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PARLIAMENTARY DEBATES  
(HANSARD)

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

*ORDER OF BUSINESS*

Election of Lord Speaker	
<i>Announcement</i> .....	993
Message from the Queen .....	993
Election of Lord Speaker .....	993
Questions	
Carers over 80: Support .....	994
Turkey .....	997
Drugs Policy .....	999
Refugees: Unaccompanied Children .....	1002
Local Government Elections (Referendum) Bill [HL]	
<i>First Reading</i> .....	1004
Cohabitation Rights Bill [HL]	
<i>First Reading</i> .....	1005
Betting Licences (Category B2 Gaming Machines) Bill [HL]	
<i>First Reading</i> .....	1005
Genocide Determination Bill [HL]	
<i>First Reading</i> .....	1005
Digital Skills (Select Committee Report)	
<i>Motion to Take Note</i> .....	1005
Orlando Terrorist Attack	
<i>Statement</i> .....	1049
EU: Energy Governance (EUC Report)	
<i>Motion to Take Note</i> .....	1053
Statutory Auditors and Third Country Auditors Regulations 2016	
<i>Motion to Approve</i> .....	1077
Access to Justice Act 1999 (Destination of Appeals) (Family Proceedings) (Amendment) Order 2016 .....	1087
Access to Justice Act 1999 (Destination of Appeals) Order 2016 .....	1094
<i>Motions to Approve</i>	

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

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

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

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## House of Lords

Monday 13 June 2016

2.30 pm

*A minute's silence was observed in respect for the victims of the shootings in Orlando on 12 June.*

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

### Election of Lord Speaker Announcement

2.38 pm

*The Clerk of the Parliaments announced the result of the election for the office of Lord Speaker. Details of the votes cast are being made available in the Printed Paper Office. The successful candidate was Lord Fowler.*

### Message from the Queen

2.38 pm

**The Lord Chamberlain (Earl Peel):** My Lords, I have the honour to notify your Lordships that Her Majesty the Queen, having been informed that your Lordships have elected the Lord Fowler to be Lord Speaker, has pleasure in confirming your Lordships' choice of him as your Speaker.

Furthermore, I have the honour to present to your Lordships a message from Her Majesty the Queen, signed by her own hand. The message is as follows:

"I have received with great satisfaction the dutiful and loyal expression of your thanks for the Speech with which I opened the present Session of Parliament".

### Election of Lord Speaker

2.39 pm

**The Lord Privy Seal (Baroness Stowell of Beeston) (Con):** My Lords, I am sure the whole House will wish to join me in offering our congratulations to the noble Lord, Lord Fowler, on being elected Lord Speaker and in offering our support to him as he prepares to take on his new role. I would also like to offer on behalf of the House our thanks to my noble friend Lord Cormack and to the noble Baroness, Lady Garden, for standing in this election. Elections are only possible when there are candidates and we are very grateful to both noble Lords. I would also like to pay a very brief tribute to the noble Baroness, Lady D'Souza, as our most distinguished Lord Speaker. There will be a proper occasion for us to pay tributes after the noble Baroness retires as Lord Speaker—because she remains our most distinguished Lord Speaker until 1 September. In the meantime, I offer my congratulations to the noble Lord, Lord Fowler.

**Baroness Smith of Basildon (Lab):** My Lords, I concur with the noble Baroness's comments. We welcome the opportunity at a later date to pay tribute to the work of the noble Baroness, Lady D'Souza, and to thank her for it. As the noble Baroness, Lady Stowell, said, we warmly congratulate the noble Lord, Lord Fowler. His election shows the high regard in which he is held in this House. He will know that he has the

support of the entire House as he undertakes his duties. He will bring both his personality and his political skills to the role.

What we have seen today is a parliamentary first in that this is the first time that a man has been elected to the role of Lord Speaker. Nowadays, there are few positions in public life of which that can be said. I add our sincere thanks to the noble Lord, Lord Cormack, and the noble Baroness, Lady Garden, for not only having put themselves forward as excellent candidates and given us an excellent choice but for the way in which they conducted themselves during the election, which was a great tribute to them and, indeed, to the whole House. Therefore, we thank them and offer our very warm congratulations to our next Speaker.

**Lord Fowler (Con):** My Lords, as the Leader of the House has just said, the election may be run but I do not take over responsibility until 1 September. In the meantime, the Lord Speaker continues to preside in the excellent way we have all admired for the last five years. I would like to make three very brief points. First, I thank the House very sincerely for the exceptional support it has given me. I will do my utmost to live up to this trust.

Secondly, I thank the other two candidates: the noble Baroness, Lady Garden of Frogmal, and my noble friend Lord Cormack for the way in which the election was conducted. With the election over, the good news is that the bar on offering hospitality comes to an end and we can buy colleagues drinks. The bad news is that I seem to have inadvertently mislaid my wallet today.

My third, and entirely serious, point is this: my whole purpose from now onwards is to serve all the Members in every part of this House in times which may be crucial for the very future of the House of Lords. My aim quite simply is to be the loyal servant of this House. I thank noble Lords for their support.

**The Lord Speaker (Baroness D'Souza):** My Lords, I, too, add my warmest congratulations to the noble Lord, Lord Fowler. While I am somewhat sad to step down, I do so in the sure knowledge that he will be a most distinguished Lord Speaker and will bring new ideas and freshness to the job. I know, too, that he will be wonderfully supported by all the Members of this House, the administration and the staff of the House. I particularly thank the clerks and the doorkeepers, who are the most excellent—perhaps the world's best—timekeepers. I offer the noble Lord my congratulations once again and hope that he has a very good innings.

### Carers over 80: Support Question

2.44 pm

*Asked by Baroness Wheeler*

To ask Her Majesty's Government what additional social care resources they will provide to support the numbers of carers aged over 80, in the light of estimates that half of those are providing over 35 hours caring per week.

**The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con):**

My Lords, we recognise the invaluable contribution carers make to society and that many provide long hours of wonderful care. We support wholeheartedly the implementation of the improved rights for carers established by the Care Act 2014, providing just over £186 million of funding to local authorities for these improved rights. We are committed to continuing to improve support for carers through the publication of a new national carers strategy by the end of 2016.

**Baroness Wheeler (Lab):** I thank the Minister for his response. Research by Age UK, Carers UK and independent age charities shows that the older the carer, the more hours of care they tend to provide. That, surely, cannot be right. Many carers over 80 are providing as much as 50 hours of care a week, often without any support because they do not meet the new eligibility criteria and councils just do not have the money in their social care budgets. Will the Minister undertake to ensure that the new carers strategy tackles these high and increasing levels of unmet demand? With councils across the country having to cut back on carer support, what specific support and funding will the Government provide to help councils offer real support to carers?

**Lord Prior of Brampton:** The noble Baroness is absolutely right. Nearly half a million people over 80 are providing more than 35 hours a week of care to their partner or loved one, which is a huge commitment and often has profound implications for their own health and well-being. We are all singing from the same hymn sheet on this and I am sure that the carers strategy coming out at the end of the year will address the particular requirements of that age group. The Government will continue to support carers' rights. I mentioned the £186 million being given to local authorities to do that.

**Baroness Brinton (LD):** My Lords, the *Building Carer Friendly Communities* research report for Carers Week last week reported that approaching half of older carers had not been offered an annual health check by their GP practices, and about half of older carers said that their GP practice had not told them where they could find help. What are the Government doing to encourage primary care to make sure that older carers get access to annual health checks and support?

**Lord Prior of Brampton:** My Lords, clearly it is essential that older people have access to at least annual check-ups from their GPs. A large part of the review that is being undertaken will be about how we signpost and inform people of the need to have these health check-ups. I am sure that will be a part of the strategy announced at the end of the year.

**Baroness Greengross (CB):** Under the new legislation, the Care Act, carers have a right to an assessment of their needs. Will the Minister assure the House not

just that those needs will be assessed but that enough resources will be put into the system so that they can be met?

**Lord Prior of Brampton:** My Lords, under the Care Act there is an assessment, eligibility criteria and a support plan. Clearly there is no point having a plan without the support.

**Lord Watts (Lab):** My Lords, will the Government consider setting up an independent review to look at the sorts of budgets that local authorities will require to provide a decent service?

**Lord Prior of Brampton:** As part of the consultation that is being conducted in preparation for the publication of the strategy at the end of the year, the Government have called for evidence, looking at international comparisons as well as an economic review, which I am sure will take into account the issues the noble Lord raises.

**Baroness Farrington of Ribbleton (Lab):** My Lords, in recognising the serious concerns about people over 80, and people under 80 with health needs themselves, will the Minister assure us that the review will have regard to the number of children who are carers for adult members of the family? The needs of the parent are assessed, quite rightly, but the needs of the child or children concerned are not always taken into account. Can we have an assurance that the new strategy will cover both my noble friend's Question and concerns, and the needs of children?

**Lord Prior of Brampton:** The noble Baroness is absolutely right. There are many tens of thousands of children who have very substantial caring responsibilities for their parents or grandparents. The impact on their education and future careers is certainly something that the strategy will want to take into account. Of course, the Children and Families Act sets out the rights of children. We need to assess them very carefully in the forthcoming strategy.

**Baroness Bakewell (Lab):** My Lords, can the Minister tell us how much the group of people who are carers over 80 is saving the economy by offering their services?

**Lord Prior of Brampton:** I cannot give a specific figure for those over 80 but I think that, in so far as you can monetise something like this, the total amount for all unpaid carers is estimated to be around £1.3 billion a year.

**Lord Flight (Con):** My Lords—

**Baroness Manzoor (LD):** My Lords—

**The Lord Privy Seal (Baroness Stowell of Beeston) (Con):** My Lords, I am so sorry to get up but we have not yet heard from the Conservative Benches. Although I recognise that there has been a series of Labour Peers it is the turn of the noble Lord, Lord Flight.

**Lord Flight:** Thank you. My Lords, does the Minister recognise that there are large numbers of older people who simply look after each other? This is at the heart of the institution of marriage and they may not be registered as a carer because they are of similar age and shape. This whole issue is about not just the carer situation but older people who happily look after each other in old age.

**Lord Prior of Brampton:** Yes, we are talking about not just people who are registered carers but in particular where older people are looking after each other reciprocally, whether that is within marriage or a long-term partnership. Again, you cannot monetise something like that. It is part of a loving relationship. One of the tragedies in this is that it can sometimes change that caring relationship of husband and wife to one of a carer and a cared-for person, which can have a quite difficult psychological impact on individuals.

**Baroness Manzoor:** My Lords, do the Government have any plans to provide respite care for carers, particularly where there are significant disabilities involved with the person being cared for?

**Lord Prior of Brampton:** Respite care is hugely important. I think that the better care fund provides about £130 million a year for respite care. Giving people time out is hugely important.

## Turkey Question

2.52 pm

Asked by **Lord Sharkey**

To ask Her Majesty's Government what assessment they have made of the prospects for civil liberties and democratic governance in Turkey.

**The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con):** My Lords, Turkey is a democracy with multi-party elections whose Government have been democratically elected. In some areas, progress has been made on fundamental freedoms in recent years but, as the European Commission has highlighted, there has also been significant backsliding. As a friend and ally, we strongly encourage Turkey to continue work towards the full protection of all civil liberties, and will continue to do so.

**Lord Sharkey (LD):** Turkey is a much-valued member of NATO and a much-valued ally of this country. It is vital to any solution to the crisis in the eastern Mediterranean. Will the Minister join me in condemning as shameless and irresponsible lies Vote Leave's assertion that Turkey is joining the EU, and that the EU is about to be flooded with Turkish criminals? Is not the best way of engaging Turkey on civil rights and democratic governance precisely through the EU membership negotiations?

**Baroness Anelay of St Johns:** My Lords, I certainly support the noble Lord in his wish to put the record straight, which he has done. My right honourable friend the Prime Minister made it clear yesterday that although we continue to support Turkey's accession process, at its current rate of knots it is not going to achieve accession until the year 3000—and along the way every single other member of the European Union, which includes us at the moment, has the right of veto.

**Lord Balfe (Con):** My Lords, can representations be made about the increasing authoritarianism we see in Ankara these days, in particular the threats to the HDP which arise from the recent lifting of parliamentary immunity? Can the Minister also confirm that things are not helped when it seems that confidential telegrams from our embassy in Ankara are leaked to the press? Will the Government review the level of security governing the telegrams going to and from Ankara?

**Baroness Anelay of St Johns:** My Lords, my noble friend is right to draw attention to the issue of lifting parliamentary immunity for MPs. I understand that President Erdogan signed that measure into law last week, and it is a matter of concern: after all, in any modern democracy a candidate for EU accession should be expected to undertake legal processes transparently and to fully respect the law. I hope they do so in these cases. Regarding leaks, in this particular case, of course, it was a selective leak. The fact is that if the rest of the material had been published—I do not encourage that because these are confidential matters—it would have shown that the Government's policy is and will remain to maintain current visa requirements for all Turkish nationals wishing to visit the UK, regardless of what arrangements other member states in the Schengen area may make for Turkey. Diplomatic telegrams, by their very nature, are a way in which our experts overseas advise the Government here of what is happening in the Governments there—it is not about UK policy.

**Lord Hannay of Chiswick (CB):** My Lords, does the Minister acknowledge that many of us who still support Turkish accession believe that the policies of the present Government in Turkey—particularly on press freedom, the treatment of their critics and the immunity of opposition Members of Parliament—have set the process back a long way and that that setback makes complete nonsense of this idea that Turkey might join in 2020?

**Baroness Anelay of St Johns:** The noble Lord is absolutely right. It is a matter of concern when one sees that Turkey is 151st out of 180 in the World Press Freedom Index. That is not the sign of a country that is serious about wanting accession.

**Baroness Royall of Blaisdon (Lab):** My Lords, following on from the last two questions, clearly, big decisions are being taken about Turkey's relationship with the European Union, especially on the granting of visas. Are the British Government making representations to other member states saying that the granting of visas should not happen until things such as the lifting

[BARONESS ROYALL OF BLAISDON]  
of immunity have been properly considered? It is outrageous that elected Members of Parliament are being hounded out of Parliament.

**Baroness Anelay of St Johns:** My Lords, we certainly make representations to Turkey on the importance of maintaining human rights, and point out that any attack on human rights sets back its progress towards any hope of access to the European Union, as the noble Lord, Lord Hannay, set out a moment ago.

**Lord Tebbit (Con):** My Lords, will my noble friend acknowledge the plight of many Turkish citizens who will find that the requirements of our conventions of human rights conflict in many ways with their ideal of how their society should be constructed and operated?

**Baroness Anelay of St Johns:** My Lords, it is important that any state that wishes to be a member of the European Union abides by generally accepted norms of human rights. That is something I fight for not only as a Minister but as a human being.

**Baroness Hussein-Ece (LD):** I have not met a single Turk who believes that they are going to be joining the EU in 2020—I do not think anyone in Turkey believes that. However, the progressives who want reform want the EU to support the accession process, in order that Turkey should reform. The Minister will be aware that only one chapter out of 36 has been completed since 1987. In 1979, on her second day as Prime Minister, Margaret Thatcher was told in a memorandum:

“If Turkey abandons her Western orientation, a number of strongly adverse military consequences would follow for the West”.  
Is that still the case?

**Baroness Anelay of St Johns:** My Lords, we certainly view the progress that Turkey can make if it opens chapters and successfully closes them as important for its progress not only towards becoming a member of the European Union, but as a stable state on the eastern edge of the European Union. Turkey is in a significant security position; it is a valued member of NATO and has the second-largest armed forces in NATO. The process of aiming towards European Union accession encourages democratic government and stability.

## Drugs Policy

### Question

2.59 pm

Asked by **Baroness Meacher**

To ask Her Majesty's Government whether they have any plans to review their drug policies in the light of the United Nations statements at the UN General Assembly Special Session on 19-21 April.

**The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con):** My Lords, there are no plans

for any review. The Government used the special session to share our experience of delivering an evidence-based, balanced drugs strategy within the UN drug conventions and to strengthen international co-operation in tackling drug harms.

**Baroness Meacher (CB):** Are the Government aware that the UN high command turned their backs on the war on drugs at the UN special session of the General Assembly in April? Taking account of the UN call for evidence-based policies, and most particularly that priority should be given to health-based policies, does the Minister agree that it is now high time that we had a complete review of the Misuse of Drugs Act 1971, which was of course written at the height of the war on drugs, at a time when we had none of the evidence that we have today about policies that are effective in reducing addiction, violence, corruption and the rest of the paraphernalia associated with the war on drugs?

**Lord Ahmad of Wimbledon:** I do not share the noble Baroness's view that backs were turned. Indeed, there were specific outcomes from the special session. As the noble Baroness will be aware, the British Government led on action against drugs, in light of new laws on psychoactive substances, and we got some real outcomes on that. Also, while I know that the noble Baroness was disappointed on issues of both drugs health policy and human rights, the UK Government again led both the European Union and 29 other Governments in making a statement to ensure that there will be substantial outcomes from that session.

**Lord Richard (Lab):** Is the Minister aware—I am sure he is not—that I find myself at a total loss to understand the Government's policy towards the use of medicinal cannabis? Is he further aware that there is now a mass of medical evidence to show that, in certain cases, it can be useful and helpful? Is he also aware that, in relation to the legalisation of medicinal cannabis, Germany, Spain, Italy, Austria, the Netherlands, Canada, Israel, Mexico, the Czech Republic, Portugal and 24 states in the United States of America have all agreed that the medical evidence is strong and that medicinal cannabis ought to be authorised? Why on earth do the Government not accept the evidence and do the same?

**Lord Ahmad of Wimbledon:** The Government do follow the evidence. I am sure that the noble Lord is aware that a clear regime is in place, administered by the Medicines and Healthcare products Regulatory Agency, to enable medicines, including those containing controlled drugs, to be developed. I understand that Sativex is the cannabis-containing medicine that is authorised in the UK.

**Baroness Afshar (CB):** My Lords, is it reasonable that smoking, which is considerably more harmful, is allowed freely to kill people, whereas people who use cannabis, which is considerably less addictive and less harmful, are made criminals?

**Lord Ahmad of Wimbledon:** On the first point that the noble Baroness raises, successive Governments have taken steps against the harmful effects of smoking. The ban in places such as restaurants is part of the health concerns underlining that. In a previous answer, I outlined the Government's view on particular remedies that contain cannabis. Specific measures are in place if authorisation is required.

**The Lord Bishop of Rochester:** My Lords, I note the Minister's disinclination to institute a review. None the less, I wonder whether he could assure the House that in some context or other, attention is being given to such matters as the information in a report by the charity Release published in 2013, which shows that black people were stopped and searched for drugs at more than six times the rate of white people, despite successive crime surveys showing that drug use in black communities is at a lower rate than in white communities?

**Lord Ahmad of Wimbledon:** The right reverend Prelate is right to raise this concern. Issues of stop and search have been prioritised; I recall that my right honourable friend the Home Secretary has specifically focused on this area. I believe that, although in 2009-10 stop and search was about seven times as likely for someone of black ethnicity, that has fallen to four times more likely—but that is still four times more likely than anyone else.

**Baroness Hamwee (LD):** Does the Minister agree that it is significant and a very progressive step that possession of a new psychoactive substance under the Psychoactive Substances Act is not a criminal offence? Does he not think that that is something that we should extend and build on with regard to other drugs?

**Lord Ahmad of Wimbledon:** I know that the noble Baroness was a very active participant during the passage of the Bill, and she is quite right to say that this is about not penalising possession but tackling the people who provide and supply such drugs. That is where the clamping down has occurred, and it is proving effective. On the other question, we continue to review and see the evidence, and we will be led by the evidence.

**Baroness Greengross (CB):** Under the Misuse of Drugs Regulations 2001, some prescriptions for a controlled drug can be dispensed on the basis of a supervised consumption of the daily dose on specified days. This obviously would be to avoid misuse and any safety risks. Would it not be possible for the use of cannabis for medical purposes to be controlled by some similar arrangement? Would the Minister care to comment on that?

**Lord Ahmad of Wimbledon:** As I said, there is a specific procedure in place. Another cannabinoid substance, Nabilone, is authorised in the UK and used in the treatment of cancer patients—but it is a synthetic compound, not related directly to cannabis. There are

specific measures in place, and the Government believe those measures to be appropriate. If other such medicines need to be authorised, there is a process to be followed.

**Lord Rosser (Lab):** My Lords, 26 June is International Day against Drug Abuse and Illicit Trafficking, established by the United Nations General Assembly in 1987. It is intended to serve as a reminder of the goals achieved by member states for creating an international society free of drug abuse. Can the Minister add any more to what he has already said, which frankly at the moment is not a great deal, about what new initiatives the Government are currently taking or about to take through the United Nations and on the international stage generally to help achieve that overall goal on drug abuse?

**Lord Ahmad of Wimbledon:** As I have said already, and shall say again to the noble Lord, we led on the international response to new psychoactive substances. To highlight some of the other actions that we have taken together on the international stage, and through the UN, there is the formation of a UK-led International Action Group on New Psychoactive Substances; the establishment of a global early-warning system at the UN; the first two tranches of international controls on some of the most harmful new psychoactive substances; domestic control of more than 100 harmful substances by China; and five recent UN resolutions on new psychoactive substances. That has enhanced international co-operation, and Britain has led the way on these initiatives.

## Refugees: Unaccompanied Children

### Question

3.08 pm

Asked by **Lord Roberts of Llandudno**

To ask Her Majesty's Government what arrangements are in place to fulfil their decision to welcome unaccompanied child refugees into the United Kingdom.

