibited from meeting it. That is extraordinary micromanagement of an industry.

The industry understands that subsidies must end—there is no argument about that—but the economically sound way to respond to that is to reduce subsidies at a rate that allows the industry to continue to grow and move to a stable, subsidy-free footing. That is not what the Government are doing, alas. The rug is being pulled from underneath the industry, reducing the size of the workforce by up to half, just when other countries around the world have spotted the business opportunities in this sector and are increasing their investment. The steepness and abruptness of the Government's proposals caused shockwaves across the industry—security, confidence and investment all undermined at a stroke.

The Secondary Legislation Scrutiny Committee states:

“We draw this Order to the special attention of the House on the ground that it gives rise to issues of public policy likely to be of interest to the House”.

The committee further notes that there was a very high level of opposition to the DECC proposals in the responses to its consultation from the renewables sector,

with a total of 54,630 written responses, of which 2,634 were unique responses. The majority objected to the proposed deployment caps and 90% disagreed with the proposed generation tariffs. Following the consultation, the Government made some changes: the reintroduction of the pre-accreditation scheme; the lessening of the reductions to the feed-in tariffs from 87% to 65%; and making tariff bands clearer—which are all very welcome. I have no doubt that the Government will argue in this debate that they moved following those representations, but I do not believe that they have moved one iota beyond their originally intended position.

Our renewable industries have been remarkably successful. In the new low-carbon sector in the United Kingdom, 11,500 companies are involved with 460,000 people turning over, in 2013, about £120 billion. The major player is solar. This is good for the economy and for the planet. The deployment limits will severely impact on the size of one of the cheapest low-carbon energy options just at the very moment that there is a need for greater deployment of renewables. Only one week ago, Ban Ki-moon said:

“I call on the investor community to build on the strong momentum from Paris and seize the opportunities for clean energy growth. I challenge investors to double—at a minimum—their clean energy investments by 2020”.

However, investors will not come here. We are going in the wrong direction.

5.15 pm

Let me start with solar. Solar is one of the cheapest and safest ways for the UK to deliver on its renewable targets. Some 750,000 homes now generate their own power. Solar will now receive approximately £12 million a year. Last year, the estimated run rate was about £70 million. This huge drop in support of more than 80% is untenable. DECC's own impact assessment shows up to 19,000 jobs at risk, more than half the jobs in the entire industry. Several solar and energy companies, including Mark energy, Climate Energy UK, Southern Solar and Zep Solar, announced that they are going into administration or withdrawing from the UK market with the loss of 1,000 jobs.

Yet this is a technology expected to attract trillions in sales globally over the next two decades, and which even the chief executive of Shell says will form the backbone of the world's power supply. The Solar Trade Association has been contacted by British embassies right across the world trying to help British companies take advantage of the huge markets opening up in India, Africa, Mexico, Peru and elsewhere. Without a strong domestic industry, only a few companies are in the position to take advantage of what really are unprecedented opportunities. Bloomberg New Energy Finance predicts that British renewables are about to go over a cliff, just at the very point where they were about to come into their own.

On wind, the uptake of medium wind projects—the area most consistently proven to be acceptable in size to both local communities and planners—will dramatically drop. Cost levels and corresponding feed-in tariffs for medium wind projects will become lower than local prices for grid power and tariffs for newly targeted centralised power sources such as nuclear and offshore wind. The cap will also result in higher, rather than

[BARONESS FEATHERSTONE]

lower, overall subsidy spending. With regulatory support and tax measures aimed at encouraging farms and businesses to install their own generation as part of a wider efficiency programme and action on carbon reduction, they would be able to move dramatically towards delivering power at a rate equivalent to, or lower than, retail energy costs.

The dramatic cut in the feed-in tariff budget has resulted in tariffs far too low for future development in the hydropower industry. Government action is threatening the very existence of high-quality jobs in a sector that operates predominantly in fragile, rural communities. On average, 70% of the cost of a new UK hydropower scheme is in civil construction, procured locally. The proposed reduced levels of support will certainly result in the loss of a significant number of jobs in many fragile rural communities right across the United Kingdom. The British Hydropower Association, representing the sector, believes that the Government overestimated the overspend for renewables in the levy control framework. The Government now expect consumers' bills to be much lower than previously thought.

That brings me to the levy control framework. DECC argues that the levy control framework, which caps expenditure of renewable subsidies levied from consumer bills, has increased significantly above the £7.6 billion limit. However, there is 20% headroom in addition to the £7.6 billion envelope to address and underwrite risk, and risk has materialised in the form of the cost of gas dropping. Therefore, that headroom has to come into play. The LCF should be variable—the Committee on Climate Change itself recommended between £6 billion and £10 billion, depending on what happened to prices. A recent freedom of information request by Carbon Brief showed in the emails between officials and DECC that they already knew that energy bills would be 7% lower than originally projected. There is a complete lack of transparency in the calculations for the LCF. A sudden rise has not been properly accounted for, and to restore any industry confidence we have to have transparency. I very much hope in that regard that the Minister will agree to publish the full details of the calculations used to project the £1.5 billion overspend that the Government are claiming.

In terms of household bills—and I am sure that the Government and noble Lords on all sides of the House wish them to be as low as possible—renewable deployment reduces the cost of wholesale electricity. In 2014, it is estimated that wind and solar reduced the wholesale cost of electricity by £1.55 billion. The value of the merit order effect will grow with increased deployment. The value in 2025 was estimated at £2 billion. It is not rocket science; the more renewables are deployed, the cheaper our bills will be.

Low-carbon products and services, renewable energy, energy efficiency, low-carbon vehicles, carbon capture and storage and green finance will be the products that gain market share, creating exports and jobs. They will lay the foundation for long-term prosperity. The UK is so well placed to benefit, but confidence right now in this Government's commitment to clean energy is under threat.

Since the election, the Government have not just ended support for onshore wind power and sharply reduced support for other renewable technologies; they have also ended renewable energy's exemption from the climate change levy, reduced the incentives to purchase low-emission cars through reforms to vehicle excise duty, privatised the Green Investment Bank, scrapped the Green Deal, weakened the zero-carbon homes standard, added community energy to the list of sectors excluded from receiving enterprise investment scheme tax relief, as well as social investment tax relief, ditched the £1 billion budget for pioneering carbon capture and storage, and on and on. All those things indicate that there is no genuine commitment to the green economy, and a drastic undermining of investor confidence.

Lastly, I come to the issue of legally binding renewable energy targets. The UK is on course to supply around 30% of electricity from renewable sources by 2020. However, we risk missing our overall energy targets under the renewable energy directive due, largely, to chronic underperformance in renewable heat and transport. PricewaterhouseCoopers has estimated that, with its current renewable heat and transport performance, the United Kingdom will require more than 50% of electricity from renewables by 2020. In early November, the Secretary of State wrote in a letter that the United Kingdom was in danger of missing its legally binding renewable energy directive targets by as much as 25%. Addressing this is vital—this is not just a policy decision; it is a legal requirement to which the Government are obligated to comply. I cannot stress strongly enough the seriousness of not meeting this legal requirement, and I trust that the Minister will be able to address those issues in his response and confirm whether the Law Officers were consulted in good time before the Government committed to this critical decision.

I am sure that all of us in this House want nothing other than that our renewables industry should be successful. That can be delivered if the Government were willing to make further changes to lessen the rate and degree of subsidy reduction and loosen the generation capacity cap. I will listen carefully to all the contributions in this debate and to the Minister's response. I beg to move.

The Deputy Speaker (Lord Brougham and Vaux) (Con): My Lords, I should inform the House that if this Motion is agreed to, I cannot call the Motion in the name of the noble Lord, Lord Grantchester, due to pre-emption.

Lord Grantchester (Lab): My Lords, the statutory instrument before your Lordships' House today is the latest in the recurring string of announcements from the Government that severely limit the UK's renewables industry, the mishandling of which severely damages confidence among all investors in the sector. This SI contains massive restrictions in the deployment of small-scale renewables, including a 65% cut to the rate of feed-in tariffs available for small-scale solar, from 12p to 4.39p. It also contains a system of deployment caps and degressions that shackle the growth potential of what should be a flourishing new industry. The Government's impact assessment puts the number of jobs lost at 18,700, which is half the number of jobs in

the sector. This Feed-in Tariffs (Amendment) (No. 3) Order introduces quarterly deployment caps which, once capacity is filled, participants transfer to the next available quarter, with a 10% degression rate. Will the Minister explain to the House how this deployment cap will operate transparently for participants?

This is a terrible scheme. In the wake of the Paris agreement on climate change, everyone should be working together to bring forward investment in low-carbon and zero-carbon power. This sudden and severe change in policy with built-in cliff edges risks cutting the industry off at the knees rather than supporting it to get up and running on its own feet and guiding its graduation towards being subsidy-free. Your Lordships' Secondary Legislation Scrutiny Committee drew attention to the high levels of opposition to these changes in responses to the consultation. Participants found it hard to be convinced on future deployment levels when the department was unable to substantiate its claims. Industry is losing faith with the Government on the way it is being treated.

The noble Baroness, Lady Featherstone, proposed from the Liberal Democrat Front Bench that the order be annulled. This is opportunistic posturing. Liberal Democrats can have short memories. They were willing participants in the coalition Government with the Conservatives. They had a Lib Dem Secretary of State at the Department of Energy and Climate Change who brought in the first alterations and cuts to the FIT scheme. In 2012, the then Lib Dem Secretary of State introduced changes with the following perverse logic and curious soundbite:

"By lowering the tariff we can extend it to more people—making clean, green, renewable energy available to the many not the few".

They did not set a long-term policy outcome. They did not base the policy on the best outcome for the UK to bring forward industry in partnership.

Our Motion clearly puts on record our serious concerns about the Government's feed-in tariff policy. Nobody can be in any doubt about that. Labour in this House seek to take on issues where we believe progress can be made within the constitutional limitations we have as an unelected revising Chamber. Furthermore, this House has agreed that it should only rarely threaten to defeat statutory instruments, as to do so would be an effective veto on the Executive Government. The Motion moved today by the noble Baroness is at least the fourth on an SI from the Lib Dem Benches this Session, and there is a fifth fatal Motion to come. If they had all been Government defeats, there would have been as many fatal SI defeats as there have been since World War II, but let us not allow that to deflect the House from the tactics of the Conservatives. At least they have been consistent in bringing forward vague manifesto commitments by putting them in Bills—for example, cuts to onshore wind in the Energy Bill presently in the other place—in contrast to the unannounced policy changes being brought forward in the negative statutory instrument we have before us today. I understand the concern expressed that this is incompatible with the recognised conventions.

When the Minister replies, will he clarify why changes to the onshore wind regime merit a few clauses in the Energy Bill with grace periods and provisions that can

be amended, whereas this order on solar energy generation and the solar RO changes to come in another SI are negative instruments that cannot be amended? What are the substantial differences that merit these different approaches? I recognise that the parent Acts may allow this, but to a wider audience they are inconsistent. In view of the strength of argument against the order, will the Minister withdraw it for future reflection?

5.30 pm

Since being established, the feed-in tariff scheme has been hugely successful, supporting the deployment of renewable sources of energy. The scheme sustains over 700,000 installations with a capacity of 4.2 gigawatts. Since the scheme is funded through the levy control framework, paid for through customers' and consumers' energy bills, it is right that the scheme must be as efficient as possible. However, far from being a gradual reduction in scheme rates to support an industry's development through to being subsidy-free, these changes risk going too far and too fast. Research from Bloomberg New Energy Finance has warned that the proposed changes we are considering today risk driving the solar PV industry "over the cliff". The Solar Trade Association says that parts of the industry, instead of being supported gradually towards grid parity, will suddenly be left with, "in effect ... no support at all".

The association says that there are "a few simple changes" the Government could make to the statutory instrument that would considerably improve the outlook for the solar industry. It asks how the statutory instrument could be amended to improve the situation. Perhaps the Minister can advise. Could he withdraw this order for further consideration today?

The Minister may reply that the department has listened and, in consequence, lowered the proposed cut from 87% to a modest 63.5%, and that what it has brought forward makes it difficult for noble Lords to follow the noble Baroness, Lady Featherstone. Taken as a package, though, these measures put the UK solar industry in jeopardy, not merely at a severe disadvantage competitively in what the Prime Minister likens to a global race. Yes, the average rooftop scheme cost has fallen from about £8,400 three years ago to perhaps £6,800 today. In addition, the National Grid has said that balancing solar, if the UK were to have more than 10 gigawatts, would become difficult. However, the costs of solar deployment have not fallen by anything like the cuts in support.

Sadly, many in your Lordships' House will be familiar with the remarks from the renewables industry. I repeat that, since May, the Government have announced an end to all funding under the Green Deal programme—set up by the coalition Government to make homes more energy-efficient—whereby, with solar panels, people can join in with the energy revolution needed to combat climate change. The Government are now selling off the Green Investment Bank; they have abolished the rules on zero-carbon homes; they have scrapped £1 billion of funding for a landmark carbon capture and storage commercialisation project; they have reduced funding for the renewable heat incentive; they are proposing to bring forward the closure dates of the RO for onshore wind by one year in the Energy Bill, and closure dates for the RO for solar in another statutory instrument.

[LORD GRANTCHESTER]

Many of those announcements have come without warning, when people have invested in important schemes in good faith. They do not form part of a coherent energy policy. This is what is most regrettable about these proposals. On what basis are investors in UK-based renewable projects expected to put their money on the line? Given the Government's refusal to set an overall decarbonisation target this year for the power sector, and the smattering of deep cuts such as the measures contained in this instrument, businesses are looking elsewhere. The degree of policy uncertainty is massive.

Regrettably, the most damaging aspect of this SI is that it is happening at all. In 2011-12 the FITs were cut; a judicial review then reversed the cut, which the Government then reintroduced. Now, they are reviewing the whole scheme again. Business cannot be set up on the basis of a three-year policy time horizon.