**The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con):** My Lords, we are working closely with local authorities, as set out in the Immigration Act 2016, and consulting non-government organisations, the UNHCR, UNICEF and relevant member states to establish the suitable processes to implement our commitment to transfer unaccompanied refugee children to the UK from Europe and resettle children at risk from the Middle East and north Africa region.

**Lord Roberts of Llandudno (LD):** The Minister might be aware of UNICEF's comment even today that we are "moving far too slowly" in this matter of bringing over unaccompanied refugee children. Is it not time that we worked with other voluntary organisations and other individuals who are eager to welcome these children and to be part of their resettlement in the United Kingdom? Would it be possible for the

[LORD ROBERTS OF LLANDUDNO]

Minister to give us a timetable of exactly what we are doing and when, with a view to resettling not only these children but the 20,000 refugees whom we have said we will resettle during the course of this Parliament?

**Lord Ahmad of Wimbledon:** As I am sure the noble Lord is aware, we are working with international organisations, NGOs such as Save the Children and the UNHCR. Specifically on the question he raised about settlement, we are consulting and working directly with France, Italy and Greece and are working with NGOs in this respect. I emphasise that ultimately it is important to get this right for those children's sake. It is not a question of delaying or dragging our feet; it is about ensuring that the best interests of children are put first.

**Lord Dubs (Lab):** My Lords, is the difficulty in identifying unaccompanied child refugees in France, Greece and Italy, or is it that there are not enough local authorities which are co-operating in finding foster parents?

**Lord Ahmad of Wimbledon:** I commend the noble Lord's work in this respect and his consistent efforts on this issue. There is an issue about identifying the children who require such assistance. That is why we are working very closely with the French Government and my right honourable friend the Minister for Immigration visited Greece in May to discuss this issue. I assure the noble Lord that we are also working very closely with local authorities to ensure that the support they provide is effective and that we do not put undue burdens on them.

**Baroness Butler-Sloss (CB):** My Lords, have any children arrived yet and, if not, why not?

**Lord Ahmad of Wimbledon:** If the noble and learned Baroness is referring to the actual scheme, we are still finalising the arrangements. The resettlement figures across all the schemes for the year ending March 2016 are that 1,667 Syrians were resettled in the UK under the Syrian vulnerable persons resettlement scheme and that a total of 1,854 people have been granted humanitarian protection under the scheme since it began, including 1,602 who have arrived since October 2015. In the year ending March 2016, 49%—824—of those resettled under the Syrian VPRS were under 18 years old and 49% were female.

**The Lord Bishop of Gloucester:** My Lords, are the Government working closely with Home for Good, which has several thousand potential foster carers who are willing to assist with welcoming these children at risk?

**Lord Ahmad of Wimbledon:** We are working very closely with several agencies, but I will write to the right reverend Prelate specifically on that agency. I assure her and all noble Lords that, where there are agencies and NGOs which can assist in this process—I return to the point made earlier by the noble Lord,

Lord Dubs—in the interests of the children it is important that we identify those children urgently and resettle them.

**Lord Alton of Liverpool (CB):** My Lords, the Minister will recall that Interpol said that around 10,000 unaccompanied children have gone missing. Can he tell us the fate of those children, whether other children been added to their number and whether we take seriously the problem of children simply disappearing into the ether?

**Lord Ahmad of Wimbledon:** My Lords, of course the Government take very seriously any child going missing anywhere in the world in any place. The noble Lord spoke specifically about the 10,000 mentioned by Interpol. I will write to him with an update on that number. The important thing to identify is that there are some people who are taking advantage of vulnerable young children—people traffickers in particular—and that is why it is important that we see the kind of co-operation we are now seeking across all European states, particularly with our partners in France and Greece, to ensure that we identify the children who are most vulnerable and resettle them at the earliest opportunity.

**Baroness Lister of Burtersett (Lab):** Will the Minister explain what will happen to these children when they reach the age of 18? Last month in the Commons, the Minister assured MPs that he would not want to conflate asylum seekers without a valid claim, whom the Government would seek to remove at 18, with these children, yet the next day the noble and learned Lord, Lord Keen of Elie, seemed to be doing just that when he refused to give an assurance that the Government would not seek to remove these children. I am confused of Burtersett.

**Lord Ahmad of Wimbledon:** When those children reach the age of 18, they will of course be adults and, as is the case under British policy, we will look at their circumstances. The noble Baroness has quoted two Ministers of the Realm who, in her words, have said perhaps slightly differing things. It would therefore be advisable for me to review both those answers and write to her accordingly.

## Local Government Elections (Referendum) Bill [HL] *First Reading*

3.14 pm

*A Bill to make provision about the holding of referenda in relation to voting systems in local government elections.*

*The Bill was introduced by Lord Balfé, read a first time and ordered to be printed.*



## Cohabitation Rights Bill [HL]

### First Reading

3.15 pm

*A Bill to provide certain protections for persons who live together as a couple or have lived together as a couple; and to make provision about the property of deceased persons who are survived by a cohabitant; and for connected purposes.*

*The Bill was introduced by Lord Marks of Henley-on-Thames, read a first time and ordered to be printed.*

## Betting Licences (Category B2 Gaming Machines) Bill [HL]

### First Reading

3.15 pm

*A Bill to make provision for licensing authorities to restrict the number of Category B2 gaming machines which may be authorised under a betting premises licence.*

*The Bill was introduced by the Bishop of Bristol (on behalf of the Bishop of St Albans), read a first time and ordered to be printed.*

## Genocide Determination Bill [HL]

### First Reading

3.16 pm

*A Bill to provide for the High Court of England and Wales to make a preliminary finding on cases of alleged genocide; and for the subsequent referral of such findings to the International Criminal Court or a special tribunal.*

*The Bill was introduced by Lord Alton of Liverpool, read a first time and ordered to be printed.*

## Digital Skills (Select Committee Report)

### Motion to Take Note

3.16 pm

*Moved by Baroness Morgan of Huyton*

That this House takes note of the Report from the Digital Skills Committee (Session 2014–15, HL Paper 111).

**Baroness Morgan of Huyton (Lab):** My Lords, I am delighted to introduce this debate today, and I look forward to the speeches from all those participating.

This was one of those Select Committees where it is fair to say that collectively we started with a reasonably limited, though variable, amount of knowledge. It was an intense deep dive. For my part, I found the eight months stimulating, illuminating, fascinating and, yes, even enjoyable. This was in no small part due to the indefatigable work of our great team: our clerk Aaron Speer, our policy analyst Emily Greenwood, our assistant

Thomas Cheminais, and our specialist advisers, Dr Carl Frey and Professor Andy Westwood. It was also due to the enthusiasm of my fellow committee members.

On a personal basis, I particularly valued the visit to the Hartree Centre at Daresbury near Warrington, where I properly understood the sheer scale and power of big data for the first time, but the whole range of visits and the huge amount of evidence that we received gave us real insight into the opportunities and challenges presented by fast-changing digital technologies. Every day we heard about new reports and read articles and—in the case of my noble friend Lord Giddens, who sadly cannot be here today—new books on the subject. In fact, it was possibly the first Select Committee where we received a book list from one of our committee members.

Whenever the digital economy or digital impact are discussed, two things also follow as night follows day: huge numbers are quoted of potential jobs lost, jobs to be created and the impact on the economy, and the Government of the day, of whatever make-up, have a slight tendency to puff out their collective chest and spout lists of taskforces, initiatives and pots of money being spent. What is clear is that the world is being transformed by the digital revolution, and all aspects of our lives—work, home, society, services and politics—will be touched. Citizens, users of services, as well as the wider workforce, need to be digitally capable. This is both exciting and frightening—a time of great opportunity and great risk—and the role of government in realising the opportunities and managing the risks is fundamental.

In the UK we are rightly proud of our innovators and inventors, creative talents and scientists. We are less good at scaling up our breakthroughs and initial investments and properly harnessing their value for the UK economy. Recent Governments of all colours have taken digital seriously but have also had the tendency to become captivated by their own hype, obsessed by Hoxton and hard hats and running away from anything that could properly be called a strategy or a system. Initiatives—some great—are launched, but do not join up sufficiently or are too short term and key personnel move on quickly. Often by their nature these people are restless innovators and entrepreneurs; they find the experience of government unappealing and their contribution can get lost.

The world is being transformed by a series of profound technological changes: the second machine age. Economists vary in the magnitude of change they envisage. Some believe that as many as 35% of jobs may be automated over the next two decades, while others put it closer to 10%, but all acknowledge that many jobs will change fundamentally, and a huge number and range will have a significant digital element. For example, in health we know of a huge range of new technical jobs and data at every level within the health service, and our experience as patients is changing too and is more reliant on digital. We heard of projected huge numbers of new digital jobs in future decades. Every employer to whom we spoke talked of there already being skills shortages now and of the desire to find employees with digital competence on top of strong basics, and with the softer skills of thinking creatively, working in a team and questioning.

[BARONESS MORGAN OF HUYTON]

At its most basic, all the changes in work and daily life need superfast broadband—the hard infrastructure. Explanations based on a percentage of the country that is better than it used to be will not do. The internet needs to be viewed as a utility, which means that it must be readily accessible to all or we will neither maximise our economic potential nor avoid increasing inequality. A huge range of goods and services are already cheaper or only available online, and many jobs already expect digital capability. The proportion will only increase at an exponential rate. Throughout our work we received less than convincing promises of internet solutions.

I promised the noble Baroness, Lady O’Cathain, who is a member of the committee but currently engaged on the HS2 Bill, that I would emphasise that she in particular was very unimpressed by progress; we heard not only of rural locations with difficulty but many challenges even in London—the so-called not-spots.

On soft infrastructure, in broad terms the committee agreed strongly that the Government have a responsibility to accelerate the level of digital literacy across the whole population. We found the UK Digital Skills Taskforce’s three-band definition of relevant skills very helpful; namely, digital citizens, digital workers and, at the top of the scale, digital makers. We need to upskill and expand the numbers in all those categories. We were acutely aware of the imbalance between girls and boys at school, and women and men in the workforce, who are interested and engaged in technology. I am pleased that women are well represented here today.

We had good ideas about harnessing the potential of girls. We need better careers advice, role models, parental engagement and much more; the media have a huge contribution to play here, too, if we look at the recent rather good initiatives on girls and sport, which have had a real impact.

Government needs to scrutinise education and training from primary school right throughout adult life. It all has to be joined up. I will give one illustrative example. The introduction of coding in the curriculum is great, but it cannot be delivered without the necessary trained teachers—bluntly, the gap will not be filled by a bit of CSR, however good, in parts of a few of our cities. The committee was told by the National College for Teaching and Leadership that it had funded a total of 121 scholarships in computing in 2014-15, and the previous year 360 new computing teachers had entered the profession. By the way, there are 25,000 schools in England alone. I was with a group of excellent head teachers last week who cannot introduce the new computer studies courses in their secondary schools as they simply cannot recruit suitable teachers. This was in London—try recruiting in Hull. So what is the plan to sort this out nationally?

We suggested the introduction of a module into all teacher training going forward and potentially into all degree courses to enhance digital confidence. In parallel, we heard too of severe shortages in maths, physics and other subjects. At the same time, the Government are trying—correctly, in my view—to extend the amount of maths studied in schools and colleges, but this all needs to be sorted out properly as a whole.

We felt that post-school there needed to be a fundamental shake-up. We got the picture of a pretty slow-moving, underfunded and rather clunky skills infrastructure in many FE colleges and beyond. Of course there are notable exceptions—the new coding college, starting in the autumn, is great, but how can that approach be rolled out more quickly? The current area reviews of FE colleges are really just looking at the finances, not at quality and innovation in the FE sector. The vocational qualifications currently offered are not necessarily what business wants, nor are they fully understood by business.

New models of learning—online, short courses designed with employers—and new types of quality qualifications need to keep pace with evolving technology and technological change. Apprenticeships, high-level vocational courses and degrees need to deliver general digital capability across the piece and to develop specialists. All adults need ways to upskill throughout their lives. As in successful competitor countries in the EU, for example, there needs to be a sort of social contract between government, business and individual employees to share responsibility for this going forward.

We were also acutely aware of the need to ensure that the benefits of the new technological era were felt throughout the UK, and this will need government to be nimble in identifying potential, intervening when, for example, a particular local enterprise partnership is not working, connecting universities and business more effectively, and standing back when there is successful momentum.

Government has a huge responsibility to take a proper grip. It does not mean that government should do everything—far from it—but it needs to own the whole digital agenda. Sometimes the role of government means convening, pushing, investing, advocating and reallocating resources. At other times, it means knocking heads together across departmental and geographical boundaries. It means making hard choices and reforming long-established organisations. It means sticking at it, resisting the excitement of announcements and reviewing progress regularly.

We produced a far-reaching report back in February 2015 but we deliberately did not produce a long string of recommendations. Rather, we focused on the vital role of government and produced an illustrative blueprint of all that we believed needed to happen. We recommended that the Government use this as an aid in producing their own digital agenda, properly pulling together work across Whitehall and beyond. We stressed that this work could not be static: the pace of change is such that there needs to be a restless and relentless focus at the heart of government.

For that reason, we saw the need for a Cabinet Minister at the centre of government, wholly responsible for the work, rather than continuing with myriad Ministers, departmental briefs, teams, working parties and committees. We deliberately did not cast blame or dwell on what had happened in the past. Indeed, we were clear that the then Government, and previous ones, had done much that could be applauded, but it was rather piecemeal, often short term, tending to initiative-itis and not comprehensive. However, we were optimistic. Why not produce a report, we thought,

aimed at the incoming Government of whatever make-up? The committee urged the new Government to seize this agenda, really get stuck in and not worry overmuch about defending the past. This was the chance to stop being either complacent or defensive—a tendency of all Governments.

We deliberately called out report *Make or Break: The UK's Digital Future*, not to be melodramatic but to be clear that this is a moment of such colossal change and of such opportunity and risk that we saw it as a call to action. It is always easier for a new Government to be bold, and we wanted this one to be so.

The Government's response has been somewhat patchy. On the plus side, responsibility for the Digital Economy Unit has been transferred from joint ownership of two departments to sole ownership of the DCMS. Whether this is quite the high-profile, centre-of-government location that we urged may be open to question. I do not need to tell many Members of this House that location in government really does matter, and clearly the Government's own digital delivery is still owned by the Cabinet Office.

I was surprised by omissions in the Government's response, which made me concerned that the necessary co-ordination is not yet there. For example, we were concerned that without sufficient attention to cybersecurity and internet safety, citizens and businesses may be too worried to exploit the benefits of digital technology. I happen to know that good work is happening on both. For example, I am aware of the good work being undertaken by the noble Baroness, Lady Shields, and others on internet safety, and yet this was not referred to in the response from the Government, so presumably is not understood as part of the overall government approach.

There have been some announcements relating to the hard infrastructure and internet access. These are welcome, but the details will definitely need careful scrutiny in this House to make sure that the reality meets the headlines, and Ofcom will need to demonstrate that it has been sufficiently radical in its approach.

The other day, I received a briefing from the DCMS, for which I was very grateful. However, I confess that my heart sank somewhat when the first sentence read, as usual:

“The UK is a well-connected nation”.

So we should be and so we must be, especially when our competitors are investing so heavily. But what is meant by “well-connected”? The briefing then stated that:

“9 out of 10 homes and businesses can access superfast broadband and this will reach 95% by the end of next year”.

The report urges that superfast internet provision should be viewed as a fourth utility. I believe that the Government share this view, but that means a very fast progression to 100% coverage.

As to our proposal for a comprehensive government digital agenda, I was very pleased to hear that the Government were proposing to produce such a strategy. Indeed, I was happy for this debate to be delayed to be able to see the Government's proposals, and, as I said, bits have already been announced. Our committee

recommended the production of a new digital agenda as a top priority for the incoming Government—that was last summer—and a report to Parliament this summer on progress on that agenda. But we cannot have a progress report as we still have no strategy.

On 29 December 2015, the DCMS said that a new agenda would be set out “early next year”. Then, at a Select Committee session in the other place on 8 March this year, the honourable Ed Vaizey MP said:

“We have written the digital skills strategy. When you can expect it to appear is anybody's guess. I thought we would publish it in February. It was in the famous Downing Street grid. It fell out of the Downing Street grid for reasons that I cannot fathom. If you were a theologian, you would have better ways of understanding how the Downing Street grid works. There is a rumour that it may appear in the Budget and there is a rumour that it may not appear in the Budget”.

It did not appear, and it has not yet.

Can the Minister tell us when the digital strategy will be published? Does she share the committee's sense of urgency? Does she believe that there is proper co-ordination across government, including the Treasury? Has every relevant department fed into the production of the strategy? Specifically, will it include full details of soft infrastructure—education and skills—as well as hard infrastructure? Will that input come from the DfE as well as BIS? Does she support the idea of updates to Parliament rather than, as Mr Vaizey said, “updates to the PM”, so that the digital strategy, when produced, does not become fossilised on a shelf alongside previous similar publications?

I urge the Minister to reply to this debate in as open a way as possible. I know that the upskilling of young people and the wider workforce, for example, is of real interest to her, but unconnected initiatives will not deliver what we all know is needed. There is commitment on all Benches to this agenda, but to move forward successfully there needs to be openness and honesty about what is and what is not yet working. There is no room for complacency. That point was underlined by the report from the House of Commons Science and Technology Committee on digital skills, which came out today. It reiterates the urgency of this agenda.

I am sure that the Minister's brief will have a mass of detail of current government action. However, our committee is urging a step change—as we said, a call to action. I look forward to the Minister's reply and ask the House to note our report.

3.33 pm

**Lord Holmes of Richmond (Con):** My Lords, [www.chrisholmes.co.uk](http://www.chrisholmes.co.uk): if I am not in the Chamber, that is where you will find me. That underpins much of what our report was about. There is no separate world of digital. What we all need to be completely seized of is the “everythingness” of digital.

I thank the noble Baroness, Lady Morgan, for securing this debate and for her excellent chairing of the Select Committee. My only slight disappointment comes this afternoon, when, in the light of her previous incarnation, she was not able to share with your Lordships' House any insight into the operation of that Downing Street grid. I also express sincere and heartfelt thanks to everybody who supported the

[LORD HOLMES OF RICHMOND]

committee in its work, not least the clerks, policy advisers, experts and everybody who enabled us to cover such a significant amount of written and oral evidence during our enquiry.

The title of the report says it all: “Make or Break”. It is that significant; it is that serious. There can be no issue more significant, or that more underpins every element of every issue society currently faces, than the digital opportunity or the potential consequences of not realising that opportunity. I will restrict myself to just a few areas. I know many noble colleagues will cover other elements within our committee’s deliberations.

There will be no digital economy and regular economy: there will just be the economy, with digital underpinning it all the way through. As we have already heard, up to 35% of jobs could be in danger of automation. Whether that figure is 10% or 35%, there is a really significant underbelly to that number: the kind of jobs that will potentially disappear as a result of automation are many of those which, for the past 40 to 50 years, have been the guarantors of social mobility. It is not only that 35% of existing jobs may disappear; it is a question of the kind of jobs and the impact that will have on our society. We have already seen the positive impact the legacy of the work we did with the Digital Skills Select Committee has had on the Social Mobility Select Committee, which I was lucky enough to be part of in the last Session.

While 35% of jobs may be in danger of automation, by the same token, around 1.1 million new jobs in digital could be required just by the end of this decade—jobs we currently might not even know the name of. That demonstrates the disruptive nature of the process we are engaged in: that this is not just about the labour market and the impact on the economy, but how it feeds back into education, careers guidance—the “everythingness” to which I referred. If we get this right, UK GDP could increase by £63 billion. Even if that figure is contested or somewhat overblown, it is still a massive potential boon for Britain.

Turning to the internet—the hard infrastructure that will enable this—we have seen a significant rollout of superfast broadband, but what about the 5% who still will not be covered? What plans are there to ensure that everybody, wherever they may be across the United Kingdom, will have potential access? Similarly, what plans are there to ensure not only superfast broadband, as measured at the top end, but reliability, so that you can access broadband at high-demand peak points—the so-called golden hour between teatime and bedtime, or, for the more middle-class among us, between supertime and bedtime—when your provider may tell you that you can experience superfast broadband, but actually you experience no broadband? It is not just about speed; it is also about reliability and consistency, whatever the time of day or night.

Turning to inclusion, we will see the benefits of this technology—this revolution—only if everybody can participate in it. We cannot afford to artificially build steps in cyberspace. For disabled people, it is understandable—though increasingly unacceptable—that buildings built 400 or 500 years ago may in parts be

inaccessible. It is utterly unacceptable if websites are still being designed that are inaccessible to millions of users. What is being done to ensure that accessibility is a key part of all and any training for web developers and web designers?

Our report found that, of the 4,000 young people who took the A-level computer science exam in the summer of 2014, fewer than 100 were female. There can be no greater example of what needs to be done to ensure inclusion and diversity to enable the country to benefit from this digital opportunity. If we do not do that, we will only half-achieve and lag behind other nations that have inclusion more firmly hardwired throughout their societies.

On data, in recent years, taking the example of the NHS, all parties have done precious little more than “big up” the spending figures: “£8 billion? We will do £9 billion!”. That is all very well if it means more money going into the NHS, but one thing that truly has the potential to drive and potentially save the NHS is the use of data, not just to reflect and represent but, crucially, to plan and predict—and across not just the NHS but the whole of Whitehall and local government. The opportunities available now were not available even two years ago, never mind 20 years ago. What are the Government doing to ensure that, wherever and whenever, big data and little data underpin every decision across Whitehall?