Regrettably, the UK misses out on developing the knowledge and skills that will fit the UK for the low-carbon future. This is a sector in which job growth consistently outstripped the wider economy during the last Parliament. Regrettably, the Government are not supporting and encouraging its development. Investors need long-term policy targets. Regrettably, the measures before your Lordships' House today are just the latest in a string of damaging short-term policy changes which put a whole industry in jeopardy and severely damage that investor confidence. We regret them emphatically.

Viscount Hanworth (Lab): My Lords, the energy policy of this Government is in utter disarray. One can take no pleasure in their discomfort; the adverse effects will be felt by all of us in the immediate future and in the longer-term.

The Government ought to have taken a strategic approach to the supply of energy. The explanation of their failure to do so lies partly in their ideological tenets and partly in the mistaken lessons that they have drawn from a previous experience. The experience of denationalising the electricity industry has led them to believe that investment decisions could be left to the market. At the time of this denationalisation there were ample supplies of North Sea gas and the private companies were able to invest cheaply in gas-powered turbines for generating electricity. When these were placed alongside the existing conventional coal-fired power stations, there was an ample supply of generating capacity. With the decommissioning of the coal-fired power stations, this is no longer the case.

The Conservatives have come to believe that this experience provides a model for an energy policy. They have convinced themselves that a centrally directed strategic policy for energy provision is a thing of the past. They persist in believing that the private sector can be relied on to deliver a mixed portfolio of generating technologies. They imagine that in this way they can avoid the risk to government of choosing and pursuing an inappropriate technology.

The feed-in tariffs, which we are discussing today, became an important part of the *laissez-faire* approach when it was recognised that certain infant technologies might need some assistance. Households and small enterprises have been given incentives to pursue small-scale

generation. The incentives consist of a *pro rata* payment for each kilowatt of electricity they generate, together with a so-called export tariff, which is supposedly tied to the amount of electricity that is fed into the grid. In the absence of a meter to determine how much electricity has been exported, it is assumed that 50% of the electricity generated by photovoltaic cells will be exported and that 75% of the electricity generated by wind turbines will be exported. The intention was gradually to reduce the financial support given to the infant industries via a process described as "degression"—a neologism unrecognised by most dictionaries.

Instead of a steady reduction in the support for small-scale generation, the Government have reacted to the success of the scheme and its consequent expense by proposing a step change in the support, which virtually abolishes it. Their reliance on a *laissez-faire* market-oriented policy has exposed the Government to the unintended consequence of a vigorous expansion of photovoltaic generation. There is now a significant industry devoted to the installation of the equipment and a major import bill to be paid to the suppliers of solar panels, who are predominantly the Chinese.

Why have the cuts been so drastic? The reason is that the expenditure in support of the feed-in tariff threatens to pre-empt too large a proportion of the expenditure allowed under the so-called levy control framework, which limits the expenditure on subsidies that are levied from consumer bills. The Government wish to devote these funds to other purposes, which are their support of nuclear power and fracking. However, by some quirk of European Union legislation that could easily be disregarded, the funds devoted to supporting infant enterprises under the levy control framework are accounted as government taxation and government expenditure. This is a matter of statistical classification, which would be regarded as unimportant were it not for the Government's obsession with the nominal size of the budget and the budget deficit.

The effects of the withdrawal of support have been acknowledged in the Government's own impact assessment. An infant industry will be threatened with extinction and many people will be thrown out of work.

The advent of photovoltaic electricity generation is important because of the manner in which it can stimulate further technological advances, as well as the way in which it promises to change consumer behaviour. The technology in question is that of smart metering, which will allow the price of electricity to be varied according to the level of demand, and which will inform the consumer accordingly. Consumers will become increasingly aware of the cost of grid-supplied electricity and of the desirability of avoiding its use during periods of peak demand. With smart metering, it should become self-evident to consumers that they should deploy energy-intensive electrical appliances only in off-peak periods.

The disarray of the Government's energy policy, of which I spoke at the outset, is the result of their reliance on willing providers to undertake the required investment in electricity generating capacity. But there has been a dearth of willing providers. In consequence of their failure to invest, the large energy suppliers should bear the cost of maintaining the present feed-in tariffs.

The prospective investors in nuclear power are the nationalised and semi-nationalised energy corporations of two foreign countries; namely France and China. There are now doubts regarding the commitment of EDF, the French national electricity supplier, to build the nuclear power station at Hinkley Point. If the French withdraw from this project, it seems likely that the Chinese will do likewise. What then will remain of the Government's energy policy? They will have to rely on increasingly expensive supplies of gas. Their ambition to derive ample supplies of gas by fracturing the ground under our feet appears to me an implausible one. The alternative supplies of gas, which are from the Middle East, the north Atlantic and Arctic Russia, are beset by geopolitical hazards. Moreover, if we are to rely on imported gas to satisfy our energy needs, it will not be possible to fulfil the commitment to staunch our emissions of greenhouse gases.

I strongly support these Motions, which oppose the cuts in the feed-in tariffs, and I call on the Government to think again.

Lord Cavendish of Furness (Con): My Lords, I rise to oppose both these Motions, but especially that in the name of the noble Baroness, Lady Featherstone. I should perhaps declare an interest, in that I have been a beneficiary of feed-in tariffs, albeit not with solar.

Feed-in tariffs cost about £1 billion a year—last year it was £851 million—and most of that goes on solar. That is a considerable sum of money, and every penny of it is added to the bills of electricity consumers. I find it significant and surprising that speakers so far have spoken up for the producers rather than the consumers. Adding that money to consumers' bills hits the poor harder and rewards the rich, because electricity makes up a bigger part of the expenditure of the poor. So it is a regressive transfer of money from the poor to the rich.

What are we getting in return for this expenditure? We get rooftop solar running at 10% load factor, which is less than 1% of final electricity consumption. That is a trivial trickle. Most of it is generated on a summer's day, rather than on a winter's night when it is most needed.

The Minister's own department's renewable energy planning database shows that the UK has already given planning permission for sufficient renewable energy capacity to overshoot the 110 terawatt-hours required to meet the 2020 target contribution for electricity. The overshoot, if it is built, would be about 35%, but there is no budget for that excess. The department reckons a budget overshoot of £1.5 billion is possible. However, some people calculate that it could easily be £2 billion and that the department is being conservative.

My final point is political. I have checked my party's manifesto, and it seems to me that the Government's actions are entirely consistent with it. I am therefore extremely sorry that the noble Baroness should choose quite soon in her career in your Lordships' House to introduce a fatal Motion. A lot of people are increasingly being left with the feeling that these fatal Motions are not just discrediting your Lordships' House—they are actually intended to discredit your Lordships' House.