Will there be an economic boom? Will there be increased connectivity, collaboration and creativity? Will there be an inclusive, internet-underpinned modern digital Britain? The opportunity is there, but it will not happen merely as a matter of course. When will the digital skills strategy be published? What will be in it and how much of it will address the recommendations set out in our report? Similarly, what is likely to be in the digital economy Bill, particularly on internet infrastructure, to which I referred earlier? What will be addressed in that Bill?

The noble Baroness, Lady Morgan, said that, as with many things, night will follow day. Who can say what the next decade will be like? But I can assure noble Lords that when I sit down, Knight will follow Holmes.

3.43 pm

**Lord Knight of Weymouth (Lab):** My Lords, it is a great pleasure to follow my friend the noble Lord, Lord Holmes of Richmond. He was my friend even before he chose to join the wrong political side when he came into this House. I agree with much of what he said and I pay tribute to this fine report and the chairmanship of my noble friend Lady Morgan. I was especially pleased to see the emphasis on hard infrastructure in the report. I personally think that it is a higher priority for us to connect everyone with reliable high-bandwidth broadband than to connect a couple of urban areas through High Speed 2.

I was particularly pleased to see mention of soft infrastructure. I am the chair of the Tinder Foundation, which has an amusing name these days and delivers digital inclusion largely on behalf of government but for other people as well. We try to get online those people who currently do not have the skills and confidence

to be online. We get about £6 million to £8 million-worth of government money to do that, for which we are very grateful.

I also certainly endorse the call from the Science and Technology Committee of the other House today that we need to continue our efforts to ensure that the 10 million people in this country—the committee puts the figure at 12.8 million, but that is probably overegging it—who at the moment are excluded from the digital world. That costs them dear financially, culturally and socially.

I will focus most of my comments on education, and the implications for that in the report, where perhaps I would have hoped for the committee to be even more radical than it was. I shall start with some statistics from the *Tech Nation 2016* report prepared by Tech City in partnership with Nesta to remind noble Lords of quite how important this area is. There is some easy stuff around the digital tech economy being worth 1.5 million jobs with job creation between 2011 to 2014 running at 2.8 times the rate in the rest of the economy, and that digital tech industries had a turnover of £161 billion and grew 32% faster than the rest of the economy in that time. But what particularly struck me is that 41% of digital tech economy jobs exist within traditionally non-digital industries. That underscores a really important perspective for noble Lords, which is that this is not a sector. We cannot think of digital as just another industrial sector; it is universal and is of universal importance.

The noble Lord, Lord Holmes, talked about digital jobs growth and the deskilling effect of digital at the same time. I know a number of roboticists and I am full of wonder, trepidation and fear at what robots can now do. I am excited by the potential of artificial intelligence to help us mere humans be more effective in what we do, but I am nervous that technology is and will continue to take jobs of brain as well as brawn and will continue to hollow out the labour market. But I am also one who thinks that the dystopian future is a choice and that we can chase after a more utopian one in the labour market. There will be enough work, but in terms of the effect on unemployment the key will be to have in any particular geography the right mix of the supply and demand of skills to service the labour market.

I was interested in the publication a couple of weeks ago by Professor Lynda Gratton, professor of economics at the London Business School, and a colleague who is a professor of economics at Oxford, of a book entitled *The 100-Year Life*. In combination with the debate around the effect of technology, it is significant to start thinking about the fact that in this country, a child born today has a more than 50% chance of living to 105. What that means is that a child starting school in September is likely to continue in work until the turn of the century, because there is no way that we will be able to finance the long retirements that many of us understood as being the promise when we went to school: work hard, get a decent qualification, go to a good university, choose a career, get a final salary pension scheme, get a 25-year mortgage, pay it off, retire early and look after our kids—great. That is clearly over.

**Lord Maxton (Lab):** Before my noble friend leaves that point, there are those who predict that the age of 105 is way out and that the first person who will live to 150 has already been born and is probably in their mid-30s.

**Lord Knight of Weymouth:** My noble friend may well be right, but the point I am making is that we need to think about this in the context of 60-year or 70-year working lives—possibly longer—and of continually having to reskill as we are continually deskilled by technology. That has profound implications for our education system. I think it will mean that qualifications as proxies for skill will become increasingly inadequate, and that increasingly we will need employers to credential skill because we cannot wait for our cumbersome qualification system to keep up. Apprenticeships are part of the solution, but they, too, can be cumbersome. We need much more agility in our skills system. We need more modular skills badging so that we click through digital badges and see the portfolios that are behind that of the skills that people have and what they are able to deliver with them.

I also believe that we will shortly move on from the traditional CV, with employers being able to click through into those portfolios and, essentially, sift through data mining. If employers start to move away from sifting using qualifications, the fundamental basis on which our education system is built starts to erode quite rapidly. That means that we need to think carefully about each stage of education and the consequences in this century as the digital revolution starts to explode.

On higher education, it is starting to feel insane for a young person to frontload their very long working life with a huge amount of debt by going to university in their early 20s when they need to have a lifelong relationship with university that could last 60 or 70 years. For further education, working out the closer relationship with employers that the report talks about and reflecting employer-accredited qualifications rather than waiting around for awarding bodies is key. For both those sectors—if it does not cause my noble friend Lady Morgan too many nightmares—we should revisit the principle of individual learning accounts and see whether there is a system of financing skills that is individualised, and that is an entitlement that we may all have and can draw on through a long working life.

For schools, we need to profoundly challenge a system that is so content-heavy and geared around our ability to regurgitate and memorise content, and move to a system that gives us the resilience to work freelance, because that is the nature of this economy, to start and to close businesses and charities, and to deal with having to reskill as we are deskilled constantly through life. We need a school system that is less about the standardisation of an industrial age and more about designing learning around individuals. We now have the technology and the tools. We can use the technology we are talking about to deliver a more individualised education.

I see a radical agenda that is non-negotiable. The report's title gives us a hint that its authors perhaps think the same. I will close by quoting from a blog published in March last year on Medium, a blogging platform. It says:

[LORD KNIGHT OF WEYMOUTH]

“As the waves of digital disruption wash across our shores, we need to ensure that our government, our institutions and our teachers are not applying old norms and ways of thinking to new technologies, new business models and new economic realities ... We need to ensure that we focus our resources not on protecting the past from the future, but protecting the future from the past. This isn’t simply about learning to code. It’s about learning new skills. New ways of thinking. New ways of learning”.

I am very happy to say that the author of the blog is in government. It is the noble Baroness, Lady Shields. I hope that the education department is talking to her and listening to her wise words.

3.53 pm

**Lord Kirkwood of Kirkhope (LD):** My Lords, it is a pleasure to follow the noble Lord, Lord Knight of Weymouth, who is doing extremely valuable work. His participation in debates of this kind is extremely valuable to the House and his contribution will repay careful study.

I was one of the willing flock of the noble Baroness, Lady Morgan of Huyton, in the committee. I enjoyed the experience; I cannot say that about everything I do here, but we who served at her feet, under her chairmanship, observed a master class in getting Members of the House of Lords in committees to agree to only five recommendations on a subject as wide digital skills. She deserves a parliamentary award of some kind and she did it without offering any physical violence that I could see. It was an extremely useful and interesting experience.

A couple of things occurred to me which follow on from what the noble Lord, Lord Knight, was saying. Digital matters move so fast, and are so disruptive and transformational that our policy-making in the political process struggles to keep up. That is a problem for everyone. Change moves at such a pace that we need to make an even bigger effort to stay on top of it and its consequences for our citizens.

Another couple of things struck me forcefully in the course of the committee’s work. I remind colleagues that this is a United Kingdom responsibility. Although there are devolved legislature responsibilities in some of these matters, we need to bear in mind that there is a United Kingdom dimension to this, so the co-ordination of what is going on in other parts of the United Kingdom is important. For example, the noble Baroness, Lady Morgan, referred to reporting requirements. There is an annual report in Scotland on exactly this subject and has been for a number of years, so there is best practice in other legislatures. Some of them are newer, so they have had a chance to start some of these things with a clean sheet. We can learn from what is happening in other parts of the United Kingdom.

The other thing which astonished me, because I did not know about it and I am ashamed to admit that now, is the imbalance in gender in the digital skills domain and the paucity of women students coming through and taking up careers. The imbalance is scandalous and something serious and urgent needs to be done about it.

My interest in being on the committee was really quite different. It was based on something that the noble Lord, Lord Holmes, rightly mentioned in his

concluding remarks. I could see from my interest in social protection and social policy that the exclusion issue was starting to have an impact, for example, in the rollout of universal credit, where the government service, rightly, is being mounted on a digital-by-default basis and therefore the 10%—or 12%, or whatever it is—of the client group applying for universal credit are at a signal disadvantage. I have come to the conclusion, working closely with the people who are rolling out the new universal credit system, that it is unrealistic to expect everyone to be able to cope with digital by default without personal assistance and support. The Government have put some work in hand to attend to that; indeed, the noble Lord, Lord Knight, is part of it—that is another important part of the work he does.

If that was the interest that stimulated my membership of the committee, my view was completely changed on the importance of soft skills and the digital agenda. It is not just about making sure that digital exclusion is eliminated, although there is absolutely no justification for the level of digital exclusion we have in this country at this time. We have to look at a future in which the children who are taking up their education at primary school now have been educated for jobs that simply do not exist: that is how dramatic the changes that we face are. I learned an enormous amount about that and have a new interest in the subject as a result.

This report is absolutely realistic and grounded in what is possible. Of its five recommendations, the fourth is addressed to the Liaison Committee of this House. I do not know whether anybody has written to the chairman of the Liaison Committee to warn him about this. To reiterate what I said earlier, we make the point that our processes in this House need to start appreciating the significance to everything that we do, politically, of changes in the digital world.

The report’s recommendations are entirely realistic and rightly accept that there is financial constraint. As the noble Baroness, Lady Morgan, said in her excellent speech, the report recognises that much has been done, that connectivity has been a priority and that the Government can claim to be doing lots of things. However, as regards advances that have been made since the publication of the committee’s report just before the last election, the Government’s manifesto was far too focused on connectivity and hard infrastructure. That was followed by the Budget in 2015, which was the first opportunity for the new Government to come forward and advertise the priority they were prepared to give to the digital agenda, particularly the digital skills agenda. The 2015 Budget allocated a little more money for ultra-fast broadband in Cornwall, some extra money to the Cabinet Office for the excellent work it has done in the Government Digital Service and some money to notable hubs. We are lucky to have such well-developed hubs in the United Kingdom.

There was not very much in the Budget, but what disappointed—if not astonished—me was the November comprehensive spending review. It was full of all sorts of stuff such as northern powerhouses and this and that but, despite planning the United Kingdom’s financial expenditure profile for the next three years, it made no

reference at all to a co-ordinated digital strategy. It is astounding that the Government did not take the opportunity provided by the comprehensive spending review to put in place a co-ordinated, joined-up strategy, given that they had the committee's report and had obtained information from the people who came to us as witnesses. That was followed by the 2016 Budget, which concentrates on government efficiency, although I am not against government efficiency through digitalisation.

My charge, therefore, is that we have wasted two years trying to get something that demonstrates the Government's direction of travel and the priority that they are prepared to give to investing in this work. The Minister has the possibility to remedy some of these issues by going back to the department and arguing the case for the digital economy Bill announced in the Queen's Speech to have a long enough Title to enable us to address some of these strategically important aspects. My spies in the department tell me that there is quite a restrictive approach to getting broadband out, although the noble Lord, Lord Knight, is absolutely right to say that connectivity is important.

However, we need the opportunity to hold proper discussions in this House. I am not suggesting that the Minister goes looking for a Christmas tree Bill to hang everything on. I promise her that we will approach it with the same discipline that we showed in achieving the five recommendations. The noble Baroness, Lady Morgan, will be sitting behind us to see that we do not get out of hand. There is a clear opportunity here to give the House more confidence that the Government know what they are doing, are committed to the agenda and are willing to take this issue forward with the urgency suggested in our report and that of the House of Commons. It is neat that the chairs of both reports were women; that gives me some encouragement and is the way it should be. I hope the Minister will take that ask seriously so that we can have a continuing discussion on this important subject in your Lordships' House.

4.04 pm

**Lord Janvrin (CB):** My Lords, it is a pleasure to follow the noble Lord, Lord Kirkwood. Like him, I had the privilege of being a member of the Select Committee. I join him and others in paying tribute to our chair, the noble Baroness, Lady Morgan, and our advisers and staff. The noble Baroness, Lady Morgan, really drove the committee, and it was a huge pleasure, privilege, learning experience—everything else—to be part of that team.

Briefly, I will draw attention to two issues in what was a very wide-ranging report. Before doing so, I, too, would like to mention a bit of the context in which we are operating, because I will return to this point of urgency at the end. In our lifetimes we are seeing all sorts of megatrends—globalisation, demographics, climate change, et cetera—but the trend that is undoubtedly having the largest and most direct effect on our daily lives is the second machine age, the digital revolution. Our lives are being and will increasingly be transformed by the increasing processing power and interconnectivity of the mobile world: big data, the internet of things, advanced robotics—artificial

intelligence that will lead to the automation of knowledge work as well as physical work. It is not for nothing that these are described as disruptive technologies.

These technologies present opportunities as well as challenges. The opportunities to manage old age, to encourage innovation and enterprise, to address issues of productivity, and to improve social interaction are all part of the life that we are seeing evolving. But the challenges are huge, and they were identified in our report. I draw particular attention to the infrastructure challenge to provide digital access to all and the whole question of skills—to produce, in the very useful terminology of the UK Digital Skills Taskforce, the,

“digital makers ... digital citizens and digital workers”,

who we will need now and in the future to ensure economic and social progress. It is very timely for this House to focus on how we can meet these challenges on the day that the Science and Technology Committee in another place has issued its report on what it describes as the “digital skills crisis”.

The two issues from our report that I want to focus on are the importance of lifelong learning and the role of the Government. Both have been well touched on, not surprisingly, by other speakers. The report has much to say on the demands of the educational system, and I listened very carefully to the expertise of the noble Lord, Lord Knight, on this issue. We spoke about the importance of seeing digital literacy in the same way as maths and English: as the core of the educational curriculum. We looked at how you provide teachers to do that—who teaches the teachers? Others have made the crucial point about the importance of encouraging more women into the digital world.

The point I want to focus on is that in this new digital age we must recognise that formal education at school and, indeed, university will probably prepare many people only for their first job. As the report suggests, if something like 30% of the jobs currently around will not exist in 20 years' time, many in the UK workforce will have a massive need for opportunities to reskill throughout their working lives. When we talk about digital skills, the question of lifelong learning needs to be addressed with urgency, and I would like to highlight what the report says about this.

First, there is a need for a cultural shift to prepare learners to learn for themselves. Is there scope for more activity from the behavioural economists and nudge units to work out how to bring this about? Part of that is the importance of online learning. Many excellent sites exist, but much more can be done, so the whole question of how learners can learn for themselves needs to be addressed. Secondly, there is the importance of the further education sector in making lifelong learning accessible, in the redesign of courses, in ensuring that digital skills are part of any reskilling package, and in making shorter, more targeted and modular courses available in new ways and at new venues. In looking at how further education can cope with this reskilling process, there must be closer involvement of business in the design, delivery and funding of courses. It is recognised that the debate about digital skills is about not just schools and universities; it is a lifelong learning process that will now be part of all our lives.

[LORD JANVRIN]

My second area is the Government's leadership role, as I mentioned. It was a constant theme of our report that the Government have a role as the conductor of the orchestra. They are the essential enabler in bringing together their efforts, business, education and the third sector—we should never forget the third sector in all this—to orchestrate what they are doing to reskill or upskill, to have a skills agenda and to solve the skills challenge. As other speakers have mentioned, our recommendations therefore focused on the Government producing a digital agenda to have that orchestrating role of bringing together other actors to ensure that we address the skills challenge. We mentioned the need for senior ministerial oversight at Cabinet level. Above all, we stressed the importance of priority and urgency.

It was a little disappointing that the Government's response to our 144-page report, published five months later, was four and a quarter pages long and that we have had to wait until now for news of the digital economy Bill, which will undoubtedly be important in addressing some of the infrastructure challenges. However, we are still waiting for the digital strategy. It is very good news that it is in the pipeline and we all look forward to what the Minister may or may not say in trailing its publication.

We owe it to a huge number of people to get this right. We in the post-war generation have been brought up to believe in linear change—that yesterday is probably a good guide to tomorrow. But the second machine age means that we are living in a completely different world of disruptive change. There is therefore a question of how we produce the flexibility and pragmatism, the imagination and innovation and the willingness to take risks in an age of change and uncertainty that this skills challenge will require. A lot of people are going to need a lot of help. The Government have a crucial role in orchestrating the response, the way to address this problem. I look forward hugely to hearing that sense of priority from the Government in how they will address it.

4.15 pm

**Baroness Harding of Winscombe (Con):** My Lords, I begin by declaring my interest as the chief executive of TalkTalk, an internet service provider, and as a trustee of Doteveryone, a digital charity set up by my noble friend Lady Lane-Fox. It is a huge privilege to speak in this debate, not least because of the fantastic work the committee has done shining a light on Britain's digital skills challenge. It is an excellent report and I am only sorry that my own endeavours in the digital world have meant that this is the first time I have been able personally to participate.

It will not surprise your Lordships to learn that I am passionate about the ability of the internet to change lives for the better. At its best, the digital world can advance human knowledge and understanding, enable business to thrive and spread prosperity, and bring families and communities together—not just digitally but physically. It can be a tremendous force for good. It is also something Britain can be brilliant at. We are already firmly established as one of the leading global clusters for the tech and digital sector,

and are sucking in talent and innovation from around the world. That is fuelled in part by our insatiable demand for digital services, whether click and collect retailing, takeaway apps that link SMEs to consumers, or innovative transport apps that link open source data to allow us to transit London faster.

Britain spends more online per head of population than any other country in the world. That is testament to the dynamism of our digital economy, which is driving job creation and prosperity. Research from Tech City UK and Nesta showed that between 2011 and 2014, the tech and digital sector created jobs nearly three times more quickly than the wider economy. Crucially, they are fantastic jobs: the average salary in the sector is £50,000 a year, 36% higher than in the rest of the economy. It is also making our public services more efficient and responsive. The Government's digital by default programme is transforming how citizens interact with the state, making it easier for people to get the support they need and saving nearly £2 billion a year that can be reinvested in front-line services.

We can be proud of what Britain is already achieving, but we cannot unlock our full potential as a digital nation if we allow that digital revolution to not be an inclusive one. As the committee's report highlights, the unequal distribution of digital skills means we are at risk of leaving some groups behind. The report forensically sets out the detailed picture, but in the interests of brevity, and not wishing to repeat what other noble Lords have said, I will highlight a couple of areas that particularly concern me.

The first one is the disadvantaged groups. As the noble Lord, Lord Knight, pointed out, 10 million adults in the UK lack basic digital skills as defined by Doteveryone. That means they do not know how to send an email, do a web search or fill in a job application online. However, those 10 million people are not evenly spread across the population. Nearly half are in disadvantaged socioeconomic groups. The disabled and women are disproportionately likely to be offline. As workplaces and public services become digitised, we risk exacerbating existing social divides, making it harder for vulnerable groups to find work or to access the services they most depend on.

My second concern is gender. The committee is right to highlight that women are disproportionately likely to lack digital skills or to pursue technology careers. Believe me, I feel it: as a female chief executive of a digital company, I am quite a rare breed. Sadly, it came as little surprise to read in the report that just 10% of app developers are women. Without more young women studying STEM careers at school and university and being encouraged into technology careers, that is simply not going to change and our digital future will be one-sided.

The third concern is business. The transition to online is a challenge for any organisation. I run an internet service provider, and we are still learning how to use the very product we sell. No organisation makes the transition from nondigital to digital without assistance. This is particularly true of Britain's SMEs. Research by Lloyds shows that more than a quarter of SMEs do not think that the internet is relevant to them. That is despite the fact that the most digitally mature SMEs are a third more likely to be growing.



Put simply, the digital revolution is at risk of being a partial one. Without addressing the growing gulf in digital skills, we risk permanently disadvantaging some groups. That would be a tragedy for those individuals but also artificially cap Britain's potential to be the world's leading technology and digital economy.

I believe that universal digital literacy will be every bit as important as basic literacy was during the industrial revolution and that if we do not grasp that now, it will be too late and other countries will get ahead of us. What should we do about it?

Too often, debates about the digital economy and digital skills focus on infrastructure. I run an infrastructure business, so of course I think infrastructure is important, but it is not the only thing that will drive basic digital literacy and skills. We must not conflate the supply of infrastructure with the ability to use that technology.

The vast majority of the 10 million people without basic digital skills have access to superfast broadband today if they want it. Many live in households with superfast broadband connection, but they do not know how to use it. They are scared of it; they think it is not for them; they lack the skills to make use of the digital world, not the infrastructure. We cannot fool ourselves into thinking that extending coverage is a substitute for tackling the digital skills deficit.

The committee is absolutely right to call for more robust intervention to address the digital skills challenge. I welcome the vast majority of the report's recommendations, and I hope they find support from all sides of the House. I want to highlight three specific things to focus our efforts on universal basic digital literacy.

The first is a strengthened government strategy, perhaps to take advantage of the fact that the strategy has not yet been published. I encourage my noble friend to ensure that the digital strategy contains a detailed plan for universal basic digital literacy. We will never turn people from digital citizens to digital workers to digital makers if they do not have the basic digital skills. Co-ordinating that—the role that government can play as the convener, the challenger, of the private sector and the third sector—is hugely valuable.