5.45 pm

Lord Steel of Aikwood (LD): My Lords, I blundered into this debate on 19 January during the Committee stage of the Scotland Bill. At that stage, I was making a very simple point, which is that hydropower is much overlooked in comparison with solar power and wind power. That was the only point I was making. However, in the course of his reply to that debate, the noble Lord, Lord Dunlop, the Scottish Minister in charge of the Bill, gave some figures that I did not think to challenge. No sooner had the ink dried on Lords *Hansard* than coals of fire were heaped upon my head for not having challenged those figures. I did not know any better and I do not think that he knew any better, because he was quoting figures given to him by the Department of Energy and Climate Change. It is worth stopping for a moment to consider them.

I congratulate my noble friend on raising this matter and the excellent speech that she made, and the noble Lord, Lord Grantchester, on his speech from the Front Bench. I do not think we should get into a long argument about whether we should do something about this or just wring our hands, which appears to be something that the noble Lord, Lord Grantchester, feels strongly about.

I am concerned about the drift of this Government away from the commitments that they made at the time of the election, posing as a green Government. My new party leader has a very nice way of putting this. The other day he said:

"The prime minister has not so much hugged a Husky as led it behind the coal shed, shot it in the head and told his energy secretary it is gone to live on a farm".

That is quite a good way of putting the about-turn of policy that we are experiencing.

To return to the point that I was making, the noble Lord, Lord Dunlop, argued on 19 January that the tariff injections proposed for hydropower would result in something like 500 new projects over the next three and a quarter years. I do not see how that can happen now that the Government have themselves reduced the tariff for the small hydropower schemes. Those are the ones that I am talking about; the little ones that I have been to see in the Scottish borders, not the massive public hydropower schemes. I was very glad to see that the noble Lord, Lord Sanderson of Bowden, supported me on that occasion because he and I live in an area where there is no shortage of water. There is sometimes a shortage of sun and occasionally there is no wind, but there is plenty of water and the water flows at a time when peak demand is so strong during the winter. That was the point that I was making.

Yet I have in my hand the consultation tariffs that the Government propose, and for small hydro schemes in the 100 kilowatt to 500 kilowatt bracket the Government's own consultation document suggests a tariff of 9.78p. The actual tariff that they are now proposing is 6.14p. I therefore do not see how they will get 500 schemes with that reduction. Will the Government enter into a serious discussion with the British Hydropower Association to see what is wrong with the figures that they have given and how they can possibly justify the proposal for 500 new hydropower projects with this

[LORD STEEL OF AIKWOOD]

severely reduced tariff? A reduction of some 37% makes all the difference in the world and I am very glad that my noble friend mentioned hydropower in her speech.

Lord Robathan (Con): My Lords, for many years in the House of Commons I was the vice-chairman of the All-Party Parliamentary Renewable and Sustainable Energy Group because I happen to believe that renewable energy has a hugely important part to play in the future energy provision for this country. I hope that most noble Lords would agree with that. But it is only a part, and that is where the noble Viscount suggested that there is a contrast between nuclear, fracking and renewable energy. They all have a part to play in making a good policy to provide energy for this country.

I have been a loyal Government supporter and I was particularly pleased when the Prime Minister said some years ago that he would create the greenest Government ever. I hope very much that the Minister will bear that in mind. He rightly said to the noble Viscount that FITs were very high. They were high for a reason: in order to attract investment, which they have done, and indeed to attract landowners—possibly such as my noble friend who has also spoken—to put up wind generators, for instance, and it has worked. I should say that I am quite interested in putting one up myself on my farm in Leicestershire, but I do not yet have an interest to declare. However, it is right that these very expensive feed-in tariffs should be brought down. They are extremely lucrative and they need to come down. As the costs of putting up solar, wind or indeed hydro energy plant come down, so too should the feed-in tariffs.

I know that the Government have reviewed their initial plans in this area, but I would say gently to my noble friend the Minister that, as I am sure he is aware, we should not as a Government kill the golden goose that has led to a resurgence of renewable energy in this country, which is all to the good. In quite rightly reducing unnecessary government expenditure, or perhaps one should say government largesse, we need to be careful that we do not end the wind and solar energy industries in this country or stop the generation of renewable energy which began so well under the coalition Government and up to now.

Lord Teverson (LD): My Lords, I apologise to the House for not being in my place for the start of my noble friend's speech. I was interested in the speech of the noble Lord, Lord Grantchester, who I admire and for whom I have a great deal of time. As has been said by Members on the Benches opposite, the whole point of feed-in tariffs is that they should come down in order to reflect the cost of investment by producers in that industry. That is what the Secretaries of State, Chris Huhne and then Ed Davey did during the coalition Government period. Producers should not receive more money than they deserve. The point is that it was done in such a way that the industries did not die. That is why we are debating this subject. As the noble Lord said, this cliff-edge change will probably see the end of these industries, and that is a problem. It is therefore appropriate that we have a fatal Motion for an SI that

will be fatal to a very important part of our renewable energy provision. That is why we are here and why this debate is so important.

Last night I was privileged to be at an event where the Secretary of State, the right honourable Amber Rudd, spoke at some length about the Government's energy policy. It was interesting and I was taken by her enthusiasm for and excitement about the Paris agreement. She and the Minister who is to respond to the debate were involved in bringing about that important agreement. She feels inspired by it and those of us attending the event agree with her absolutely. It has its difficulties, but the fact was that there was unanimity among all the nations present.

This Motion is important because not only do we have to talk the talk, sign the agreements and be the good guys internationally, we actually have to walk the walk as well. All I can see in the Government's policy, apart from one or two areas such as taking out coal by 2025, for which I give it credit, is that the direction of travel, as the noble Lord, Lord Grantchester, and my noble friend Lady Featherstone put it so well, is going in the opposite direction. That concerns me greatly. Exactly as my noble friend Lord Steel, said, one of the great things about the Conservative manifesto 2015 was that it committed itself to the Climate Change Act. It did that unequivocally; it was there in black and white without fear, and it said it proudly. However, this is not meeting those targets, not meeting the carbon budgets and not finding a way to meet those commitments. That is why this Motion is important and why I support it.

Viscount Ridley (Con): My Lords, like the noble Lord, Lord Teverson, I was not here at the start of the debate, but I hope the House will indulge me if I add a few short remarks. The noble Lord, Lord Grantchester, said that the policy of feed-in tariffs has been highly successful. What do we mean by that? It has been highly successful in taking money off people and giving it to other people. As my noble friend Lord Cavendish said, something in the order of £1 billion a year is now going through this programme. It is going, on the whole, from the poor to the rich because electricity bills are a bigger part of poor people's bills than they are of rich people's bills, and most of the people who can afford to put up the upfront costs of drawing down feed-in tariffs are on the whole rich people.

That is not the measure of success surely by which we should judge this policy. The noble Lord, Lord Teverson, just said that it should be judged by its impact on the climate. So how much has it reduced carbon dioxide emissions? How much bang for that enormous billion pound buck are we getting? The answer is: a trivial effect. We know that solar power, which is the bulk of the feed-in tariffs, produced 1% of our electricity last year. Therefore, the emissions reduction cannot be more than 1%. It is probably a lot less because of back-up and other issues. We know roughly where it is and we can therefore make a rough calculation as to the costs per tonne of carbon we are buying these omissions at.

The figure for those who were lucky enough to get Ed Miliband's first tranche of feed-in tariffs is close to £1,000 a tonne. Not even the noble Lord, Lord Stern,

thinks the social cost of carbon is anything like that. He says that it is about \$29 per tonne. More recent estimates, because of cuts in the feed-in tariff, show that that number has now come down to something like £200 a tonne, but it is still 10 times higher than the social cost of carbon. We do not have a successful policy. We are doing it on the backs of relatively poor people. It surprises me that the two parties opposite should in this case be taking the side of the Sheriff of Nottingham rather than Robin Hood.

Lord Deben (Con): My Lords, as chairman of the climate change committee, I declare an interest. I also declare a clear view that my job is to be entirely independent on these issues. Therefore, it is with care that I am going to try to navigate the discussion that we have had so far.

The climate change committee has clearly stated that we have a requirement, if we are to meet our statutory ends, to meet first of all the fourth carbon budget and then the fifth carbon budget which has been presented to the Government. The Government have committed themselves to the fourth carbon budget, and they must legislate on the fifth before the end of June. That is in the Act. No doubt, Ministers will be thinking very carefully about how they will do that because there is no elbow room in the fifth carbon budget. It is as generous as it is possible to be while still meeting the targets that were laid down—reducing our emissions by 80% by 2050—not by the climate change committee but by the Act itself.

In dealing with the Government's proposals here today, it is not for the climate change committee to argue that the Government should not do this, should do that, or should do the other. It is for the committee to remind the Minister that the Government are committed to delivering reductions in emissions. The mechanism used must indeed be for the Government—that is the democratic balance we have established in the Climate Change Act.

6 pm

It is perfectly possible for the Government to propose a series of changes, as long as they recognise that, by the end of this year, they have to fulfil the promise that they made to bring forward policies that will meet the fourth and, by extension, fifth carbon budgets. The Prime Minister made a specific commitment to the fourth carbon budget, which Ministers have done since. I have no worry about the fact that the Government intend to meet that commitment. It is also perfectly reasonable to accept that one has to vary the way one increases the amount of renewables as their price falls. One can have an argument—we are having it here—about whether that is overdone, but one cannot argue that it has to be done because the costs have fallen very significantly.

I will say just one thing about the progress of this. We rely very much on the cross-party commitment to the Climate Change Act. We have that and we defend it. I say very delicately to the Liberal Democrats that I would have thought that this is not an issue on which one wished in any way to imperil that commitment. I say that to my own party; I think that no one has ever criticised me for being anything other than impartial.

This is an area of considerable delicacy. We have to keep together the vast majority of people who recognise that climate change is happening and that it is the biggest physical threat to us and our whole way of life. We have to find a joint way to deliver it. I say to my noble friend Lord Ridley that many of us will take his comments rather carefully, because he does not have the same urgency about climate change that the science gives us. We have to accept that he will put things in a different way, as will his noble friend who also spoke. It is important for us to recognise that there is a common-sense, common view about all this. I hope that the Government, in defending their case, will be able to reassure us, if this is not the way forward, that there will be a way forward that will attract the support of all of us. The climate change committee has written a very clear letter. I hope the Minister will be able to refer to it in answering the debate.

We have to say that Paris means that the world has made a decision about climate change. We are no longer arguing the case as to whether it is happening, or whether it is terrible or just a bit awful. We are arguing the case that we have not only to keep our emissions down to a 2 degree rise, but to push them below that. We have to keep 1.5 degrees in our vision. That is what we have done. I am afraid that there is no argument about that, not only in the science but in the politics. The world has decided. That is the basis upon which business and all of us will operate.

I fear to say to those who are still fighting the backward view that it is not happening, it does not matter and we can put it all off, that they are putting Britain at a disadvantage. One of their organisations said this week that they are thrilled to find that most people in Britain are not worried about climate change. They should be ashamed of themselves because they have done that. They have made sure that they are not worried when they ought to be. If they are not worried, their children will receive wages that are the result of human greed and human refusal to accept the realities of the science.

Therefore, as chairman of the climate change committee, I merely say to the Minister that I will not comment on whether this is the way forward that I would have led. I merely say that I hope he recognises that before the end of this year, we will have to have very clear guidance from the Government on how they will meet their commitments both under the Act and, indeed, under their own promises. I ask those who are unhappy about this change to concentrate not on the means but on the end. This is not about renewables or particular mechanisms; it is about achieving a reduction in our emissions consequent upon the damage we are doing to the planet, and as a result of the figures which we put into our Act. Let us be more concerned about keeping the Government to meeting that, than about pushing particular mechanisms, some of which may need change and some of which perhaps ought to continue. However, in the end, it is what we do rather than the means of doing it that really matters.

Baroness Worthington (Lab): My Lords, I follow the comments of the noble Lord, Lord Deben, by saying that, obviously, the most important thing we have to focus on is finding the lowest-cost ways to

[BARONESS WORTHINGTON]

decarbonise our economy. As someone who worked very hard on the Climate Change Act to make it a flexible and technology-neutral approach to tackling climate change, I think it is very important that we focus on the things that really matter: greenhouse gas emissions and carbon intensity, which we do not talk about enough, because renewables help us only in so far as they reduce the carbon intensity of the electricity we use. That is something we need to keep focusing on. Therefore, although I completely understand the sentiment behind the approach the Liberal Democrats are taking today, in my view the fatal Motion goes a little too far. That is not to say, however, that there is not a very important job that this new Government need to do, which is to restore investor confidence, because a whole host of their policies have severely damaged that confidence.

I totally understand the sentiment behind some of the actions taken: the desire to make sure that we get the best value for money and do not put costs on people who cannot afford to bear them. However, we have behaved in a rather cavalier manner in our interaction with the renewables sector, which is an important sector for this country; its growth is bucking trends in other parts of the economy. Noble Lords may say that that is purely to do with subsidy but it is not true: it is growing because there is an urgent need to find a cleaner and better way of powering our homes and businesses. The renewables sector and other clean technologies have a big role to play in moving us to an energy system that is fit for this century. The Government must deal with that industry seriously and give it all due respect when they introduce changes and try to manage the transition from a system that relies on subsidy to one that can stand on its own two feet and compete in the marketplace.

I want to pick up on something the noble Lord, Lord Deben, said about carbon budgets. We have had conversations about this and I declare an interest in having helped to bring these about. He said that the carbon budgets, though brilliant, have a fatal flaw in their interpretation to date: emissions in the electricity sector are based not on actual emissions in the UK, but on a traded allowance that is calculated from a European system. That has to change. Noble Lords will remember that we passed an amendment to the Energy Bill that changed the counting system for carbon budgets, from the fifth carbon budget on, to one that counts actual emissions in this country. That is a very important principle.