I defer to the great experts in this House on education, but it is also essential that we focus on equipping our young people with the skills they will need in tomorrow's economy. That can be done together with the private sector, so I welcome the proposals for greater contact between tech companies and teachers, including industry support to reform FE courses and to roll out industry-endorsed qualifications. That will be essential.

Finally, I focus on one essential as a businesswoman, which is money. We have to be honest in acknowledging that eradicating digital exclusion will not be free. I am mindful of the pressures on very limited government resources, but I feel that there is scope to review the case for investing in universal basic digital skills.

The Government expect to save £8 billion over the lifetime of this Parliament by moving services online. That will not be possible if 10 million adults remain digitally excluded. It is not expensive to teach people to use the internet. Research from the Tinder Foundation has shown that it can cost as little as £47 to open up the digital world to someone, to give them those skills.

Clearly, that investment would reap rewards for the individual but also by unlocking that efficiency for government, and set us on the path to becoming a proper digital leader. We are willing to invest in higher-end digital skills development; why are we not so keen on investing in basic universal digital literacy?

I conclude with a note of optimism. We have a digital skills challenge, as all nations do, but I am hopeful that if we embrace the digital revolution, as we embraced the industrial revolution a century or more ago, we can emerge as one of the strongest digital nations—not just for the few, not just for one sex, but for everyone. I believe that digital skills can play a role in uniting the country and helping us all to prosper, and that is a prize worth striving for.

4.24 pm

**Lord Macdonald of Tradeston (Lab):** My Lords, I, too, congratulate the noble Baroness, Lady Morgan, on her charring of our Select Committee and her excellent introduction to the debate. Much will have changed in the ever-expanding digital world in the 16 months since our report was published. We offered our conclusions to, and drafted a digital agenda for, whichever Government might be elected at last year's May general election. As the noble Baroness said, at the end of last year DCMS promised that a five-year digital strategy would be published in early 2016. Apparently, it was completed in February but has since been stuck awaiting approval from No. 10, quite the opposite of the urgent action called for in our report. I therefore take this opportunity to remind your Lordships of some of the reasons why the committee recommended that an ambitious government-led digital agenda should be given a high priority.

Our report, *Make or Break: The UK's Digital Future*, advised the new Government to establish a single cohesive digital agenda. The need for a more cohesive approach was emphasised by many of our witnesses, who complained not of government or public service inactivity but of the bewildering number of old and new initiatives, good, bad and indifferent. We were also told that a shared vision was lacking of what the digital revolution might mean for people across the country, for their families and their jobs, for the economy and, indeed, for the future security of the UK.

We heard from respected economists that an estimated 35% of current jobs in the UK could be automated over the next two decades. Since then, that prediction has been given widespread coverage in the media. A recent headline in the *Times* claims that,

“Robots could exterminate the middle class”.

Another warns of,

“The robot coming to take your job”,

with the strapline underneath:

“We are on the cusp of a techno-revolution that could make us all redundant”.

According to the *Financial Times* just last month, we are completely unprepared for the “robot revolution”.

The digitalised transition is happening so quickly that millions are being stranded on the wrong side of the digital divide, especially the elderly, the unskilled and the underqualified. At the higher end of education, an increasing number of graduates cannot find stable or rewarding jobs. Parents worry about how to guide

[LORD MACDONALD OF TRADESTON]

their children towards a career path with prospects. Research published today by Citizens Advice reveals that 800,000 workers are on zero-hour contracts, 1.1 million more are on temporary contracts, and another 2.3 million are working variable shift patterns, making a total of 4.5 million in insecure jobs, feeding public anxiety about the changing economy and the impact of the digital revolution.

Add to all that social and personal insecurity the threat of cybersecurity; business data are stolen and banks are robbed by cybercriminals, while financial scams go unreported. Terrorism, money laundering and all kinds of criminality thrive anonymously on the so-called “dark web”—and, we are told, it could get worse. Last week Robert Hannigan, the head of GCHQ, said that the arrival of quantum computers inside the next decade will crack even the most sophisticated encryption and undermine the foundations of internet security.

In these increasingly unpredictable times in international affairs and democratic politics, the internet and social media add to the growing public anxiety. Given the disruptive potential of the digital age, with its novel technologies and unintended consequences, our report encouraged the UK Government to take a much stronger leadership role. Our committee voiced concern that the UK might be left behind in the new digital era and that we were at a tipping point. With exquisite timing, an updating of our February 2015 report is published today by the Commons Committee on Science and Technology. Its findings reinforced our concerns. Some 90% of jobs now require some degree of digital skill. The UK needs another 745,000 workers with digital skills by 2017. The digital skills gap costs the economy £63 billion a year in lost income, and the Commons committee reckons that 12 million British adults lack basic digital skills and that 6 million have never used the internet. Those are alarming statistics, but, sadly, the Commons committee says that it doubts that the Government will give,

“sufficient weight to the vital areas for change that we have highlighted”.

As a member of your Lordships’ Digital Skills Committee, I share these doubts. I hope that in his reply the Minister will tell us whether the Government’s digital strategy, when it is finally published, will reflect the priorities of the Lords and Commons committees and will actively promote the cultural change required to meet the challenges of the new digital age.

4.30 pm

**Lord Foster of Bath (LD):** My Lords, I am delighted to follow the noble Lord, Lord Macdonald, who served as a member of the committee—or the flock, as my noble friend Lord Kirkwood put it. I begin by congratulating the noble Baroness, Lady Morgan, on the work she has done and acknowledging that in a brief contribution it is simply not possible to do justice to such an excellent and wide-ranging report.

One thing is clear from the contributions we have already had, and it will no doubt be echoed in those which are to follow. There seems to be unanimity in your Lordships’ House that we are living in a rapidly changing world and a rapidly changing world of work,

a world in which skills, and digital skills in particular, are the currency of the 21st-century labour market. As we deal with that digital revolution and the revolution in artificial intelligence that is coming rapidly up behind it, it is clear that we need people with digital skills to help UK plc keep pace and thrive. Frankly, we simply do not have enough of them. That is why we need that digital skills revolution and, as the report so eloquently puts it, a single digital agenda without which the economic future looks rather bleak.

The noble Lord, Lord Knight, referred to the Tinder Foundation, which he chairs. He will be well aware that, together with Go ON UK, it carried out research which demonstrates not only the scale of the task but the real benefit of us tackling it. It looked into the social and economic impact of a lack of digital skills on both the individual and the country as a whole. The report calculated that the cost of investment in skills and devices would be £1.65 billion up to 2025, but it showed that the benefit to individuals and the country would amount to £14.3 billion over the same period; a cost-benefit ratio of almost £10 for every £1 invested. Clearly it is an investment worth making.

There is no shortage of suggestions about how we should move forward or of reports. As we have already heard, only today the House of Commons Science and Technology Committee issued its report *Digital Skills Crisis*, which talks of the need for a step change to halt the digital skills crisis and bring an end to digital exclusion once and for all. It clearly echoes the views of your Lordships’ Select Committee.

The timing of our debate is particularly fortuitous because it precedes the publication of the Government’s long-awaited digital strategy. I suppose we can only hope that the only reason it has not yet appeared in the Downing Street grid is that Mr Ed Vaizey was determined to hear the pearls of wisdom from your Lordships before finalising it. I hope we will see it soon. That is what so many of the reports say. They all have a number of common threads. They all say that currently we have a pretty good record. For instance, they recognise that, helped by our amazingly successful creative industries, we have the largest digital economy in the G20. As the Government’s response states, we are a founding member of D5, the network of some of the most digitally advanced Governments in the world, and we are also becoming a major attraction for inward investment. Venture capital in London’s tech companies is now 20 times what it was just five years ago. However, all the reports are clear: that record is at risk. We have heard many statistics today showing that, for instance, 16% of the population remain offline; 23% of adults, half of them working age, do not have the required level of basic digital skills; 90% of all new jobs require digital skills, not just in some niche area, as the noble Lord, Lord Knight, said, but across all sectors; and, crucially, nearly three-quarters of large UK companies say they are suffering from a gap in digital skills.

The reports are all clear that this is a constraint to growth and must be addressed. Rightly, they all point to some excellent work that is already being carried out by Google’s Digital Garage Academy, Creative Skillset, the BBC and many others, on which we can build. However, they all point to work that needs to be

done right across all sectors, in schools, colleges, apprenticeship schemes, universities and businesses, not forgetting the work with SMEs in attracting more women, as we heard, and in ensuring that we have the digital infrastructure. As we heard earlier, from the noble Lord, Lord Janvrin, there is also the whole issue of lifelong learning.

I have time to touch on only two subjects, schools and infrastructure. In schools, while I welcome our new world-beating computing curriculum, of which we should all be very proud, we should also acknowledge that, as the noble Baroness, Lady Harding, said earlier, we need to achieve universal digital literacy. That means we need to place digital and technology skills alongside literacy and numeracy as the three building blocks of all education and employment.

There is another matter that is not touched on enough. Here I echo the remarks by other Members about our education system, which is currently so content-heavy. There is a real problem in our schools at the moment. We still have the industrial revolution model of,

“Ram it in, ram it in!  
Children’s heads are hollow.  
Ram it in, ram it in!  
Still there’s more to follow”.

We need to be concentrating on creativity, imagination, innovation and risk-taking. One great thing we can do is to use the digital revolution and the technologies that it has presented in our schools to help us to achieve that, with much more individualised learning. An individualised learning approach could, for example, go out of its way to help children with special educational needs. However, we also have to pick up the point made by others about the chronic shortage of qualified confident ICT teachers, and recognise that many of those who are in post do not have appropriate qualifications. We need to recruit and train more specialist ICT teachers, and to provide those already in post with improved continuing professional development.

The Commons report today makes another important point not covered in your Lordships’ report:

“Given that digital skills are of the highest priority to the future of the UK economy and the future chances of young people, we find it surprising that computing is not explicitly considered in Ofsted’s schools inspection framework”.

The committee goes on to recommend that it should be. I agree, and I would be interested to hear the Minister’s response to this idea. I certainly hope she will respond supportively.

On my second chosen area, infrastructure, I am concerned that we have a lack of ambition. Clearly so is the committee, referring to the claim of 10 million UK premises, homes and businesses currently unable to access superfast broadband, and quoting the *Times*, for instance, saying that the UK’s broadband speeds are stuck in the slow lane. The response that we currently have from the Government seems very limited: a universal service obligation of just 10 megabits per second, way behind what some other countries are offering. We need to do better and to be more ambitious, and we need to adopt the approach of the committee, which defines the internet as a utility service available for all to access and use. To achieve that, we need to pick up a point, which again was raised by other noble

Lords—we need to concentrate on demand stimulation. If more people understood the benefits they can get from high-speed broadband, more people will take it up and the unit costs will go down. There are many ways of doing that: one great example is the BBC iPlayer, which has driven up demand.

I want to end by asking the Minister two questions about the BBC which are relevant to this debate. Earlier the Minister announced that there was a settlement for BBC money that would be earmarked for assistance with broadband rollout. Yet more recently she announced in your Lordships’ House the establishment of a contestable fund for programme production which will use £20 million of unallocated funds from within that earmarked BBC money. Money that was originally earmarked for broadband rollout will now be used for what I have to describe as a pet government project. Can the Minister explain why the Government have put that pet project ahead of getting on with the vital issue of broadband rollout?

My second question is on upskilling and demand management. The existing BBC charter has within it a digital purpose. Part of that requires the BBC to take, “a leading role in the switchover to digital television”.

Clearly, that has been done very successfully and does not need to be replicated in the new charter. However, the other part of the digital purpose says that the BBC,

“in promoting its other purposes”,  
should be,

“helping to deliver to the public the benefit of emerging communications technologies and services”.

The recent BBC White Paper makes no reference to any similar purpose for the BBC in the future. Can the Minister explain why not and will she at least confirm that the BBC will continue to have a role in research and development and technological innovation, and that nothing in the new charter will prevent the BBC continuing its excellent work to drive digital take-up and skills with developments and initiatives such as Make it Digital, which has reached 23 million people so far, or its digital traineeships for young unemployed people?

I hope that the excellent Select Committee report, and several others that echo its recommendations, will have significantly influenced the Government’s digital strategy, and I hope that we will not have to wait much longer to find out.

4.42 pm

**Lord Aberdare (CB):** My Lords, it was both a privilege and a great pleasure to serve on the Digital Skills Committee, which was brilliantly chaired by the noble Baroness, Lady Morgan of Huyton, with a first-class support team. I echo the tributes already paid to them. I also pay tribute to my colleagues on the committee, including the noble Baroness, not least for already saying just about everything that I had planned to say myself.

The widespread concern about and importance of the issue we were addressing was indicated by the fact that, in our relatively short existence, we received oral evidence from 59 witnesses, together with 111 written

[LORD ABERDARE]  
evidence submissions. I share the disappointment that the Government's response to our 144-page report was a mere five pages long, with few specifics relating to skills as opposed to hard infrastructure. The fact that we have had to wait until today, a full 16 months after publication, to debate the report is also disappointing—although, in trying to refresh my memory of it, I have found its recommendations even more relevant and urgent now. Of course, our findings have been strongly reinforced by the just-published report of the Science and Technology Committee in another place, which is appropriately entitled *Digital Skills Crisis*.

The digital economy represents both opportunity and crisis for the UK. If we get it right, it can give a powerful boost to UK productivity and competitiveness, and to our future economic success. If we get it wrong, we will inexorably be left behind in the global race. There are two essential elements to getting it right: access to digital services—which essentially comes down to broadband and mobile coverage and speeds—and having the skills needed to understand, use and develop those services effectively and securely, as the noble Baroness, Lady Harding, emphasised.

We are reasonably well up with the field at present in terms of our broadband and mobile infrastructure, our wide take-up of digital technology, especially among the young, and our traditional strengths in creativity, design and innovation, as well as in sectors such as financial services, science and education. At the same time, we have heard that up to 9.5 million people in the UK lack even minimum digital skills, and 30% of SMEs do not have a website. The “make or break” challenge for government is to ensure that we keep pedalling fast enough to stay up with the peloton—there are plenty of other countries competing in the race.

Nowadays, almost every occupation requires digital skills, from baking to banking, construction to chemistry, farming to fashion and healthcare to hospitality—I could go on. These skills, especially at the higher levels, are in seriously short supply, with 72% of large companies and 49% of SMEs suffering from technical skills gaps, and skills shortages being cited by employers as their number one risk. According to techUK, unfilled roles requiring digital skills are already costing the UK economy some £2 billion a year.

I will comment on just three aspects of what is needed, two relating to skills and the third to broadband connectivity. The first is the education and training challenge presented by the digital revolution. If we are to be a leading digital nation, every single aspect of our approach to education and training will need to be adapted to reflect the needs of the digital economy and to develop the skills that employers will need—from primary school through to university and beyond. As we have heard, digital literacy must be recognised as on a par with English and maths, to be addressed appropriately by all educational courses and providers. I shall give a couple of examples from the report of what that might involve.

First, there is likely to be a growing need and demand for new sorts of learning: shorter, more modular and more targeted courses, including at further and

higher education institutions; greater focus on creativity, innovation and entrepreneurship; online and self-learning options—for example, via MOOCs, massive open online courses; a greater focus on “learning to learn”, as the noble Lord, Lord Janvrin, pointed out; and much greater engagement with employers in both the design and delivery of courses. Every school should have an employer governor with digital awareness.

There is also a need for more digital apprenticeships. According to techUK, there are currently not enough new apprenticeship standards in areas such as cybersecurity, big data analytics and programming. All apprenticeships, in whatever field, should include a digital skills element. The Government's commitment to 3 million new apprentice starts in England by 2020 is welcome, and the new apprenticeship levy should ensure continuing availability of funding. The process of defining new apprenticeship standards is, rightly, employer led, but how will the Minister ensure that it requires minimum levels of digital, as well as literacy and numeracy, skills and that the new standards are up and running faster? The report from the other place makes some useful suggestions on how to enhance digital skills through apprenticeships. Indeed, it echoes many of the points made in our report with equal force and, if anything, even greater urgency.

My second comment relates to cybersecurity. This often seems something of a poor relation in the glamorous digital world, but it is crucial not just in terms of national security matters, as mentioned by the noble Lord, Lord Macdonald, but to tackle the growing threat of cybercrime—there were 44 million reported cyberattacks in the UK as far back as 2011—to protect online safety, whether from scams or online bullying or pornography, and to maintain personal privacy through security of data and transparency about how it is used. Everyone who uses digital services needs to be aware of these issues and to have the skills needed to assess the risks of digital systems and to use them safely and securely—another education and training challenge, not least for SMEs. Beyond that, there is an opportunity for the UK, with its expertise in this area, to gain commercial advantage through developing and marketing advanced cybersecurity skills. How will the Government seek to promote the culture shift that is needed—yet another one—in attitudes to cybersecurity?

Thirdly, I come to broadband. It became clear in the inquiry that good, reliable broadband access should be recognised as a utility service as essential as electricity or water. So I welcome the broadband universal service obligation proposed in the Government's planned digital economy Bill, with its guaranteed access to at least 10 megabits per second broadband.

The UK currently has reasonably good broadband coverage and speeds, but it was something of an eye-opener to find that, in a table of average broadband speeds in 33 European capitals, London came only 26th. Countries ranked above us for overall digital proficiency include Switzerland, Singapore, the USA, Finland, Germany, Japan, Hong Kong and the Netherlands. I ask the Minister: are we trying just to keep up or even to catch up, or are we seeking to get ahead of the field in order to fully capitalise on our digital strengths? Should not we be pushing for fibre connections to every home, for example, rather than

just to the nearest street cabinet? In that way, even in rural areas, such as where I live in Wales, everyone would have access not just to superfast but to ultrafast broadband, with speeds of 100 megabits or more; or even to hyperfast or gigabit broadband, with speeds up to 1,000 megabits, in line with the Minister Ed Vaizey's ambition to become a "Gigabit Britain" over the next five to 10 years. South Korea has already announced plans for a national 5G wireless network offering 1 gigabit speeds by 2020.

That leads me finally to the Government's role. As we have heard, the digital strategy, promised in a number of debates from last autumn onwards, has still not appeared. Whether or not that is because of the mysteries of the Downing Street grid, I am not sure. However, what does this say about the priority being given by government to this absolutely essential aspect of our future national competitiveness, whether in or out of the EU—although I believe that the challenges of meeting our digital skills needs would be considerably greater outside the EU? The inquiry recognised that the Government cannot address this issue on their own. There are essential roles for education, employers, third-sector bodies, local and devolved government, and the regions—indeed, for all of us. But somebody needs to set the tone, or to act as "conductor of the orchestra", as the report puts it. That can only be the Government. At present, the tone seems to be disappointingly muted.

The brief response in July has little specific to say about skills. It focuses on the formation of a new digital infrastructure and inclusion implementation task force, mentioned no less than four times in the five pages. I understand that this body has been constituted as a Cabinet sub-committee and will include eight Ministers. This might go some way towards meeting the report's central recommendations for the Government to develop an ambitious digital agenda for the UK, driven by a Cabinet Minister and regularly evaluated and reported on. However, where is the vision for the future? Where is the transparency about what the Cabinet sub-committee is doing? Where is the trumpet-blowing about the key importance of digital skills? Where is the leadership to drive and encourage the vital contributions of all the other players in the orchestra?

The Government's approach to grasping the opportunity presented to the UK by the digital economy seems to me, on current evidence, to be half-hearted, even though their heart is in the right place and they are undertaking and supporting numerous worthwhile, albeit piecemeal, initiatives. I hope that the Minister will be able to convince me that I am wrong, and that the long-awaited digital strategy this summer will really get to grips with issues such as those I have mentioned, while demonstrating a new level of commitment and urgency in addressing this "make or break" challenge.

4.53 pm

**Lord Lucas (Con):** My Lords, I share my colleagues' thanks to the most excellent staff and the support that we had on the committee and to all who contributed to our deliberation. Most of all, however, I thank our chair, who did a superb job in holding the committee together and getting it somewhere sensible—she really

should be chair of Ofsted. I also share the views of the noble Lord, Lord Aberdare, on the Government's lack of response. There really is a role for the Government to play in taking leadership and steering the country into and through the digital age. However, when you find out that HMRC still does not have email, you realise that there is a bit to do. We have an Investigatory Powers Bill coming to this House soon which has been drafted without any concept that perhaps the individual citizen needs protecting too in their daily life on the internet. There really is a lot to do, and to have a directed and centralised will in Government to push this through in all departments is a change which is needed. I am very disappointed that the Government have yet to pick this up.

I hope it will be uncontroversial if I say that the Government, when dealing with IT and the consequences of IT for the country, need fewer national, top-down rules and more principles that get worked out locally, with users, so that they actually work on the ground. We are seeing too much centralised thinking, creating a set of rules that the rest of the country is meant to go by. When you come to put this into place, given the local job picture and the training facilities available, it just does not fit. I very much hope that the Government will take the opportunity to support local digital skills partnerships as they emerge. I know that several are under way.

I was very impressed by what the noble Lord, Lord Knight of Weymouth, had to say, not that I agree with him entirely on the subject of the role of knowledge in the curriculum. There is a great deal to be said for knowing things before one spouts opinions but, when it comes to education bearing on digital skills, we have to take a very radical view of what the right structures are. There are university courses out there which are teaching Flash, for goodness' sake. People are paying good money to be taught something which is certifiably useless to their future career.