I know the Government are not persuaded that they should keep that amendment. However, I urge all noble Lords who consider that climate change is real and that we need to do something about it, but who are also concerned about cost-effective ways of doing this and technology-neutral approaches, to accept that carbon budgets are our friend but will work only if they are full carbon budgets. If they are half-budgets, with half being set by Europe, they do not do the job for us and do not give the clarity that investors need to invest in decarbonising our electricity sector beyond 2020. That is really important, as 2020 is fast approaching. We will have no more European legal targets for renewables beyond that date. I happen to think that is

a good thing, but we need something that replaces that and that gives confidence. The carbon budget could be it, but only if we change the counting rules, as we successfully did during our debates on the Energy Bill. I look forward to returning to this issue, and I hope that between now and then we can persuade the Government that this is the right approach.

The Lord Bishop of Salisbury: My Lords, I am very grateful for this debate. When I joined this House last year, I was really struck by how it was possible to work with Members from all parts of the House in preparation for Paris and by the strong sense of common purpose with which we could work together. I am grateful for the contribution from the noble Lord, Lord Deben, in terms of what now happens, post-Paris, and how we move on. However, I am unable to support a fatal Motion. On the other hand, it is really important that the House discusses where the Government are with their energy policy, and that is what this debate is able to do.

My contribution is simple: I have two points. There is an extraordinary gap between rhetoric and reality in what is happening at the moment with government policy, and there is no consistent overall strategic energy policy. Both those things need to be addressed. As reported by the *Hastings and St Leonards Observer* in May 2015—presumably just after the election and her appointment as Secretary of State—Amber Rudd said:

“I want to unleash a new solar revolution”.

In February 2015, the Prime Minister pledged to,

“accelerate the transition to a competitive, energy efficient low carbon economy”.

In Paris, he brilliantly said that we are going to be judged by what our grandchildren will say to us when we are asked what we did at this stage in our history, in response to what we knew about climate change.

The noble Baroness, Lady Featherstone, quoted DECC’s own figures about the impact of cuts in feed-in tariffs. She cited the loss of jobs in a successful industry. Renewable energy is crucial to the present and the future. We are at a transitional stage in technology; things are changing very fast. However, it is still an industry that requires support. On its own assessment, the feed-in tariffs could be phased out within the life of this Government, but the speed of change has undermined its success. I do not agree with the noble Lords behind me that this is about rewarding the rich at the cost of the poor. The average household saving from this cut in feed-in tariffs will be £6 per year. That is not a huge amount on something which we agree is an important goal. Surely it is not good enough to meet targets in this area: it would be really good to overshoot them. However, the concern is the Secretary of State’s own admission that it looks as though, by 2020, we will be 3.5% below the aim of 15% renewables which is our responsibility.

There were a pretty extraordinary number of responses to the DECC consultation on feed-in tariffs—over 54,000. The Church of England’s own Shrinking the Footprint project fed in one of those responses. We have 400 churches with solar panels at the moment: three of them are carbon neutral. Many churches are taking a holistic approach to energy use and efficiency,

but churches are just an example of people's commitment. However, this is made out of an understanding that there is a consistent, reliable policy approach which allows one to make longer-term, costly investments. I would have thought that the solar panels feed-in tariff initiative had produced a very successful public/private partnership, one which needs to be incentivised at the front end and then reduced gradually as it becomes more successful, the technology becomes cheaper and more people use it.

Lord Vinson (Con): Perhaps the right reverend Prelate was not here earlier, but the noble Viscount, Lord Ridley, made the point that solar panels are currently reducing CO₂ output by only 1% in this country alone. That is an even tinier fraction of the world's CO₂ and we are talking about a world problem, not just the UK's CO₂ level. Even if the number of solar panels were tripled, it still reduces our CO₂ output by only 3%. Perhaps we are pushing at the wrong solutions. That is the point the noble Viscount was trying to make. Perhaps the right reverend Prelate should consider it.

6.15 pm

The Lord Bishop of Salisbury: I thank the noble Lord for his contribution. Of course, I have been here through the whole debate and I did hear what was said at each stage. I agree with the noble Lord, Lord Deben, about the need to focus on the larger picture as well. But the information that was given was a particular description of the problem, as the noble Lord, Lord Deben, pointed out.

In addition to my points about the importance of the rather more gradual change in feed-in tariff reductions and the gap between rhetoric and reality that is emerging in what we are seeing of government policy, there is also a problem with the Government's strategic approach. It is not clear how all these individual decisions fit within an overall energy policy framework. There are very different approaches being taken to continuing the use and extraction of fossil fuels; shale gas and fracking; nuclear; and renewables. There is no indication yet as to what will be in the national energy-efficiency policy. So this debate is a really good opportunity post-Paris for us to gather again and try to hold the Government to account, when there are some very mixed messages being given by a variety of initiatives, and to ask that we begin to see more clearly the strategic energy policy which would help us all have more confidence in the way in which we can engage with this.

Lord Haskins (CB): My Lords, as chairman of the Humber Local Enterprise Partnership, I am very interested in this debate because the Humber area generates 25% of the country's electricity and provides 25% of the country's oil and petrol. We have every type of energy activity short of nuclear and hydro. We are very diverse. It is a very important part of our history—and future.

In the past 10 years we have had considerable support from the Government in moving towards a change in the nature of our industry away from coal towards renewables. In the past six months, however, partly because of the volatility of the markets, the Government have appeared to be a little less sure about where they are going than they were a few months ago. My particular

interest is offshore wind, where, thanks to the Government, a huge investment from Siemens is now under way to produce substantial quantities of offshore wind for the nation.

There is a hiccup at present because people are not too sure where they are going. The plan, for Siemens and for all of us, is that by 2024-25 offshore wind will be competitive with any other form of energy. But for that to happen, we need undertakings that the support will be given during that period and a commitment from the industry that substantial research and development will take place to lower those costs. It is very important from our point of view that there is clarity about the Government's energy policy going forward so that people who are sitting on their hands at the moment waiting to invest can have the confidence to invest in the future, which they want to do.

Lord Donoghue (Lab): My Lords, I will be brief but I have to say that I regret—although I am not surprised—that the Liberal Democrats have brought forward this Motion. I think it is the first time in 31 years in this House that I have publicly supported a Conservative proposal but on this occasion we should acknowledge that the Conservative Secretary of State has at last done something not to halt but to slow what has been going on for some years, which has been rightly described as a massive transfer of wealth from the poor to the rich.

As a member of the Labour Party for 62 years, I have always opposed that kind of approach, and for some time I have been rather surprised that my own party seems not only to connive at it but to have initiated much of it. It is a massive transfer. It is the ordinary working families that pay the higher energy prices that come from green taxes. They pay through their income taxes, supporting subsidies—I have to say that there are people here who seem to be subsidy addicts. It is employers and those giving jobs to working people who suffer from these higher energy prices. The decent working men of Redcar and Port Talbot have suffered from having higher costs, although mainly because of the Chinese moves. I recently met an employer in heavy manufacturing who demonstrated to me how his high energy costs were a major factor in putting his business at risk and where he, too, might have to make working men unemployed.

There is a major issue for me, as a Labour person, about how my party supports such measures to transfer massive wealth from the poor to the rich. There are one or two in this House who make millions from renting wind turbines, having solar panels and so forth. I am sure that they will declare their interests when they speak but that troubles me in particular. The right reverend Prelate said that it is only a little. Well, for many people a little is a lot. I notice that nobody supporting this Motion, other than him, appears even to defend the fact that this imposes such a burden on the working people. It is a small amount but it is part of a process that produces a massive burden on them.