Education for the operational level of IT is naturally much shorter than a degree. A lot of the jobs available are essentially technician-style jobs: you need maybe six months of intensive education, a couple of eight-week bursts of blended learning and a bit of experience in between. With that, you can take someone who is NEET and turn them into a useful employee. You do not need long courses, and anyway what is the point of them? The whole of someone's life when they are in IT is going to be learning and relearning. I am sure it has happened to the noble Lord, Lord Knight, just as it has happened to me. I am having to learn another computer language now because the ones I know are out of date. This is the same for everybody involved in IT: it is an absolutely non-stop, continuous package of learning. To think that you can learn three years of it at the beginning is just mistaken. There are some things about computer education that are permanent: the way to program well; the way to manage a project. Those things change slowly, but the individual packages, programming languages and sets of data that you work with change all the time. That needs to be much more directed towards a lifelong process.

In the report, we call for learning to be based much more on industry requirements—on a fast, up-to-date response to real demand. One example of the way in

[LORD LUCAS]

which the Government are standing in the way of that is the prohibition on funding industry-designed courses. In large chunks of IT, industry courses—things from Cisco, Microsoft, Apple or whatever—are the way that the industry operates. They are what employers want. That is the currency out there. It is a global industry. We cannot change that by fiat in the way that we can change a GCSE spec. We have to fit in and work with the way the world works. If we are educating an apprentice in some generic course that does not focus on an industry-understood capability, all we are doing is turning out people who are not fit for work. They will have to be retrained as soon as they are hired. The industry response to that is to say either, “Hire someone from India if we can”, or, “Export the work to India, because we need the capability and we need the thing done now”. We have to look at how we are working within the realities of the industry and we need short, sharp, totally up-to-date courses, which cannot be devised through the standard ways of Ofqual and slow government processes. They have to be what is accepted by the industry now.

The other thing that distresses me in the way that the Government are proceeding at the moment is how apprenticeships are evolving into myriad tiny compartmentalised qualifications, with job descriptions that probably will not be there in two years’ time. We are in danger of breaching the 1,000 barrier in the number of apprenticeship qualifications out there. It is looking to be worse than the qualifications pattern that underlies it. In IT, few digital jobs do not access other parts of the world. Most of the jobs that we are creating are not just IT but tied into other bits of the real world. Teaching a motor mechanic how a car works, for example, is half IT at the moment.

There is an idea that you can compartmentalise things. The committee visited an entirely undecorated computing department at Imperial where you would think that the arts did not exist at all. That is not where IT belongs. It is part of all our lives. Apprenticeships specifications that are too narrow and rigid will not last. They will not have value for the people who take them because they will be out of date and irrelevant in two or three years’ time. We have to write the specs broadly and allow them to be things that will last. They probably need to last 10 years before someone’s experience in life outlives the fact that they started as an apprentice. They have to have more breadth and reliability than they do now.

Beyond that, I very much hope that the Government will support the efforts of the Tech Partnership to help people initiate an interest in IT careers. It is wrong to think that we can do it through the educational system. It is too slow and it misses too many people. An awful lot of people out there, particularly women, could have taken an IT career early on but did not take the right route. There are lots of people who want to change career, who have got bored with what they are doing or are returning to careers after a period out of work or doing other things, who will have no great concept that a career in IT might be for them. A short introductory course that they can do, and at the end of it have confidence that IT might be for them and that it might be worth taking up an apprenticeship or

longer course, is enormously important. TechFuture badges, to echo something that the noble Lord, Lord Knight, said, will become a way in which people’s skills are judged and evaluated by future employers. The Government are getting behind that through the Careers & Enterprise Company and the enterprise passport initiated by my noble friend Lord Young. That is an important way to go, as are the two-day back-to-work courses. People who have never done IT before are given a chance to see if that is a skill set that they might have. The Government need to find ways to make such opportunities easily available to people all through their lives because we will not tackle the skills shortage we have in IT just through education. We need to recruit an awful lot of people who think that they are past that stage but now find they need to do something else.

5.04 pm

**Lord Maxton:** My Lords, I start by thanking my noble friend Lady Morgan—or “Sally”, as I would call her—for the excellent report and for the way she introduced it. I am not the only noble Lord to speak who is not a member of the committee, but I am certainly one of the few, and I hope that noble Lords will therefore allow me to range a little wider than the report itself.

First, I have a confession to make. I know that in this House I am considered to be something of an expert with my iPad, iPhone and computer. I can use them. I know that people laugh at me when I pull my iPad out of my pocket in the Bishops’ Bar. I produced it at the dinner table and played one noble Lord a song on YouTube that he had asked for.

**Lord Burnett (LD):** I have not had a chance to thank the noble Lord. As I remember, he kindly played “Stardust” by Nat King Cole for me.

**Lord Maxton:** Exactly. That makes the point that I am considered to be almost a nerd by some people in the House of Lords, and certainly I describe myself as the one-eyed man in the kingdom of the blind. But my confession is that while I know exactly what I want to know and how to use a computer, I do not have the foggiest idea of how a computer works. I know how to work it, but I do not know how it works. I can drive a car. I know how to drive it, but I have no idea how the internal combustion engine works. I can turn my television on. By the way, I can even record a programme at home in Hamilton from my iPad or my iPhone from here. I can stand here and record a programme at home. I can do all that, but I have no idea how a television works.

The point I am trying to make is twofold. First, there are two elements to the educational programme that we require. I think that the report highlights that, but so far the comments have been about education in IT skills rather than how to use IT. That is an educational process which ought to cover the whole of the population, not just the few who will be involved in IT skills. We have to ensure that everyone has the computer skills that are required. They do not have to have the actual coding skills that are needed by some experts. It is something that is now desperately important. In fact,

my own view is that as a democracy and as political organisations, we are failing to keep up with what is happening in the world of technology.

It was not entirely a joke when I intervened on my noble friend Lord Knight and said that the first person who will live to 150 has already been born and is probably in their mid-30s. That happens to be the case if the developments in genetic engineering continue. We are likely to find genetic cures, which by the way require the use of the internet and computers in order to bring everything together—otherwise it would take hundreds of people years to develop genetic engineering. But those cures are just around the corner. Are we designing our political structures around the fact that people will live to 150? No, of course we are not.

On education, are we talking about the use of computers in education, rather than training people in the skills required in terms of computers? No. I have not picked up a book in the last three years. Why? It is because I read all my books on a Kindle. I read quite a lot, but I read on a Kindle. Why are we not introducing Kindles in schools? Why are we not showing children how we should be doing certain things in schools? Why are teachers standing in front of a class telling children something that they could find out from their iPad by asking the question on Google?

Why do we still vote by putting a cross on a piece of paper with a pencil when we could be using the internet to cast our votes electronically? To be honest, our younger people now laugh at the fact they have to go to a school to vote. That is one of the reasons they do not vote. If they could vote electronically by using some form of ID to ensure safety, they would.

So we are in danger of our democracy failing to keep up with where we are going in technology, with smart cards. We are failing to keep up with the way technology is moving. We have to try to ensure that we move forward all the time and that we keep up with technology. We should educate people in two ways: first, we should educate all people to use the technology; secondly, we must have a skilled workforce. We need to have both education systems working, but the second one does not require everybody receiving the same education as everybody else.

5.12 pm

**Baroness Janke (LD):** My Lords, I too did not take part in the Select Committee, but I will speak on some of the issues raised in the very comprehensive and excellent report, in particular developments in my city of Bristol. I have been told by key members of the digital community that the city council, through its Bristol Futures division, provided leadership, support and space for partnerships between business, the universities and the voluntary sector to make impressive progress on the digital agenda. This community has harnessed the energy and imagination of individuals' enterprises to bring a creative and innovative culture to the city that has resulted in national and international recognition as the UK's leading smart city alongside London.

Some time ago, the council had the foresight to acquire a 75-kilometre-long fibre and communications network from Rediffusion, a cable TV pioneer. This is known as the BNet. It is currently managed and

maintained by a consortium and supports the council's ICT requirements, including telephony, data, traffic-related network communications and CCTV. The consortium will use spare capacity to offer new superfast and ultrafast broadband services to Bristol's businesses. This, of course, will generate revenues for council services. It is hoped that the consortium will also develop the additional 60 kilometres available to expand broadband and superfast broadband to more SMEs.

As I have said, Bristol, with London, is the UK's leading smart city. The city has achieved this accolade through the use of the BNet, Bristol University's £12 million computer, and a new city operating system that stores and analyses data. Bristol is sometimes described in publications as a giant laboratory for a range of innovative projects using big data, including how to solve problems such as traffic congestion, air pollution and assisted living for the elderly. These systems are also used to collect and analyse data from the city's trial of self-driving cars.

In terms of regional clusters, Bristol-Bath is one of the UK's leading centres for technology businesses, according to a Tech City and NESTA report published earlier this year. Bristol and Bath outperform London as the most productive cluster, producing £296,000 of sales per employee, as against London's £205,000. It is important to many of us in cities in England, particularly, to point out just what can be achieved outside as well as in London. This progress has been achieved by very strong collaboration and close working relationships between the world-class universities, businesses, local councils and the local enterprise partnership. It is fair to refer to my noble friend Lord Foster's plea about the BBC: it is no secret that the BBC in Bristol has also driven the digital agenda here and added to this culture of innovation.

However, this success is not evenly shared across all the neighbourhoods and communities of the city. Bristol City Council has developed a digital inclusion programme to improve access to skills, connectivity and equipment. A computer reuse scheme was launched in 2011, through which redundant council PCs are refurbished and made available to those most at risk of being digitally excluded. More than 3,000 PCs have been made available over the last five years. Training and software packages were provided by local firms, by which I mean firms within the deprived communities of the city. Between 2011 and 2015 the council ran a digital skills programme providing 10 hours of basic training to older people and disabled adults and their carers. Citizens Online and BT supported the programme and with the help of 66 volunteers more than 2,100 people were helped to get online. In addition there are a number of very innovative local projects, again run in the city's most deprived communities, particularly through the Knowle West Media Centre.

The results of this work are now becoming visible. Official data from ONS show that in the first quarter of 2015 91.3% of Bristol adults—that is, 328,000 adults over 16—stated that they had used the internet in the last three months. The percentage of people who have ever used the internet has been rising faster in Bristol than nationally, and Bristol has the lowest percentage of people who have never used the internet of all the English core cities. So in terms of the

[BARONESS JANKE]

objectives of the report there are practical trials and practical experience that need to be shared and I believe that collaboration and sharing, together with autonomy and freedom to innovate are key if we are to drive the digital agenda forward.

However, despite the need for basic digital skills—I hear the noble Baroness, Lady Harding, in her plea for these—there is also a need for increased access to tailored IT skills for different groups. Basic IT skills are vital for those who are not yet digitally included, but many young people, particularly those in deprived communities looking for work in digital, creative or IT, would benefit from access to affordable, accessible training in more advanced and marketable skills, such as data analytics and coding. These, however, can be very expensive and if they were available in local venues and priced attractively, this might increase the pipeline of young people entering the workforce from more deprived areas. I hope that the Minister will take on board some of the experiences from Bristol and that we will work on sharing some of these experiences.

I welcome the report's recommendations, particularly the need to support existing successful university/business/LEP and local authority partnerships. I believe that there is the imagination, creativity, energy and enthusiasm in our cities and regions to achieve a step change in developing the digital economy at a pace that would enable us to catch up with international competitors. However, that needs support, encouragement, the sharing of good practice, space and autonomy without the dead weight of some of the conditions and restraints that are sometimes forthcoming from government, which usually inhibit creativity and slow momentum. As the report says, we are at a tipping point and the Government need to play their part in ensuring that the UK is not left behind.

5.20 pm

**Lord Haskel (Lab):** My Lords, as many noble Lords have said, this report was inspired by the speed at which our lives at work and at home are being digitalised. We started work two years ago and reported eight months later, which was before the last election. The new Government, in their brief response, agreed with all our five modest recommendations. That is good, but we are still waiting.

In essence, we said that our economy called for national self-improvement in understanding the digital world and in acquiring the skills to deal with it. We also called for better infrastructure. Today, the House of Commons Science and Technology Committee confirmed our view in its report. I hope that the digital economy Bill will deliver on these reports. However, as I say, we are still waiting.

This was a fascinating committee on which to serve. I am grateful to all our witnesses, who were evangelists for the cause of digital education. I am also grateful to Emily Greenwood and Aaron Speer, my noble friend Lady Morgan, who led us, my fellow committee members and our specialist advisers.

As my noble friend said in her excellent introduction, this is a huge topic, so we tried to deal with it in logical steps. We looked at learning digital skills at school,

then the pathway from schools to work and higher education and helping those already at work to acquire these skills so that they could become more productive and employable, as the noble Baroness, Lady Harding, said. When we looked at the world of education, I think we were rather surprised and encouraged by the number of initiatives. Since we wrote our report, these have multiplied and developed. In the debate on polytechnics a month ago, several noble Lords spoke about the importance of teaching digital skills at school. What came out of that debate was that many schools have discontinued design and technology in favour of digital skills. Apparently, this is partly because of teacher recruitment. We need both; it is not either/or.

However, there is good news. Since we started on our report, some 8 million schoolchildren have been given a BBC micro:bit or Raspberry Pi or something similar. Presumably, this is part of the BBC's digital purpose, about which the noble Lord, Lord Foster, spoke. All this is being done to encourage children to learn coding and acquire digital skills. The ambition must be for this to be part of the school education of every child under the age of 16. However, it needs to be part of an overall scheme. Our report and that of the Commons both emphasise the importance of this hands-on skill becoming an integral part of education.

Helping this along is the European Space Agency—there is no escape from the referendum. Schoolchildren and adults are inspired by space travel. Thanks to the European Space Agency, every day you can see pictures of Tim Peake in his orbiting space capsule, which are specially prepared for his primary school's project. He has become not only an astronaut but an educator, sending our children messages of encouragement. This is worth any number of lessons. Both he and the founder of Raspberry Pi—which is, incidentally, a charity—were both in the Birthday Honours List, and I hope noble Lords will join me in sending them congratulations.

As my noble friend Lady Morgan said, we also emphasised the importance of teaching the teachers. We welcomed the initiatives to provide this help, but recruitment is obviously a problem and we suggested solutions. The Commons report also speaks of recruiting problems. Reluctantly, I fear we may find that testing for these skills may be the way selected to help with teacher recruitment because testing always helps with recruitment.

In our report we spoke of the complicated and confusing pathway for non-academic students from school to work. This has been mentioned on many occasions in your Lordships' House. The most recent was the report in April by the Select Committee on Social Mobility, mentioned by the noble Lord, Lord Holmes, and what a good report it is. It describes the transition as,

“complex and incoherent, with confusing incentives for young people and employers”.

This is no way to ensure that these young people are properly equipped with digital skills—skills they are going to need whatever they do—and this transition needs urgent attention.

As other noble Lords have said, we made the point that these skills will be the basis of many new jobs. Indeed, since we wrote our report, estimates have been



made that some 60% of the jobs that people will be doing in 10 years' time do not even exist today. The Commons report speaks of 750,000 workers with digital skills being required in the next two years. We all agree that the way to future-proof our young people must be to teach them digital skills, so I welcome the new National College for Digital Skills, which starts work in the autumn—a nice but rather rare example of evidence-based policy-making, if I may say so—but more is needed. The Government need to appoint a Minister to bring all this together—a conductor, as the noble Lord, Lord Janvrin, put it.

We spoke about including a digital element in all apprenticeship schemes. Since then, a target of 3 million apprenticeships has been set and there is to be a levy. I hope the levy will encourage employers to see that the digital skills relevant to their particular industry will be included, but are these skills included in the quality standards that the Government are setting for these apprenticeship schemes?

In our report, we spoke of the way companies, especially small and medium-sized companies, will use digital skills to become more productive, innovative and market orientated. We also saw some routine accountancy and financial work and medical diagnostics being done by machines programmed by clever experts. This has progressed far more quickly than I expected, using big data techniques. Indeed, the Management Consultancies Association says that one-third of its members' work, both public and private, is now digitalising products and services, so they, too, need digitally skilled recruits. All this reinforces our argument about the changing nature of work and the need for digital skills—again, confirmed by the Commons report.

Like my noble friend Lord Knight and the noble Lord, Lord Janvrin, what surprised me is the rapid development of artificial intelligence. The visit to Hartree hinted at this and what the noble Baroness, Lady Janke, just told us about Bristol confirms it. If artificial intelligence continues at the same speed of travel, as I am sure it will, perhaps we should have given more thought in our report to the moral, social and ethical values of these digital skills. These same skills can find the connection between our genes and a disease to cure our illnesses, as my noble friend Lord Maxton told us, but they can also send autonomous weapons into battle—a chilling thought. So let us learn from the campaign on the public understanding of science, in which many noble Lords participated. People want to understand as well as to benefit from these new digital skills, and we must explain as well as provide. We have learned that if the public do not want it, the technology becomes discredited.

Another area within the social aspect of digital skills that requires careful thought is the so-called world of transactional employment—that is, casual work done over the internet. Thousands of people now work full-time or part-time in this way. Upwork alone has 20,000 on its list. You would certainly need digital skills to operate on these work platforms. However, together with digital skills, the Government need to ensure that these people could work inside the social safety net, rather than outside it as they seem to be doing at present.

Ours was a timely report, hugely relevant to the modern worlds of education and work and backed up by today's Commons report. But these worlds are moving on and developing fast, so the time cannot be far away when another committee will have to continue the work where we left off. Perhaps the time for the next committee to start work will be after the noble Lord, Lord Sainsbury, reports on technical education and after we have seen the details of the promised digital economy Bill. I think that it will require a committee of this House to ensure that society and digital skills keep in step and develop together, so that we will all benefit.

5.32 pm

**Lord Clement-Jones (LD):** My Lords, I start by congratulating the noble Baroness, Lady Morgan, and all her colleagues on an excellent report and on today's debate, which has been so excellent and thought-provoking. At times, in fact quite frequently and understandably, it has been underscored by considerable impatience. It is a shame that it has taken quite so long to debate this report.

In his contribution the noble Lord, Lord Knight, emphasised that digital is not really a sector any more but all-pervasive. This is illustrated by a recent report by McKinsey, saying that some 50% of the world's traded services is already digitised and that 12% of global trade is conducted via e-commerce. Moreover, 3D technology will ensure a huge impact on physical trading flows in the years to come. I have just come back from China, and it is sometimes worth looking at how the UK is perceived from the outside. The UK's digital economy is recognised as a world leader, as the noble Baroness, Lady Harding, said. At 10% of GDP, its percentage is larger than that in any other G20 country.

The noble Lords, Lord Aberdare and Lord Haskel, lightly touched on the European Union aspect. In that context, I have considerable concerns that Brexit would have a major impact on our digital sector, including our software industry, particularly in respect of its inability to take full advantage of the European digital single market. Furthermore, Brexit could easily shrink the talent pool available to companies in the sector.

I hope that many of the points made by the committee's digital future report will be incorporated in the forthcoming digital economy Bill. We all look forward to hearing what the Minister has to say. For example, there is still time to rethink the ambition for the universal service obligation. At present, rollout will happen only on request and may not mean 100% coverage. Superfast broadband of at least 25 megabits per second is a utility, as the noble Baroness, Lady Morgan, said. It should be universal and the Government should be investing in it. However, as the noble Baroness, Lady Harding, said, this is not just about infrastructure. My noble friends Lord Kirkwood and Lord Foster and the noble Lord, Lord Holmes, emphasised that exclusion is also a major danger, with 10 million people possibly being excluded. I very much like the emphasis placed on universal basic digital literacy, which we must emphasise in our public policy. The case for the investment payback was illustrated very well by my noble friend Lord Foster.

[LORD CLEMENT-JONES]

The report rightly places emphasis on the importance of regional clusters for digital development. It is not only the northern powerhouse; as my noble friend Lady Janke made clear, Bristol is also leading the way in becoming a smart city. Links with local universities are crucial in each case. But as the committee also points out, there is a great need to link industry and local government far more effectively with further education institutions as well. I welcome the funding of incubator facilities in Leeds, Manchester and Sheffield, but I hope that, when elected, each of the mayors in those cities will appoint digital champions for their city regions and combined authorities to work with education and research institutions and private sector organisations.

There is so much interest outside the UK in the digital developments taking place in our cities that a point of clear contact is absolutely crucial. I hope that, following the Nurse review, the new UK research and innovation body under the leadership of Sir John Kingman will have a major impact on digital research strategy by building links between business and the research base, as he says. Will the Government set up a ministerial committee to provide oversight and co-ordination, as recommended by the Nurse review? Many noble Lords in this debate have asked for a much better method of co-ordinating government efforts in this area.

Above all, however, the Digital Skills Committee's report draws attention to our major digital skills gap that, more dramatically, was called a crisis by the Commons Science and Technology Committee. Perhaps the Government have been guilty, as in the words of an advertisement, of turning a drama into a crisis. Recent estimates suggest that the UK is already losing a potential £2 billion a year from unfilled roles requiring digital skills, as the noble Lord, Lord Aberdare, said. The scale of the growing gap over the next decade cannot be underestimated. In that context I welcome the recognition in the Birthday Honours List of Eben Upton, a pioneer of the Raspberry Pi computer that has helped so many young people to acquire digital skills.

More generally, however, is the DfE satisfied with the implementation of the computing curriculum? Is it really making an impact on growing the pipeline of digital talent in the UK, especially in the light of the committee's finding that,

"Many teachers are not confident or equipped to deliver the new curriculum"?