I understand the desires to go for a green environment, where possible. I should point out to the noble Lord, Lord Deben, that while I very much enjoyed his contribution I was reminded that his father was an Anglican vicar. I think that he would have been proud

[LORD DONOUGHUE]

of that speech, which could well have come from many of the pulpits that I have enjoyed. I noted that he claimed to be independent. I totally accept that, as I am independent in my lifelong support for Northampton Town Football Club and the Northampton rugby club, but it is a certain kind of independence. When the noble Lord very impressively and emotionally attacks those who question his position, of whom I am one although I question only part of it, he says that we do not accept climate change and all that goes with it. I have to tell him that I accept climate change; I do not know a single sceptic who does not. For me, climate change is what has always happened, in cycles. It is happening now and we accept that. I accept that the globe is warming and that human activities play a part in it. I do not know where these straw men are who seem to agitate the noble Lord so much. We wish to question—

Lord Deben: My Lords—

Lord Donoughue: The noble Lord spoke for a long while.

Lord Deben: If the noble Lord accepts climate change, why has he opposed every single measure to try to do something about it?

Lord Donoughue: It is the old problem: I do not know what evidence the noble Lord bases that on. He does not know what I have supported in the past, so I will not accept that, but we will not delay the House for longer on this. It is about querying arguments in the true Enlightenment tradition and questioning where the burden of the price goes. What we object to, although nobody proposing the Motion seems to have reservations about it, is that the less well-off in this country pay through regressive green taxes—

Baroness Worthington: It is a lovely speech but I point out that, on a global scale, the people suffering the most from climate change are the global poor. We have a moral responsibility to show leadership in this country. We can afford to do this and we will benefit from doing it. We will have jobs and inward investment from doing this. To use the hard-working people of Britain as an excuse not to do it is a real shame.

Lord Donoughue: I have read much of the evidence about who suffers in the world from this but I do not accept what the noble Baroness says. The Secretary of State should be encouraged to do more looking at who pays for so much of this burden. It is understandable if the Secretary of State is concerned about this country's massive debt, which does not appear to concern many Members in this House. I dissent from this Regret Motion and trust that it will go no further.

Viscount Ridley: My Lords, I omitted to mention my interests and I apologise to the House for that. I do not have interests in solar power, which is what I mostly spoke about—mainly because I have turned away solar developers—but I do have other interests in energy, including coal.

Lord Berkeley of Knighton (CB): My Lords, I crave the indulgence of the House, as I missed the opening of this debate, but I did take part in the last one.

Noble Lords: Minister!

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, this has been a very wide-ranging debate, which has interested the whole House, and there have been differences within parties as well as across the Floor of the House.

The Government are committed to cost-effective decarbonisation of the United Kingdom's electricity supply—let me nail that straight at the start. In recent years, we have made huge progress in encouraging the development and deployment of renewable energy and in building a successful renewables industry. The feed-in tariff, or FIT, scheme has been a vital part of this. The FIT scheme now supports more than 830,000 small-scale renewable installations—a figure far in excess of what we expected to deploy when the scheme was first set up.

In 2010, when the FIT scheme was set up, the then Government estimated that it would cost £490 million per year in 2020. That was the estimate. Without the changes that we are seeking to introduce today, we estimate that by 2020 it would cost £1,740 million per year; with the changes, it will still cost £1,300 million per year. Let me just repeat that: £1,300 million per year. There has been a slight tendency in the debate to suggest that the Government are walking away from the renewables sector and not spending anything on FITs, but we will be spending £1,300 million per year, via the LCF. Of course it is not direct—it is via the levy control framework—but it is still a cost for bill payers. We need to establish that at the start.

The noble Baroness, in opening the debate, quite fairly said that subsidies must end—that nobody wants subsidies and that we must do this in a controlled way. I agree, but she did not then suggest how we should do it; she just opposed everything that we were seeking to do. It is a mode of proceeding, but if you are going to be taken seriously about ending subsidies, you should suggest how you are going to do it.

We have of course also made changes as a result of the consultation. The Government were elected with a clear manifesto commitment to keep bills as low as possible as well as to decarbonise. It is a judgment call, and we have been criticised from both sides, by those who think we should not be doing anything at all and by those who think that we should be doing more for the renewables sector. Clearly, the more you increase the subsidy, the more will be deployed. The noble Baroness suggested during her speech that renewables were cheaper than conventional forms of electricity. That is not remotely true. If it were true, we would not need to do anything at all. It was David Attenborough who said that as soon as you have the cost of renewables below the cost of fossil fuels, the problem goes away. We are not at that stage: if we were, we would not need to be doing what we are doing in terms of continuing a subsidy.

What we are doing is responsible. If this order were annulled, we would have to consider closing the scheme altogether, so I welcome the stance taken by the opposition Labour Party on this—I know it is not happy with what we are doing but the right course of action is to regret this rather than to seek, any time there is a policy you do not like, to overturn it by voting strength.

That is not what this House should be about. I will say no more about that, but it really is not the right way to proceed.

In response to the noble Lord, Lord Grantchester, who asked why we are bringing it forward in this way, nobody at the start of this Parliament could have foreseen that we would be in this position of having votes all the while against government policies which were being lost in a way that has not happened previously—at least not on this scale, as he himself indicated. I was grateful for what he said on that.

We have listened carefully to the views of industry in the consultation—in particular, the Solar Trade Association's £1 plan—and took account of its responses in redesigning our scheme. We revised tariffs upwards to reflect evidence that it provided, we allocated more budget to solar under the £100 million cap to reflect its asks and we are implementing a cap system which allows us to recycle underspend and consider the balance of caps between years.

6.30 pm

An inconsistency seemed to run through a lot of contributions. People were saying that this is killing the renewables sector and then, "Furthermore, we have caps". The caps kick in only if we have deployment on the considerable scale stated in the statutory instrument: it is a cap against further deployment. I am not sure that noble Lords can have it both ways.

If it appears that deployment is adversely affected, we will look again at the 10% degression and see whether another figure would be more appropriate. That seems entirely reasonable. In response to another Solar Trade Association request—the noble Lord, Lord Grantchester, referred to it in passing—I am certainly prepared to have a close look with Ofgem to give an indication of deployment levels as quickly as possible.

We are happy to work with industry, but let us see what the renewables industries have been saying, because that has not always been reflected in the debate. The Solar Trade Association itself recognised that, after the changes, solar,

"will ... remain a great investment for forward-thinking home owners".

The British Photovoltaic Association stated that,

"this should be a wakeup call for the industry to start working on business models where we don't rely on subsidies any longer. The combination of solar and energy storage will deliver that in not too distant future".

The future FIT scheme will support enough new solar installations to power more than 260,000 homes and save more than 687,000 tonnes of carbon dioxide annually. That is not insignificant.

I shall try to cover some of the points made by noble Lords during the debate. The noble Viscount, Lord Hanworth, talked about the cost of gas being high. The cost of gas is actually falling—wholesale costs are dropping. He referred to the cost of solar. It is also falling, as reported in today's *Financial Times*.

The noble Lord, Lord Cavendish of Furness, rightly said that we need to speak of consumers as much as—if not more than—producers. It is consumers that we are concerned about. The Government have obviously to balance the interests of bill payers with those of

decarbonising. When they were part of the previous Government, the Liberal Democrats recognised that as a challenge: it is, but that is what we must seek to do.

The noble Lord, Lord Steel, rightly referred to the issue of hydro; I know that he has taken a close interest in it. I will write to him in more detail, but I know that even after this all kicks in, hydro will be taking 25% of the budget, which is not insignificant.

The noble Lord, Lord Robathan, rightly said that as costs come down, so should tariffs. That is what this is all about. The noble Lord, Lord Teverson, kindly and generously referred to the success of the Government in the Paris agreement. On his general comments, of course we are committed to the Climate Change Act and to our international obligations as a result of Paris. My noble friend Lord Ridley came from an opposite angle. He said that we must take care of the interests of bill payers; that is absolutely right.

My noble friend Lord Deben rightly said that he would not move from his independent stance. He asked me to acknowledge the letter, which we are studying in detail and will be responding to within the timescale set out, as he would expect. We of course take his advice and that of his committee very seriously and I look forward to discussing it with him shortly.

The noble Baroness, Lady Worthington, raised some issues about the Energy Bill. I was not surprised by that, but this is perhaps not the right time to debate it at length; we can debate it when it comes back to the House.

I have worked closely with the right reverend Prelate the Bishop of Salisbury. I thank him again for his work on the Lambeth declaration, and for saying that he cannot support a fatal Motion. I hope we are setting out a clear position on this. Our clear position is that we must remember the importance of bill payers and keeping them onside. It is perhaps easy for us to forget that £5 is not insignificant for many hard-working families and individuals. We should not lose sight of that. Yes, of course we must recognise that decarbonisation comes with a cost but there is this balancing act to do.

The noble Lord, Lord Haskins, spoke of Humberside, the importance of offshore wind and Siemens. Of course, I recognise that. I met some people from Siemens last week and they did not raise the doubts and issues that he did. If he would care to let me know what those issues are more specifically, I am very happy to look at them.

The noble Lord, Lord Donoughue, spoke in support of the Conservatives. I am grateful for that. We are keen on decarbonising but recognise that bill payers have a part to play as well.

I hope I have done justice to the contributions made. In conclusion, the changes we are implementing challenge the renewables industry to innovate and reduce costs. The evidence from the Solar Trade Association and others is that they recognise that. Of course, costs are coming down, and coming down quite steeply in some instances. We are making changes that will limit the amount of subsidy. I heard noble Lords on all sides say that they do not think we should subsidise where it is not necessary, so we agree on the principle.

[LORD BOURNE OF ABERYSTWYTH]

I cannot see that that is an ideological stance, as was suggested. It is just that we may differ on what amount the subsidy should be and how we withdraw it. That is a different debate and I have not heard it being entered into. It was more, “We don’t like subsidies either”, but then no suggestion of how much the subsidy should be.

I admit there is a challenge to the renewables industry here. We need these changes. We recognise the importance of ensuring that we decarbonise but, as I indicated, it is not a small amount to spend £1,300 million per year through the FIT scheme on renewables. With that, I ask the noble Baroness to withdraw her Motion. I recognise that there are strong feelings on this but it is not appropriate to table a fatal Motion every time there is a government policy you do not like. That is not the way forward. I hope the Liberal Democrats will see their way to withdraw the fatal Motion, even at this late juncture.

Baroness Featherstone: My Lords, I thank all the speakers in this debate. It has been very instructive and informative, and so many of the contributions were knowledgeable. I thank the Minister for the government response.

My purpose in tabling this Motion to Annul was really to persuade the Government to go back and work again with the industry. It is exactly that rate and degree of change that we are discussing. As for it being a fatal Motion, when will the Government stop submitting negative SIs that are unamendable? They did so with this one on 18 December, just before the rising for Christmas, and buried in a slew of SIs, which might have denied us any debate whatever. It is important, given the seriousness of the issues I raise, to say to the Minister, “I want the Government to go back on this”.

I noted the quote from the Solar Trade Association but I would say the same if I were in its position and not wanting to put off investors. The Minister asked how I would reduce the subsidy. My answer is, again, to go with the industry and see whether there could be a new rate of decline of subsidy and an agreed timetable. That is not for me to say as I do not run these industries, but I know from the level of complaint and amount of lobbying I have received that there are genuine and serious concerns.

What I heard generally from this House in the excellent speeches was that most noble Lords agree with the ends and that there needs to be a change, but were not willing to will the means to get to that end. I listened carefully to the Minister’s response. I hoped to hear willingness to make further amendments. Sadly, I heard none. Therefore, I wish to test the opinion of the House.

6.39 pm

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 O'Loan, B.
 O'Neill of Gatley, L.
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 O'Shaughnessy, L.
 Patel, L.
 Patten, L.
 Perry of Southwark, B.
 Pidding, B.
 Polak, L.
 Popat, L.
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 Strathclyde, L.
 Stroud, B.
 Suri, L.
 Taylor of Holbeach, L.
 [Teller]
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 Verma, B.
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 Wei, L.
 Whitby, L.
 Wilcox, B.
 Williams of Trafford, B.
 Woolf, L.
 Young of Cookham, L.

6.55 pm

Motion

Tabled by Lord Grantchester

That this House regrets that the Government intend to implement the Feed-In Tariffs (Amendment) (No. 3) Order 2015 causing significant harm to the renewables sector when there is growing concern at the lack of investment in new energy-generating capacity; and further regrets that the Order sets deployment limits that will severely impact on the size of one of the cheapest low-carbon energy options when there is urgent need for greater deployment of renewables to contribute to the security of United Kingdom power supplies, the decarbonisation of the energy sector, and the attainment of the United Kingdom's obligations towards climate change mitigation under the Paris Agreement (SI 2015/2045).

Lord Grantchester: I thank all contributors to the debate today and thank the noble Lord, Lord Teverson, and my noble friend Lord Hanworth for their support. I was very pleased to hear the contribution of the noble Lord, Lord Robathan. I am tempted to remind the noble Viscount, Lord Ridley, that in his estimation of outcomes he omitted to recall that this measure will also cut community schemes that could help alleviate fuel poverty. However, to talk in terms of transfer from the poor to the rich, as some have done, is to misunderstand the issue and to ignore the huge impact of climate change on the world's poor. We all want to keep costs down, including subsidies being as low as possible. We needed the wise words of the noble Lord, Lord Deben, to emphasise the bigger picture, along with the contributions from my noble friend Lady Worthington. We have had a full debate, and I detected indications of support from the Minister. I will not move my Regret Motion to a vote.

Motion not moved.

House adjourned at 6.57 pm.

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