The committee rightly stressed the importance, as did many noble Lords today, of encouraging women to enter the tech sector to bridge our digital skills gap, while techUK recommends that tech businesses, LEPs, local authorities and schools should collaborate to support organisations that provide events to show young girls the opportunities that digital and tech can offer. There are many other ways of introducing young women into the tech sector, such as the Government's Your Life campaign, which a number of noble Lords commended. There is also techUK's important back to work programme, which provides women returners with the tools and assurance they need to apply for tech sector roles. We need to redouble our efforts in that respect.

I accept that agility of education and training is needed, as emphasised by the noble Lord, Lord Knight. The noble Lords, Lord Janvrin and Lord Lucas, used the phrase "lifelong learning", which must be one of the lessons learned from the committee's report. However, there is a great need for more digital apprenticeship. What progress is being made by the new Apprenticeship Delivery Board? The apprenticeship levy could have significant unintended consequences for the tech sector: techUK has pointed out that tech companies will be some of the largest contributors to the levy but under current proposals will struggle to find relevant apprenticeships to train their workforces. I entirely take the point made by the noble Lord, Lord Lucas, that these apprenticeships should not be too narrow in their scope. What are the Government doing to address this?

Again, seen from outside the UK, are we doing enough to exploit our knowledge and research? We have a competitive edge in many areas, not least e-government. I would have been more fulsome about the Government Digital Service were it not for last week's events, but the fact is that across government something has been created that other countries want to emulate. In 2013, the Government set out their strategy for their own digital services, but we now need a much broader strategy for how we as a nation can capitalise on our digital services and skills worldwide. I welcome the move of the Digital Economy Unit into a single department, but it needs to be much more assertive in promoting UK digital services and know-how internationally. I have almost lost count of the number of noble Lords who mentioned this, but when can we finally expect the digital strategy paper to be forthcoming? Will it be this summer, as promised in the Government's response to this report, or slightly later? I look forward to hearing what the noble Baroness has to say on that.

The committee did not dwell on the intellectual property aspects, and the noble Baroness will be pleased to hear that I will not dwell on them today. Nevertheless the protection of intellectual property in this context is extremely important. Looking at the impact of digital, this is just a first step. Like a number of noble Lords, I am beginning to be concerned about how little planning for the next stage—that of artificial intelligence and robotics—we are doing. The pace of change is speeding up. The noble Lord, Lord Maxton, used the phrase "failing to keep up", and I entirely agree with that. The combined impact of digitisation and robotics, with AI, will mean the hollowing-out of many low-skilled jobs but also of many professional and managerial jobs. How much attention are we giving to educating our young people to enable them to benefit from this new world and adjust to it? We need to become expert in the use of information and data in making judgments. We will need to excel in creativity and the use of our imagination: EQ will be as important as IQ. Like my noble friend Lord Kirkwood, I look forward to a Select Committee on that subject to build on the work that this committee, and I very much hope the Liaison Committee will take note.

5.43 pm

**Lord Stevenson of Balmacara (Lab):** My Lords, we in this House are rightly proud of our committees. We understand that the reach of their work goes much

beyond these four walls, and it is important that we support them and continue with them. Nothing could give me more pleasure than to introduce as excellent a report as the one we have been discussing this afternoon. We must thank my noble friend Lady Morgan and her committee for undertaking this very substantial piece of work, and thank the committee members for their individual contributions. It is quite clear from listening to the debate today that although these things take a lot of time it was quite a pleasurable gig: you can tell from the remarks that people enjoyed being gathered together by my noble friend Lady Morgan. The description of her as organising her flock is perhaps the key to how they have managed to come up with such an excellent report.

However, as has been said, the report has not been matched by the Government's response, which I will come back to later. It is not just length that matters—although it is interesting that the discrepancy in page numbers is so large—it is the fact that it was delayed, did not deal in detail with the very large number of recommendations and failed completely to engage with the revolution that the report suggested is necessary if we are going to tackle the digital future that we face as a country and as individuals.

The report, taken as it stands, is still highly relevant despite being published in February 2015. It is refreshing because of its wide reach and the fact that it made every attempt to look in depth at the issues that it addressed, not just in its analysis of the problems but in the possible solutions. It has blue-sky thinking, which we always want to see in these reports, and has very practical proposals about how the recommendations could be made to stick. Of course the basis for that—as it is for all good policy-making—was the evidence that they sought. They not only sat here and received papers and presentations but went out and learned what was happening on the ground. That has all come out in this excellent report. It was supplemented by another good idea, which might be taken up more generally, which was to ask those who submitted evidence to put down a list of key asks. In other words, it made them do some of the hard work that often has to be done in government by refining the broadness of the thoughts so that there was a specific list of ideas from each of those who gave evidence. I think anybody who needs their thinking on this area gingered up could read those key asks and have a very good idea about the temperature out there and what people want to see happen.

When my noble friend Lady Morgan was asked about her report in an interview, she said:

“This report is a wake-up call to whoever forms the next Government in May”—

this was prior to the last general election.

“Digital is everywhere, with digital skills now seen as vital life skills. It's obvious, however, that we're not learning the right skills to meet our future needs”.

Interestingly, the newspapers picked up three of the main recommendations in the report. The first was the recommendation that runs throughout the report—although it is in no sense the totality of it—that the current approach in the UK to educating people of all ages needs a radical rethink. Secondly, current internet provision in the country needs a step change—a major

boost not just in speed, although that is important, but in bandwidth. An important point was made in the opening speeches—for example, that made by the noble Lord, Lord Holmes—about the danger that if we do not consider coverage and inclusion, not just in physical terms but in terms of groups, gender and previous experience, we are all going to be the losers. I want to come back to that point.

The third point that the papers picked up, which is important and the key to this debate, is that the Government have a key role here. Two very interesting points were picked up in the reports I have read; indeed, they were picked up in the report from the Select Committee in the other place today. A digital agenda goes way beyond what any individual department can achieve in Whitehall. We are talking about a radical rethink of the basic structure under which we undertake education and training and operate our industrial capacity. That cannot be done by any one department, however well resourced: it has to be done by the Government as a whole taking a vow that they are going to do something significant and do it with vigour and for the long term.

Listening to the debate today, I was interested to hear what individual Members of your Lordships' House picked out and wanted to support. It is in some sense demeaning to pick just a few things from the report because, as I have already said and others have mentioned, it is a very rich resource for people interested in this area. We are talking about very complex issues, but it is interesting to see how the key issues have come to the surface for a number of those who have responded. The first, which again underlines so much of this, is the way in which the economy is changing. Many jobs are going to change. Automation is a risk but may also be an opportunity, given how many jobs will have to change and become different. My noble friend Lord Knight said that he was confident that brawn as well as brain would be required in the future economy, but I think we all feel that in some sense we would not be doing the best by our country if we could not provide opportunities for people to engage themselves in improving the quality of the work that they undertake and how they do that.

This takes us into the question of skills, which the noble Lord, Lord Clement-Jones, just mentioned and which was picked up by my noble friend Lord Knight. In thinking about skills, we have a tendency to do two things. First, we apply it sector by sector, which as has been said will not work in this situation. Secondly, we tend to build a skills infrastructure to operate as if it were some object to be applied in the pursuit of an operation. I do not think that is right in this situation. The noble Lord, Lord Lucas, picked this up. I may not go all the way with some of the things he said, but he certainly had the right idea that we are missing a big trick if we do not understand how industry wants training to happen and how those who have skill needs may need to tap into it in a way that is not currently seen in the system.

Other points were raised that make this a very important area. There is a need for more agility in training schemes. In a click-through world, we need to think differently about how the outputs of training applied to people will affect their resilience to cope

[LORD STEVENSON OF BALMACARA] with a changing world, the portfolio of skills they may need, the fact that people will often be operating in a freelance as well as an employed capacity, and reskilling being the norm, not just occasional.

Many noble Lords mentioned schools and the need to think through the implications in that area. Of course, trying to change school curricula is, as we all understand, an extremely difficult ask. I hope that, when the Minister responds, she will give us a sense of how that battle is going, because I suspect it will be a battle royal right across Whitehall.

The idea that one should raise digital literacy to the same level as numeracy and literacy, which I absolutely support, goes against everything that professional educators seem to want out of the education system. That does not mean to say that it is wrong, as the noble Baroness, Lady Harding, also picked up. We have to think this through, because if we are right about how we will operate in a future world, we have to regard that as the central nut to crack, and therefore apply all the force required, and to think through the implications and the collateral damage that may happen.

Curiously, the innovation and creativity that will probably be key to that is absolutely what occurs when one works in the digital world, but the report is right to pick up how difficult it will be to get the teaching force up to the level required, and, I would say, although it is not mentioned specifically in the report, the need to ask parents to think again about how they support their children.

I had a very good example of that around the dinner table at the weekend, when my wife and I discovered to our considerable dismay that the emails that we had finally got around to sending to our children to get them to do even things as simple as coming downstairs for dinner are no longer applicable as they have not read emails for years. They said, “What are you doing? It is all instant messaging”—and other apps that I could not possibly mention for risk of being sued. If we cannot even do this in our home when we are quite computer literate, we are obviously a long way from the place of this debate.

A lot of noble Lords talked about the internet and the infrastructure that will be necessary to support this work. A lot of good things were said today to which I hope the Minister will respond. The internet as a universal service obligation is what is being proposed, but the questions remain: about speeds and bandwidths, reliability, whether it will really get out to the final 10%, and, if it is to be cost-constrained, what the cost will be and how it will be justified.

As I said, accessibility is not just about hardware, it is also about making sure that those who might otherwise be excluded by background, gender or previous experience also get the chance to be part of the information society. The underlying question posed by the noble Lord, Lord Aberdare—a very good one—was: will we be playing catch-up in this game or do we really intend to lead?

The report is very strong about women’s difficulty in getting digital jobs and how they are therefore being excluded. The problem is not just at school, although that is highlighted, the lack of career paths or the way in which subjects are differentiated between schools

that teach mainly boys or girls. There is a wider concern here about making sure that we all understand what is important about the technologies and where we are going.

Those seem to me to be the key points that have been picked up today. They are important and we look forward to hearing the Minister’s response. The Government’s initial response was very weak; I hope that she will be able to remedy that today. As was said at the beginning of the debate, the Government are rather good at being captivated by their own rhetoric and failing to deal with the detail. This is not a time for rhetoric; this is the time for real understanding of what is in the digital agenda paper that we are promised. Will it be optimistic and inclusive of all the issues that have been raised today? Will it really tackle the question of how the whole Government can move on this, or will it fall into the problem well illustrated by our current difficulty, which is that the Government appear happy to resist the committee’s call for a Cabinet-level Minister to be responsible for driving this agenda forward? They say that it is perfectly okay to have a Minister of State reporting to two Secretaries of State, because that means that the effort is well resourced at the top level. It will not work; you need powerful committees and departments to make this work and get it through.

I raise some minor but important issues. Will Parliament be consulted on this, will we get updates, or will we have to wait for periodic responses and debates? When we get to the crunch, will there be a commitment to our people to make a real step-change in skills and infrastructure? Will we make it or break it?

5.55 pm

**The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills and Department for Culture, Media and Sport (Baroness Neville-Rolfe) (Con):** My Lords, I am very grateful to the noble Baroness, Lady Morgan, for calling this debate and for her lively and interesting speech. I share in the heartfelt thanks of my noble friend Lord Holmes of Richmond to the Select Committee, its staff and advisers for a very perceptive and wide-ranging report on the digital future. I have very much enjoyed the comments today of so many of the committee’s members and other noble Lords. You all know how passionate I am about digital, so to spend an afternoon listening to experts on the subject is for me a delight.

Moreover, last week, the European Union published a paper on digital skills and this very morning—with exquisite timing, as the noble Lord, Lord Macdonald of Tradeston, said—the House of Commons Science and Technology Committee published a report on related issues. All this attention shows the widespread realisation that this subject is of major importance, and the urgency of the issues before us all today. The noble Lord, Lord Kirkwood of Kirkhope, rightly mentioned digital progress in other parts of the country. I was very impressed by the work done in Glasgow on digital health when I was lucky enough to attend the Commonwealth Games.

The fact is that digital skills are of major and increasing relevance to everybody’s lives. As far as work is concerned, they underpin increases in productivity,

but that is by no means all of it. Social life is increasingly dependent on digital, as we have heard and, as the report said, the impact of new digital technology is all-encompassing. Opting out is not possible. The noble Lord, Lord Stevenson, rightly said that the Government have a key role.

The truth is that almost everyone—all those below retirement age and many above it—need to improve and develop their digital skills. Necessarily, many institutions, organisations and businesses—in fact, probably most of them—must be involved. Of course, the Government are a key institution.

Digital is also a key driver of UK growth and innovation. As my noble friend Lady Harding of Winscombe said, we spend more per head online than any other nation and—which I had not heard before—we have the largest positive digital balance of payments in the world. Digital also accounts for more than 8% of exports and for 1.4 million jobs. The noble Lord, Lord Knight, gave a Tech City figure that was higher than that, but they are probably both underestimates, as an extraordinary process of convergence is taking place. Traditional industries such as consumer electronics, healthcare, domestic heating and banking are now adding as much value in their computing as in the original product.

Our work on the digital single market in Brussels recognises this revolution, in which the UK can achieve a lot, an experience which our revived car industry has already shown. I agree with the noble Lord, Lord Macdonald, that the UK should be at the helm of this digital revolution. Indeed, only a month ago I was in Rome, hosting a UK-Italy conference with 60 SMEs, ensuring that the UK is at the forefront of shaping this sort of industrial change. As the noble Lord, Lord Clement-Jones, said, there is so much interest in UK experience overseas—and next week I am at an OECD meeting on the subject.

Since the Committee published its findings in February 2015, we have taken action which addresses key recommendations from the report. The committee called for greater government co-ordination. After the election, in May 2015, we created a digital skills epicentre—maybe it could be more proactive—in the Department for Culture, Media and Sport, with my colleague in the other place, Ed Vaizey, leading the charge. My noble friend Lady Shields, who was here earlier, brings her huge experience to the piece, not only in changing the Government's approach to internet safety but, as we were hearing, reaching parts that others do not reach with her blog. We have support from the Secretary of State, who is more experienced on culture, media and sport matters than many others before him. Of course, I have my own experience of business—some of you may have heard of Tesco clubcard—and international experience of digital.

This set-up was further strengthened in November by transferring responsibility for digital inclusion, now known as digital engagement, to my colleague, Ed Vaizey, in his role as Digital Minister. Because the Government have recognised the critical importance of digital skills and infrastructure, we have established a cross-government digital inclusion and infrastructure taskforce. Chaired by Ed Vaizey, it is tasked with

making sure that we deliver on our digital policy commitments, such as rolling out universal broadband and better mobile phone connections, and actively tackling digital exclusion.

The noble Baroness, Lady Morgan, asked amusingly and graciously when we would be publishing our long-awaited digital strategy. We will be publishing it shortly—and I mean shortly, not at the end of the year. The Government have been working with numerous stakeholders to build this strategy. We have been working extensively with other government departments, as noble Lords would expect, including BIS, DfE and the Treasury—actually, right across Whitehall, in all its nooks and crannies. We will set out a clear digital agenda for government over the course of this Parliament, which will include soft infrastructure with skills and education as key strands. So we will present a joined-up strategy and provide more information on how we intend to report progress, since, as several noble Lords have said, regular evaluation is important. We will set out the Government's ambitions for this Parliament on the whole digital agenda, including on skills and infrastructure, which we have debated today.

We are clear on the scale of the task we face; it is large. This debate, to my mind, could not come at a better time. Finalising our strategy, we can take account of the expertise of noble Lords and, of course, of the Commons Science and Technology Committee report, published today and chaired by another talented woman, Nicola Blackwood, as has been said. I shall personally make sure that my friend Ed Vaizey reads the “pearls of wisdom”, in the words of the noble Lord, Lord Foster of Bath.

Most importantly, the report called for the Government to share their digital agenda. We will do just that through the publication of our digital strategy, which will set out Government's ambitions for this Parliament for the whole digital agenda, including on skills and infrastructure. We believe this will help to secure our position as a digitally innovative nation.

I move on to infrastructure. To make the most of the internet, people must be able to access it. I have often spoken myself about the importance of this fourth or fifth utility. We are on track to reach our aim of 95% broadband coverage by the end of 2017.

On the question asked by my noble friend Lord Holmes about the last 5%, we have given more funding to areas with coverage below 90% to increase their coverage levels to at least 90%. In very hard to reach areas, we are running pilots with suppliers to identify the best way to reach those, and which will inform future government investment. Through the digital economy Bill we will be introducing measures to implement a broadband universal service obligation by 2020. This will oblige providers to provide households and businesses with a broadband connection of a minimum speed, regardless of location. I am sure there will be many opportunities to debate the detail.

To respond to my noble friend Lord Kirkwood of Kirkhope and my noble friend Lord Holmes, the Bill we have in mind will be wide-ranging. In addition to measures to increase connectivity, including the USO, there will be changes to the electronic communications code to make it cheaper for operators to acquire land,

[BARONESS NEVILLE-ROLFE]

which will help with internet rollout, and there will be measures to enable us to use government data to deliver public services.

The UK needs digital skills at every level. There are the basic digital skills needed by all individuals, which my noble friend Lady Harding described so convincingly, making the business case in her inimitable way, for more investment. Then, there are the higher-level skills already required by many jobs—I would say most—and, thirdly, specialist and advanced skills required by experts. There about 1 million of them needed by 2023.

My noble friend Lord Holmes asked me a lot of questions. We certainly recognise the importance of ensuring that the internet is accessible to all, which is why all new digital services from the Government must meet the digital-by-default service standards. There are also many vital business initiatives in this important area.

It is widely recognised that basic digital skills may soon become as important as maths and English. Accordingly, many people have upgraded their skills in recent years and the Government have provided funding to help. Since 2010, we have provided £36 million to partners to support 1.5 million people to gain basic digital skills. That includes the Tinder Foundation, which the noble Lord, Lord Knight of Weymouth, chairs, and which we should not compare or confuse with the dating website of the same name!

Of course, we have more to do. Data from Ipsos Mori and Go ON UK suggest that 23% of adults lack basic digital skills. To meet this challenge, the Government are working with a network of private and voluntary organisations to develop initiatives that will reach as many people as possible. For example, Lloyds Banking Group is training 20,000 digital champions to support the digital skills of customers and the wider community. That is a good example of corporate philanthropy.

As acknowledged by the noble Lord, Lord Janvrin, we have reformed the school computing curriculum, so that it provides young people with computational thinking skills needed for the future of work. The number of students taking the computer science GCSE has risen markedly, and we should not forget the totemic and substantive importance of every new primary school child, including my own granddaughter, now learning coding.

I shall reflect on the wider points made by the noble Lord, Lord Stevenson, about the balance in the curriculum. Certainly, digital is extremely important to the curriculum, which is acknowledged in all the countries that I travel in and in our own work in the Education Department.

Reforms to technical education will be announced in our post-16 skills plan, to be published later this year, and feature in the Higher Education and Research Bill, already introduced in the other place. Reformed apprenticeships, which several have mentioned, will enable employers to collaborate to create standards that are relevant to the digital revolution and meet their needs. As a former employer, I believe that that will be a priority in the new employer-led apprenticeship environment. So I agree with the noble Lords, Lord Aberdare and Lord Clement-Jones. Ten standards have

already been created for digital, with more in the pipeline, and of course we have set up the Institute for Apprenticeships to safeguard quality.

The noble Lord, Lord Knight, asked about the cost of debt to students. The innovative digital degree apprenticeship is two-thirds funded by government, with one-third and a wage paid by the employer, so this route is providing high-level digital skills at no cost to the apprentice and enables young people from all backgrounds to gain digital skills. I hope this will be a new avenue to the digitalisation of our workforce. We have already established the Ada National College for Digital Skills, which opens in Tottenham Hale in September 2016, and aim to reach 5,000 students within five years, 40% of them women.

In higher education, Professor Shadbolt's review has provided some important recommendations on improving the employability of computer science graduates. I am sure the noble Lord, Lord Lucas, will be interested to know that we are working with stakeholders to take these employability success factors forward. I fully agree with the noble Lord, Lord Janvrin, about the importance of equipping people with the digital skills they need throughout their lives. We are holding a summit on lifelong learning in July, which will explore this important area further.

Several noble Lords mentioned diversity. It is vital that girls and boys recognise the opportunities digital skills offer. I will not repeat all that has been said, but I should add that my honourable friend Ed Vaizey chaired a summit recently with industry better to understand the issues which might be limiting the numbers of women in digital roles. We will be taking that further. We recently announced our ambition to see a 20% increase in the proportion of girls' A-level entries in maths, science and computer science by 2020.

The Government are also taking action to ensure we are developing the specialist digital skills that are so essential to the economy, which includes the work the Government are doing on data and artificial intelligence. On cyber, there is a £1.9 billion programme over the next five years with a lot of opportunities being proposed.

In the interests of time, I will write to the noble Lord, Lord Foster, on the BBC. It is something that we discuss often in this House, and I would like to answer the questions he raised.

In closing, I repeat my thanks to the committee and to the noble Baroness, Lady Morgan of Huyton, for their excellent contributions on a vital topic. As the noble Lord, Lord Aberdare, I think it was, implied, the report has matured, rather like good wine, and it feels even more relevant today than it was in February last year. What about that for an excuse for taking time to provide time for a debate?

Since the report's publication, we have further improved government co-ordination on digital skills and have continued to make our education and training systems more relevant to the needs of employers. While on most measures we compare well with other EU countries of a similar size, there is a vast amount still to do, and that is why we will shortly be setting out our ambitions

in our digital strategy and explaining how we can seize the current and future opportunities that the digital revolution offers.

6.13 pm

**Baroness Morgan of Huyton:** My Lords, I thank all noble Lords who have spoken in an excellent debate. I thank the Minister for her reply and for the spirit in which she replied. These speeches have shown, as ever, the wealth of expertise and experience in this House and the strong consensus that exists across all Benches. I hope that this debate gives power to her elbow to get a comprehensive, practical, agile agenda published and moving. It is crucial to the UK's future success. Finally, it is important that as a House we return in future to this subject to assess progress.

*Motion agreed.*

## Orlando Terrorist Attack

### Statement

6.14 pm

**The Parliamentary Under-Secretary of State, Department for Transport and Home Office (Lord Ahmad of Wimbledon) (Con):** My Lords, with the leave of the House, I shall now repeat a reply to an Urgent Question delivered in the other place by my right honourable friend the Home Secretary. The Statement is as follows:

“The attacks in Orlando on Saturday night were utterly evil, and the Government condemn them completely. At least 49 people were murdered, and a further 53 people were injured, many of them seriously. These people were enjoying a night out when the attacks took place. Our hearts go out to them, their families and their friends.

This is the deadliest mass shooting in US history. It was an outrage committed to spread fear and was born out of hatred. As President Obama has said, the US authorities are treating it as a terrorist attack, and Daesh has claimed responsibility. It is clear that such an attack has its roots in a twisted ideology which counts homophobia as a cornerstone of its warped world view. This was not just an act of terror, but an act of homophobic hatred, and I want to make clear to all LGBT people in Britain, and around the world, that we will not tolerate such bigotry and violence. We will work closely with the United States, and we will continue to offer it our assistance and support. We stand shoulder to shoulder with our allies and friends in the global fight against terrorism, fear and hatred.

As the investigation into this attack continues, more information will emerge. However, we are not aware of any British nationals being caught up in the events on Saturday night. As should be expected, in the light of this attack, UK police forces will be further reviewing plans for large-scale and other public events over the coming days and weeks. The police are not advising any organisers to cancel or postpone any LGBT-related events.

Honourable Members of this House will be aware that since the start of 2015 we have seen 16 terrorist attacks in Europe, including in Brussels and Paris, and Tunisia, which all saw British people killed or injured.

There have been attacks further afield, including in Bangladesh over the weekend. In the past 18 months, the police and security services have disrupted seven terrorist plots to attack the United Kingdom. All were either linked to or inspired by Daesh and its propaganda. The threat from international terrorism, set independently of Ministers by JTAC, remains at severe, meaning that an attack is highly likely. In March, the murder of prison officer Adrian Ismay reminded us that the threat from Northern Ireland-related terrorism also remains.

Mr Speaker, each time I come before the House following a terrorist attack, I do so in the knowledge that people have died and others are suffering. I know this House and people around the world, of all faiths and none, will want to join me in condemning this attack. This Government are determined to defeat the insidious ideologies that drive extremists. Let us be clear: there can be no justification for the mindless slaughter of innocent people. There can be no hiding place for those who perpetrate these acts, and there is no doubt that we will fight and we will prevail against the doctrines of hate and fear which lie behind such attacks”.

6.18 pm

**Lord Rosser (Lab):** My Lords, we endorse the words of condemnation that have just been expressed about the homophobic terrorist atrocity in Orlando, and we express our condolences to the families of those who have been murdered. Our thoughts are with those who have been injured and their loved ones, and with the people of Orlando, in particular, and of America as a whole.

We are not, as we know only too well, immune from such atrocities and hate crimes from those who want to divide, not unite our communities. We seek to create an environment where no sections of our community are demonised or feel threatened or discriminated against, since we recognise that if we can achieve that goal it will encourage and deliver the tolerance and understanding of each other which is the hallmark of a stable, safe and decent society. Bearing in mind his own responsibilities for community cohesion and addressing hatred and prejudice, will the Minister say what further steps the Government will now consider in this vital area in the light of the Orlando atrocity?

We in this country believe in the importance of severely restricting access to and the possession and ownership of guns as an essential prerequisite to our reducing the likelihood of such terrible events here. Do the Government now consider, in the light of the Orlando atrocity and other terrorist atrocities being committed elsewhere in the world, that further measures are needed to help to ensure the safety of those attending imminent forthcoming Pride celebrations, or are they satisfied with the present security arrangements in place?

**Lord Ahmad of Wimbledon:** My Lords, I thank the noble Lord. I am sure his sentiments and his unequivocal condemnation of this heinous crime resonate across the House. On the issue of community cohesion, we celebrate Britain for its diversity and the strength of its

[LORD AHMAD OF WIMBLEDON]

people of all backgrounds, races and faiths and of different sexual orientations, who come together and who celebrate and define what Britain is today. The Government are totally committed to ensuring that we continue to protect that so we can continue to celebrate what Britain stands for in the modern world today.

On the question of firearms, as noble Lords will be aware, the UK has some of the toughest gun laws in the world and we are determined to keep it that way. The Policing and Crime Bill will introduce changes to firearms legislation, including a new offence of unlawfully converting imitation firearms into firearms, and tightening definitions on, for example, antique firearms. The UK is also co-operating with Europe to prevent the movement of people and weapons linked to terrorism.

On the noble Lord's final point about the LGBT community and issues relating to Gay Pride, as I said in the Statement, UK police forces will be further reviewing plans for large-scale and other public events over the coming days and weeks. While that remains an operational matter for the police, they are not advising any organisers to cancel or even postpone any LGBT-related events.

**Baroness Barker (LD):** My Lords, earlier today on Twitter, David Morgan said this:

"If you're not gay you might not know how rare it can be to feel welcome and safe in a space. To be gunned down in one of them is horrific".

That is why today members of my community are shocked and we mourn, just as we did 17 years ago when the Admiral Duncan pub was bombed. What have the security services and the Government learned in the intervening period about how to prevent hate crimes being perpetrated on minority communities?

Will the Government consider convening a meeting with leaders of faith groups and the LGBT community so that we might begin a dialogue about how the many millions of moderate members of religious groups can be assisted to detect and prevent the radicalisation and hatred to which some members of their communities are sometimes vulnerable, so that as a result of that work we might have communities that are diverse, inclusive and safe for all?

**Lord Ahmad of Wimbledon:** The noble Baroness makes a very valid point. On the issue of recognising current threats, I fully respect and appreciate that many people within the LGBT community are feeling vulnerable. I know that in the UK we have seen certain attacks against people of particular sexual orientations or from communities defined by particular faiths, with a rise in anti-Semitism and Islamophobia. It is perhaps only those communities that truly recognise what they live under. That said, I recognise also that Britain remains a place where people feel safe and secure. It is the Government's responsibility to ensure the security of every citizen, and we will continue to do so. Let me be clear: irrespective of who you are and your cultural background, faith background, sexual orientation or gender, Britain celebrates its diversity. That is a strength of our nation and we will protect it.

**The Lord Bishop of Chester:** My Lords, on behalf of those who speak from these Benches, I express our utter abhorrence at what has happened. Indeed, I endorse the Home Secretary's unambiguous use of the word "evil" about those acts.

I wonder if the Minister could take a little further what the noble Baroness, Lady Barker, has just said about the importance of engaging with the leaders of faith communities to address how we can live in a way that fundamentally recognises the universal human rights in our society from which we all benefit. This is an attack on our civilisation. At root it is a hatred of our civilisation, and anyone who can get to the bottom of that with a united front against it, alongside all the security measures that need to be taken, will really make some progress.

**Lord Ahmad of Wimbledon:** I agree with the right reverend Prelate. The noble Baroness raised this issue, and I will take it back and put it into play. One of my areas of responsibility at the Home Office is as Minister for Countering Extremism. That means meeting the challenges of extremism in all its ugly guises and bringing together voices to unite against extremism. The noble Baroness's suggestion, endorsed by the right reverend Prelate, is something that I will take back. We will look to make progress with faith leaders, and those of no faith. This goes way beyond any faith; it is about how we as a country come together. People of faith and no faith should stand united against all kinds of evil.

**Lord Hayward (Con):** My Lords, my noble friend will be aware that I and several hundred gay rugby players were partying in gay nightclubs in Florida only last week and the week before. We are therefore very conscious of the events of the last two days. However, it is a hate crime. The target happened on this occasion to be the LGBT community, but it could have been any other community on another occasion. Will the Minister please encourage a British response to this? That means not just saying, "We will ensure that Pride is safe", but encouraging the nation at large to come out and show its support for Pride events, wherever they may be, because British people are not cowed by such events.

**Lord Ahmad of Wimbledon:** First, I say to my noble friend that our reports say no British citizens were impacted, and I am pleased to hear that all are safe. That said, he is right. I agree with his sentiment that we as Britain deal with these issues head on, and that means bringing people and communities together. The best response to any extremist or terrorist threat is to unite against such threats. By doing so, as we have done previously and are doing again today, we will show extremists of any guise that we will defeat their voices of evil.

**Lord Cashman (Lab):** My Lords, as a member of the lesbian and gay community, I recognise that this attack on our community is an attack on us all, but does the Minister agree that we must not match hatred with hatred? We must inform and educate, and, above all, we must ensure that this extremism is not represented as coming from any one religion, theology or community.



We must show that we have the quiet determination to resist it and ensure that such actions never happen again.

**Lord Ahmad of Wimbledon:** I totally agree with the noble Lord's sentiments, and of course agree that no religion endorses such acts of evil and hate. Recently we have seen sectarian issues arise here in the UK and indeed my own Muslim community was impacted in that way recently by the incident in Glasgow. Actually, my Ahmadiyya Muslim community puts forward a great slogan: "Love for all, hatred for none".

**Lord Boateng (Lab):** My Lords, I was a Home Office Minister when the Admiral Duncan pub was attacked, and I remember those times very well. The only answer can be target-hardening, making sure that the police have the resources to do so in conjunction with the community and, above all, making it very clear that whether black, white, gay, straight, Muslim, Christian or Jew, whatever we are, we are one people and we will not give in to this sort of hatred and terror.

**Lord Ahmad of Wimbledon:** I totally endorse and agree with the sentiments expressed so eloquently by the noble Lord.

## EU: Energy Governance (EUC Report)

### *Motion to Take Note*

6.29 pm

*Moved by Baroness Scott of Needham Market*

That this House takes note of the Report from the European Union Committee *EU energy governance* (6th Report, Session 2015–16, HL Paper 71).

**Baroness Scott of Needham Market (LD):** My Lords, I am grateful to have the opportunity this evening to debate the sub-committee's report on energy union governance. It is some six months since our report was published, although having just heard that the Digital Skills Committee has waited some 16 months for its debate, perhaps I should not grumble as much as I thought I would. However, I make the general point that Members of this House put a huge amount of effort into Select Committee reports, the staff work extremely hard, and outside witnesses and organisations take a great interest in the work we do, so it is a great pity when the House does not find time to debate these closer to publication. Nevertheless, I am pleased to be able to present the report this evening.

For any Government, nothing is more important than keeping the lights on, but we are trying to maintain a supply which is not only secure but affordable for consumers, whether they are individuals or businesses, and which is environmentally sustainable. That challenge—that trilemma—has focused minds on the benefits of co-operation as a means of achieving those goals, and the EU energy union is one vehicle for that co-operation.

I have had the privilege of chairing the EU Energy and Environment Sub-Committee for three years, and I can honestly say that it has been the most rewarding and fulfilling experience I have had in my 16 years in this House. But now I have, sadly, been rotated off. It

is a painless but not entirely pleasant experience, and I shall miss the work a good deal. The members of the committee have always been immensely supportive, and one of the great joys of the work is that we have never been hampered by discussions or debates of a political nature. Our debates are robust at times but have always focused on the issues, and are all the better for that. I therefore extend my sincere thanks to each current member of the committee and to those who, like me, have been rotated off.

I also place on record my thanks to the noble Lord, Lord Boswell of Aynho, the chairman of the European Union Committee. His leadership, encouragement and personal support have been a great help to me. My noble friend Lord Teverson, who I see in his place, has now taken up the position of chairman of the committee and I have no doubt that he will enjoy the experience as much as I have and bring to it his great knowledge of the wide range of subject areas covered by the sub-committee. He served in the European Parliament and previously chaired an EU sub-committee. I wish him well. He, like all of us in this House, will be supported by efficient, knowledgeable and highly-skilled staff, whose commitment to our work, and indeed to the House, is absolute.

As your Lordships may know, the remit of the sub-committee includes agriculture, fisheries, environment, energy and climate change. The subject of the short report for debate this evening is firmly within the realm of energy. It is clear to most of us that energy policy in the 21st century cannot be formed from an isolationist perspective. The European Commission's energy union strategy recognises this reality and attempts to ensure that Europe has a secure, affordable and low-carbon supply of energy. It aims to deliver energy security, reduce emissions and provide a better deal for consumers, and uses energy efficiency measures, the completion of the internal energy market and research and innovation to deliver this. An agreed EU energy governance framework will be essential to underpin the relationships between the EU institutions on the one hand and member states on the other. Such a framework will seek to meet the energy policy objectives of both the EU and member states but also to respect member states' national sovereignty.

Before I go on to speak about the report itself I will make one or two comments about the background to it. The committee's report was published in December and was the result of a short inquiry following a stakeholder seminar and a ministerial evidence session, as well as written submissions. The inquiry was timely; the European Commission published the first state of the energy union report last November and is expected to bring forward legislative proposals on energy governance later this year. Our report offers some thoughts and recommendations ahead of those legislative proposals. I extend my thanks to the specialist adviser to the inquiry, Antony Froggatt, whose comments and guidance on complex and rather technical matters were invaluable.

Our report called on the European Commission to ensure that the proposals for a future energy governance framework include legal clarity, a respect for member state sovereignty, a strong focus on security of supply,

[BARONESS SCOTT OF NEEDHAM MARKET]

a commitment to the consumer, real ambition for decarbonisation, and increased regional co-operation. Indeed, we argue that the EU-wide binding 2030 renewables target will not be delivered unless it is backed up by a monitoring and enforcement mechanism which acts as a guarantor for the agreement and ensures that member states share the effort equitably.

The European Commission response was received on 3 March and was largely supportive. The UK Government's response to the report was received on 29 February and was accompanied by a covering letter from Andrea Leadsom. It would be fair to say that the response has focused on current UK Government policy and the domestic measures which are already in place. In many cases the response simply avoids commenting on specific EU-level conclusions and recommendations. Overall, it lacks detail and comprehensive engagement with the arguments put forward by the report. I fear that this is due to current circumstances and that the Government are nervous about saying much at all because of the way things stand now. Nevertheless, I will make four points and I will be grateful if the Minister could reply to them at the end of the debate.

In paragraph C of the response, the Government avoid commenting on the report's headline recommendation that the Commission should be able to propose new measures to guarantee existing EU-level commitments. The response contains a broad statement that agrees with the streamlining of reporting requirements. However, we argue that given the political importance of the EU-wide binding renewables target of 27% by 2030, it is noteworthy that there is no elucidation of the Government's position. While we know that the Government are sceptical of the sort of enforcement measures proposed by the Commission, we would have hoped for some real engagement with the recommendation, even if only to disagree with it and to suggest what an alternative might look like.

In paragraph B the Government are silent on the committee's recommendation that they should be transparent, timely and comprehensive in reporting their own progress against each of the dimensions of the energy union. Can the Minister say what the Government's policy on this is?

In paragraph D the Government comment on bringing forward new renewable support schemes to bring forward additional offshore wind generation. However, they seem to have confused ongoing industry support with the more important need to maintain investor confidence through long-term and consistent policies. This point about investor confidence was a major theme in the committee's 2013 report *No Country is an Energy Island*, and its conclusions are as valid now as they were then.

Finally, the Government's comments on capacity markets are at odds with the view of the sub-committee in a number of areas. The sub-committee recommended that there should be a common framework at EU level to assess the need for and the means of achieving adequacy standards which secure availability of supply without escalating prices to consumers. The Government appear to disagree, arguing that this is a political decision that cannot take place until the internal energy

market is completed. In fact, in the sub-committee's view this is a technical task and would contribute to the completion of the internal market. The Commission agrees with the sub-committee that a common framework within the EU should be developed. Therefore are the Government really opposed to common adequacy standards? On measuring generation adequacy, the Government seem to agree with a common methodology at EU level but also seem to want national assessments. There seems to be an inconsistency here. Finally, on energy storage and demand-side measures the report argues that they should be given equal access to domestic capacity markets. The Government point out that these are already eligible to participate in the capacity market but do not comment on the inequality which we have highlighted.

I have one final point about the UK Government's overall approach to regional co-operation. The previous report authored by the sub-committee on regional marine co-operation, *The North Sea Under Pressure*, concluded that no existing body or mechanism has a sufficiently broad remit to facilitate the political co-operation required to make the necessary step change in management of the North Sea basin, and we argued for the re-establishment of a North Sea Ministers' conference. This recommendation was rejected by government on the grounds that such co-operation was taking place elsewhere. I fear that our calls have fallen on deaf ears. Last week the Vice-President for Energy Union and the Commissioner for Climate Action, with Ministers from Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands, Norway and Sweden, signed a political declaration and action plan on North Sea co-operation. The declaration will facilitate the building of missing electricity links and allow more trading of energy and further integration of energy markets. Reinforcing regional co-operation will help reduce greenhouse gas emissions and improve security of supply.

The UK was, sadly, absent. The announcement, like much these days, was reported on Twitter and there were lots of comments asking, "Where's the union jack?". I fear I know the answer to that but, even if the UK felt that in the current circumstances it was not able to be highly visible, I would like to think that we are engaged in this process. After all, if that well-known maritime nation Luxembourg thought that it was worth while attending and co-operating, it would seem very odd for the UK not to be there. The benefits of co-operating and the savings that come from it are enormous, so it really makes sense to do so.

Energy is crucial for all of us and the objective of secure, affordable and low-carbon energy can be aided by co-operation across borders. The EU has a really important role to play in bringing member states together, whether in a legislative framework or in a spirit of voluntary co-operation. The UK Government need to do more to demonstrate that they are serious about leading in this endeavour, whatever the outcome of 23 June.

6.41 pm

**Lord Selkirk of Douglas (Con):** My Lords, I am delighted to follow the noble Baroness and to say how much those of us on her sub-committee appreciated

her splendid leadership and commitment to producing this and other extremely good reports. The contribution that she made as chair and the work of all the members and the clerk helped to produce a really good report, whose conclusions and recommendations will stand the test of time. I wish her successor, the noble Lord, Lord Teverson, every good fortune. I served under him on another sub-committee dealing with foreign affairs and defence, and he, too, in my humble opinion, produced extremely good reports. They were very well thought out and, similarly, have stood the test of time.

I am glad to have the opportunity to say a few words this evening. Perhaps I should mention a past interest: I was a Minister for the Environment in Scotland for five years. I recall that speaking on the subject of how to protect the environment and sustainable development felt a little bit like preaching against sin: some people listened and some did not. Today's debate is very different because an abundant and affordable supply of energy can be a life-saving measure in circumstances of extreme cold. Whatever the outcome of the referendum, it is extremely likely that continuity of gas supply for heating purposes will be enormously important for the health of our nation, as well as for the health of other European Union nations.

Inevitably, it makes sense to be prepared for unforeseen developments either through emergencies caused, for example, by floods or by nations cutting off the energy they supply or charging enormous fees for it. So it seems to me that developing EU energy governance is necessary to safeguard continuity of supply. In some ways, it is rather like taking out an insurance policy in respect of possible events that may never take place.

I ask the Minister to confirm that the Government will give full support to Recommendations 19 and 20. Recommendation 19 states:

“The Commission should ensure that proposals for a future energy governance framework include legal clarity, a respect for Member State sovereignty, a focus on security of supply, commitment to the consumer, real ambition for decarbonisation and increased regional co-operation”.

Fulfilling those aspirations is likely to be a substantial challenge. For that reason, it is appropriate that the final recommendation—Recommendation 20—takes into account the different timescales that may be applied by different countries. It is therefore right that Recommendation 18 states:

“Regional co-operation”—

the noble Baroness referred to very recent happenings—  
“should be far more prominent in governance discussions”.

Similarly, it is right that Recommendation 20 lays down:

“The Commission and Member States should work together on a governance framework that recognises the different timescales that are involved and ensures policy coherence between short and long term targets and objectives”.

Perhaps the Minister will also confirm that on this one aspect of providing sufficient warmth to many millions of people, the Government should be, and should remain, sensitive to the needs of consumers throughout Europe.

It was Napoleon Bonaparte who is believed to have called our countrymen and countrywomen a nation of

shopkeepers. According to Napoleon's surgeon, the defeated emperor later explained his remarks in the following terms:

“You”—

by which he meant all of us—

“were greatly offended with me for having called you ‘a nation of shopkeepers’. Had I meant by this that you were a nation of cowards, you would have had reason to be displeased, even though it were ridiculous and contrary to historical facts; but no such thing was ever intended. I meant that you were a nation of merchants, and that all your great riches and your grand resources arose from commerce, which is true”.

He went on to say that no man of sense should be ashamed to be called a shopkeeper. Nowadays, of course, we would add, “and no woman”. Today, trade and commerce and the selling of goods and services in our country remain every bit as important as they were in Napoleon's day.

This report is a good one. It has been well received by the European Commission, which, in its positive response, stated that national policies should contribute to member states working better together to meet the challenges of ensuring,

“secure, competitive, safe, affordable and sustainable energy to all consumers”.

I therefore commend this report as being worthy of the Government's serious and sympathetic consideration and support.

6.47 pm

**Viscount Hanworth (Lab):** My Lords, several reports of the European Union sub-committees of the House of Lords have been scheduled for debate prior to the crucial date of 23 June, when the referendum will be held to determine whether Britain has a future as a member of the European Union. It might seem that such reports would become irrelevant if our membership of the Union were to cease. Indeed, the very existence of the European Union Committee would be in doubt. However, it is a misapprehension to imagine that, in that event, the committee's reports would become irrelevant. In any circumstances, we shall be tied to Europe, and the needs and problems to which the reports draw attention will be only exacerbated if we leave the European Union.

The need to which the report on energy governance draws attention is for an orderly and integrated system of energy supply throughout the European Union that transcends national boundaries. The three aims are to achieve carbon reduction in line with agreed commitments, to ensure security of supplies, and to achieve efficiency and affordability. The European Union imports 53% of its energy supplies. For their imports of gas, the member states depend heavily on a single supplier, which is Russia.

There are mounting anxieties over the security of supplies. There is a growing dependency on renewable resources for generating electricity, and these can be intermittent and unreliable. These problems can be addressed and partly overcome by enhancing the interconnectedness of the network of supply. The intermittency of the electricity generated by wind and solar power can be mitigated if the network of interconnections is wide enough to comprise regions of greatly differing climatic and meteorological conditions.

[VISCOUNT HANWORTH]

Britain faces the same problems as many of the other nations of the Union. After spending most of the previous 25 years as a net exporter of energy, the UK became a net importer in 2004. The gap between imports and exports has increased since then, and it looks set to continue to increase in future. Our imports of energy now amount to 40% of our consumption. The narrowing margin in our capacity to meet the demand for electricity is compelling us to seek external supplies via enhanced connections with neighbouring countries.

The need for concerted action across the European Union to deal with the problems of energy supply is increasing at a time when its ability to act in concert is in doubt. Thus, whereas the European Commission is keen to declare common objectives, it is hesitating to define the means by which they can be achieved.

The tendency is well illustrated by the programme for carbon reduction. In 2007, the leaders of the European Union agreed climate and energy targets for the year 2020. These included a 20% cut in greenhouse gas emissions relative to 1990 levels. The Commission mandated a 20% provision of energy from renewable sources and a 20% improvement in energy efficiency. Targets were declared for individual member states. In 2014, the European Commission adopted targets for 2030 that included a 40% reduction in greenhouse emissions relative to 1990 levels, a 27% target for renewable energy and an energy efficiency target of 27%. However, no targets were declared for individual member states, for fear of their being resisted.

Such apparent weakness of purpose has led, in some quarters, to the disparagement of the European Union. However, in an alternative perception, it highlights the need for concerted action. The need to act in concert is evident in view of the threat to supplies of gas. Russia, which is the principal supplier of gas to the European Union, is inclined to use its position as a means of achieving its political aims. The Russian intentions have become clear recently in connection to the Nord Stream 2 project, which proposes to link Germany directly to Russia via a gas pipeline under the Baltic Sea. This would bypass Ukraine, thereby denying it the tariffs for transporting the gas, as well as threatening its own gas supplies.

It is rumoured that the five western companies co-investing in Nord Stream 2 have been told by Gazprom, the Russian state energy company, that, as a condition for participating in the project, they must cease to receive gas supplies via Ukraine. The project has been heavily criticised by central and eastern European nations that are dependent on Russian supplies that come via Ukraine and that are fearful of Russian aggression. The European Commission had reacted by proposing that mutually supportive groups of member nations should be established with the aim of pooling and protecting their supplies of gas.

It is notable that the former Soviet Baltic states of Lithuania, Latvia and Estonia are pressing for the creation of a single gas market with no internal borders. They have grave anxieties concerning Russian intentions. However, Latvia, the gas supplies of which remain in the hands of Gazprom, has rejected the opportunity

to import gas from Lithuania, and Estonia is pursuing its own projects, including co-operation with Finland. This makes regional co-operation difficult, and it is incumbent upon the European Union to try to amend this situation.

The project for unifying the European energy market is beset by political, technical and economic difficulties. The economic difficulties concern the design of an integrated market and the raising of the necessary funds for establishing or enhancing the interconnections, and for enhancing other aspects of supply.

The Union has adopted many of the nostrums of the neoclassical economists who inspired the Conservative Governments of Margaret Thatcher, and which also prevail among the Conservatives at present. The document declaring the framework strategy of the European Commission for a resilient energy union makes it clear that the Commission expects the necessary investment funds to be provided by private enterprise. It declares that a centralised, supply-side approach is an outdated business model, and it evinces the belief that private firms in competition can be relied upon to cope with the complexities of an integrated market.

To some degree, interconnectedness can be seen as a public good; the public in question being the people within the realms of the interconnected nations that form the European Union. Since public benefits would not be included in their cost-benefit analysis, there is a risk that private investors will underinvest relative to the size of the investment that would maximise the public good. In view of the differing interests of groups in different member states, there is a need for an overarching policy negotiated at European Union level.

The belief of the economics pundits, who tend to be neoclassical economists and free marketeers, is that the appropriate outcomes can be engineered by establishing incentives for private investors. I have a different opinion. To expect to achieve the optimal outcome in a hands-off manner strikes me as foolishly optimistic. Not only must one identify the appropriate outcome but, in order to fashion the incentives, one must make an accurate assessment of the likely responses of private investors. There is a strong possibility that the incentives will be misjudged.

We had a recent experience of this in connection with the energy market reforms of the present UK Government, which are intended to be mediated by so-called contracts for difference. A similar "cap and floor" regime has been proposed by Ofgem for mediating the returns to private investment projects, aimed at enhancing the UK's connections to the electricity supplies of Norway, Denmark, France, Belgium and Ireland. The regime sets a maximum and a minimum amount of revenue to be derived by the interconnector, and it proposes to add to or subtract from their actual revenues according to their shortfall or their excess.

In the UK, the policy of placing investments in power generation entirely in the hands of willing commercial providers has been a disaster. The willing providers of the next generation of nuclear power stations have not been readily forthcoming. We will have to rely on French and Chinese nationalised corporations to undertake the task of building our

nuclear power stations, at an exorbitant cost. At present, their commitment to this task is in doubt. I wish to argue in favour of initiatives for which the finance has been provided by central government, and in which the Government, supported by expert opinion, have the oversight of the associated technologies.

The incentive to rely on the private funding of infrastructure projects has been to remove the costs from the Government's budget and to prevent them impacting on the levels of the Government's deficit. A fallacy of this approach is to imagine that the discount rate by which the present value of future costs and benefits is calculated, and on which the rewards of the private investors are based, can or ought to be the rate that applies to commercial investment projects. That rate, according to the Government's methodology of levelised costs, is at an exorbitant 10%, which is appropriate only to high commercial risks. Investment in national infrastructure is not associated with commercial risks, and the risks that there are should be borne by the Government.

This is recognised in the advice that is embedded in the so-called Treasury *Green Book* for the appraisal and evaluation of investment projects by central government. There, we find that the discount rate for social investment is deemed to be 3.5% per annum. This is a high figure when compared with the current prime lending rate of 1.5%, which is the average rate of interest charged on loans by major commercial banks to private individuals and companies. The consequence of funding energy infrastructure projects in the manner of the UK Government is that the deferred benefits of the projects will accrue largely to private enterprise, when they ought to accrue to the public good.

The European Commission has adopted similar nostrums to those of the present UK Government. However, whereas the Commission is in a position to promulgate an agreed agenda, it is not and never has been in a position to dictate how it might be fulfilled. The documents of the Commission openly concede this point. It behoves us at present to recognise this truth and to gainsay those critics who suggest that our membership of the European Union in some way diminishes our national sovereignty. We are free to make our own decisions on how to reach common objectives. Our membership of the Union can only empower us.

6.58 pm

**Viscount Ullswater (Con):** My Lords, first, I pay tribute to the noble Baroness, Lady Scott of Needham Market, for her chairmanship of the EU Energy and Environment Sub-Committee. Her knowledge of the workings of the Brussels machine is of immense practical use when considering matters of this nature. I thank her for her sure hand and guidance with this report, together with the help and assistance of the clerk to the committee, Patrick Milner.

I believe that the report is a fair reflection of the evidence we heard about the Commission's intention to create an energy union and some form of underpinning governance framework. The Commission's guidance on the preparation of member state national energy plans is a helpful nudge in the right direction and the concept of regional co-operation is sensible.

However, I wish to concentrate my few remarks on energy security and the duty of member states to provide that security with the technology that suits them best. I am pleased that the Commission's response acknowledges the right of member states to determine their own energy mix. We have come a long way in recent years from relying on large, coal-fired generating stations sited conveniently beside deep mining pits to provide the bulk of our electricity supply. The North Sea gave us a plentiful supply of natural gas, which provided an alternative source of energy, and more recently we have developed renewable resources, whether it be wind or solar power.

This is a journey of technological advancement and it will not stop here. Civil nuclear power has been delivered by a whole range of reactors, which have provided the base load for the UK for decades. We are perhaps on the edge of the shale gas revolution at this very moment, and the development of small-scale nuclear reactors seems just round the corner. To quote from a recent policy digest weekly report sent to me by email on 3 June:

"The UK just experienced a historic milestone. For the first time since 1882 and on several occasions during last month, the UK power system was powered without coal. Earlier this year, solar also outstripped coal in electricity generation for a full day".

Whether it is the stimulus provided by the acknowledgement of climate change and global warming, the drive for energy efficiency, or the goal of affordable energy prices, we must not neglect the importance of research and innovation.

Solar power is perhaps in its infancy in this country, but other techniques, such as systems involving the concentration of solar power by the use of parabolic mirrors, are being developed commercially in Spain. We are surrounded by the sea on all sides, yet have not been able to harness this resource in any meaningful way, although we have a mature hydroelectric industry, mostly located in the north. It is this variety that I believe is so important. Whereas I appreciate that perhaps Poland has an overreliance on coal and France on nuclear, I am not persuaded that Brussels should try to dictate which technologies should be developed and where.

The Commission's desire to oversee the development plans of member states should be strictly limited, for, if geopolitical situations and the differing national energy mixes are ignored, the energy governance framework will never command support or function adequately. I am pleased that the Minister told us in her evidence:

"The core theme running through my evidence is that member states should be given every bit of leeway to determine their own energy mix and their own way of meeting their legally binding targets".

I share the Department of Energy and Climate Change's view when it said that,

"the Government does not currently foresee a need for the governance system to be enshrined in legislation".

I hope the Minister can confirm that the Government will hold firm to that stance.

As I said at the outset, I see this initiative being useful for taking stock and sharing information around member states and perhaps for the greater development

[VISCOUNT ULLSWATER]

of interconnectors. But we live in very exciting times for the future generation of electricity, particularly in this country, and I would not wish to see any curtailment of the freedom to innovate.

7.04 pm

**Lord Teverson (LD):** My Lords, I congratulate my noble friend Lady Scott on her work on this committee. I have not been a member of it but I have heard many stories of its effectiveness under her chairmanship. My family comes from Suffolk, but I must admit I have never been to Needham Market. The great and the good there should offer my noble friend the freedom of the town in full recognition of her work over the last three years—something that would be very difficult for me to do equally well. Not having been a member of the committee during this inquiry, I will just make a few comments on the report itself, concerning governance.

Something most of us would agree on is that the twin areas of energy and, in particular, climate policy are absolutely the right things for the 28 sovereign member states of the European Union to start acting far better together on to ensure that we have energy security, in the context of the energy trilemma, and meet our climate goals, which we share with the European Union. In the plans for an energy union, we have not just the three points of the energy trilemma, but two additional points. One is making the single energy market work properly, which we all want in terms of efficiency, security and consumer power.

Another important area is research and innovation. As the noble Viscount, Lord Ullswater, has just said, we are not going to do what we need to do on energy and the climate with existing technologies alone: we need to move forward, work with new technologies and make sure that they are inventive and innovative, so that we can meet targets in the best way at the lowest cost. With its eighth framework programme, Horizon 2020, the European Union is one of the research powerhouses globally. Energy is one of the areas where member states and science communities work best together.

I welcome the national energy and climate plan concept, which I will talk more about later, but we must remember that the energy union debate is not just about electricity. All too often, we talk just about electricity generation, but that represents only about one-third of energy consumption and use. We also have heating, in which gas plays a major role both in this country and across Europe, and transport. Although that is not covered directly by this energy union, it is something we must not forget.

Lastly, as the chairman has said, investor confidence is key right across Europe. I was interested to read in the report that €200 billion needs to be invested over the next decade. Given that we have said many times in this House that the UK itself requires €100 billion, we have a large part to play in making sure that that happens.

On national plans, I completely agree with the noble Viscount, Lord Ullswater, about getting the right balance in energy policy between European intervention and management and national choice,

which is absolutely critical in this area. We should have national plans and climate plans as recommended, but we need to make sure implementation is at national level. National choice should be there but must be compatible with overall European objectives and with those plans, as they work together. If Germany wants, as it did, to rid itself of nuclear power after Fukushima, it should have the ability to do so. It caused some chaos in various ways and did not help its decarbonisation targets, but that is its prerogative. What the UK does is up to us.

I find it difficult when we have an EU target and we do not translate it into a national target. I question whether it is worth having an EU renewables target of 27% if we do not have national targets to achieve that. That is a contradiction, and setting something up to fail.

The regional plans are a good way forward, but we should not think that they will change everything. Interconnected worlds and interconnected regions can also add instability. I think back to financial systems and the crisis of 2008, when everyone was having the same difficulties at the same time. If we all have the same problems with systems requiring energy, those regional interconnections can cause instability. I congratulate the Government on the work they are doing on interconnections, but we need to make sure they are stable. The report says that the Commission should be the body that manages the area of regional co-operation, which is absolutely right. The last thing Europe needs at the moment is another institution. That is a strong recommendation, which should be adopted.

I have some questions for the Minister on the capacity market and the UK. How successful has progress on demand-side management been so far? Where interconnection is continuing, how successful has that intervention been so far? Lastly, we should not forget the cold economy. I chaired a commission by the University of Birmingham that looked at keeping people not warm but cool, which already accounts for some 12% to 14% of energy consumption. We need increasingly to take that into consideration in a European energy strategy.

We should never forget that the answer to the trilemma—security, low cost to consumers and carbon reduction—is energy efficiency. It was a great disappointment that energy efficiency was the one 2020 target that was not legally binding. Energy efficiency across Europe needs to be the fundamental cornerstone of European energy policy.

7.12 pm

**Lord Howell of Guildford (Con):** My Lords, I declare my interests as in the register on energy connections and matters, and I congratulate the noble Baroness, Lady Scott, on her very interesting report. I was not a member of the team, but I read it with the greatest of interest. I am sorry that she has been rotated off. I hope that she is rotated on to something else fairly soon by the mysterious forces that do the rotating. As my qualification, I spent the war years as a child in Suffolk. I seem to remember that we relied on old-fashioned windmills to survive at all in those days.

The report raises so many interesting questions and I have confined myself to two observations. First, this is one of the fascinating areas where we need a lot more Europe and a lot less Europe at the same time. That is a complicated thought and it does not fit in at all with the current Brexit debate, which reduces everything to polarised simplicities, but then hardly anything fits into the current Brexit debate that is of a serious and real kind. The “more”, as noble Lords have rightly perceived and as the report fully recognises, is in the area of physical interconnectors, gas and electricity and the appropriate grid systems, and the regulations, which are immensely complex, needed for the transmission of power or the travelling of gas across borders. We could then have a genuine competitive market in Europe, in which gas and electricity can be priced in a competitive way. We are very far from that. The funding and the organisation of that can only be a pan-continental system, including the UK. We do not have that yet and we have to move towards that to achieve all kinds of objectives in Europe, certainly that meet the trilemmas of reliability, affordability—which we do not have at present—and lower carbon.

The “less” part is more controversial. It is that the EU’s detailed direction in the past—which was even more detailed than now—about how each country should decarbonise and resolve the dilemma has been far too extensive and intrusive and has had very perverse consequences. The report rightly recognises this, but one could be even more frank and point for instance to the German situation. It is the worst example of excessive attempts to meet low carbon leading to higher carbon, to lignite being burnt on massive scales and more coal stations being built, which is the very reverse of what was intended. It is a classic example of good intentions paving the way to we know where. Indeed, the latest figures for CO<sub>2</sub> show that German CO<sub>2</sub> is actually rising again after all its efforts. That is a special situation, I know, because Mrs Merkel decided to close down nuclear power, which would have been one of the contributions to a low-carbon future for Germany.

In this country we have done somewhat better, although at a much bigger cost than some of the optimists forecast when they said that energy transformation would be quite cheap. It will not be quite cheap: it is proving and will prove colossally expensive. It has also raised the shadow of power shortages and narrow safety margins, as is mentioned by almost every paper every day, including this morning. As to the CO<sub>2</sub> side of things, on the production front we have done rather well and there has been a significant UK reduction of CO<sub>2</sub>, but that excludes all the leakage effect of the carbon that is included in our vast import and consumption-based emissions. That is one comment I wanted to make about the more and less.

The interconnectors themselves are very important not only to the whole of Europe and the competitive market but particularly to this island. I had the opportunity when I had responsibility as Energy Secretary 40 years ago to be in office when the French connector, which was operative from the 1970s, was enlarged and strengthened. I now read that we are to go for a second, which is extremely good news and very much part of our future capacity. It will indeed help to save

us from very severe challenges to the reliability of our power supplies and the danger of the lights going out, as was mentioned insistently by Ministers in their evidence to the committee.

It is not the only one. The Danish connector Viking system is under way. The link with Belgium is under way. The possibilities are there for a much longer link with Norway, which will be particularly attractive because it would not be intermittent, spare electricity. As a result of Norway’s hydropower and storage capacities, it would be electricity on demand, as needed at any time. The Danish one would be very intermittent because the Danes have a huge surplus of wind power and are anxious to transmit it whenever it would otherwise upset their entire grid balance. Then there is Iceland, where we could draw on volcanic energy, which would be extremely green and attractive but would again require a considerably long connector system and complicated switching stations either end. But all in all, for Britain alone, we can draw on a minimum of 7 gigawatts extra of electricity, which will be a blessing when one thinks of the dangers of the narrowness of the margins in our own system in the near future, which I will comment on a little more in a moment.

My second observation is that the report talks about energy and climate national plans. The noble Lord, Lord Teverson, has a mastery of these things and said that he welcomed them. My difficulty is that I cannot see that here in the UK we have an energy plan. We have an energy hope that we will muddle through to 2018-19, and that is largely thanks to the brilliance and ingenuity of National Grid, which has set out the ways in which somehow, by hook or by crook, it will manage supply by particular arrangements and incentives, all of which I should say are extremely costly, and by manipulating demand through entering into contracts where demand can be interrupted. In these ways it hopes to get through the next three years without a power crisis. That is the plan. But of course beyond 2019-20 we simply have to build new gas turbines for the simple reason that we have seen 11 major closures of coal-fired stations in line with the policy of both the previous and the present Government. If we are to cover supplies through the early 2020s and have an adequate margin instead of the very narrow one that we are heading for now, and until nuclear kicks in—we hope—in the late 2020s or early 2030s, we need enormous skill on the part of National Grid and we will need more gas turbines.

The hope, not the plan, is that this will be done by greatly increased energy efficiency—the noble Lord, Lord Teverson, rightly says that that is absolutely the key—by reduced energy intensity which is necessary to help with the low-carbon aims, and by much more local generation and a whole range of new technologies, some of which we cannot even foresee at the moment, although we will need them within the next five or six years. It is also going to be done through better capacity arrangements that we have now because so far they have not produced any of the new-build combined-cycle gas turbines we need. I hope—again it is only a hope; talking to the would-be investors it is very much a hope—that the new arrangements will encourage them to come forward and invest.

[LORD HOWELL OF GUILDFORD]

The reality is different. So far the gas turbines have not been built and instead old plants have been subsidised and even diesel has been boosted. Moreover, as the noble Viscount, Lord Hanworth, rightly reminded us, the nuclear future lying at the end of the 2020s is looking extremely wobbly. I have hopes that it will survive and that we shall get through the period, but the very name Hinkley Point C produces frowns on many faces. It is hard to see how all that work is going to be completed in line with the wishes of the French and British Governments unless they take the obvious route of halving the size of it and building a single reactor as at Flamanville, and thus halve the enormous capital costs. I suspect, although it is only a guess, that that is where they will come to in the end.

What the EU should be doing in terms of governance is rather different from what it is doing now. The energy union is mentioned in the report. It was a document of immense length and I know that there were good intentions behind it. It sought partly to increase the security of the Gazprom-threatened eastern and central Europeans, which in the case of two or three countries has been very serious because they were 90% to 100% reliant on Gazprom. It was a progress policy, and in part it was to continue the anti fossil fuel policy by encouraging the move away from dependence on fossil fuels generally in Europe. Of course, as is often the case with these sorts of attempts, it did not please either side. It took up a great deal of print and to this day people are still arguing about what it really means and where it is going to lead. But that is not where the real need lies. It lies in giving maximum encouragement to new technologies and reduced renewable costs; that is, new technologies in all fields, including the cleaner burning of existing fossil fuels and of course going for physical connectors, as I have said.

European Union governance should also be giving maximum encouragement to the storage technologies already mentioned by noble Lords. There may be a breakthrough quite soon, which will be very exciting and will transform many prospects. There is the issue of CCS which we have talked about again and again: how do we get the costs down? The present situation has left one feeling that the whole technology is still too expensive to be brought into the commercial range. I urge those in charge of EU governance to do something that may surprise your Lordships, and that is to look at what the Indians are doing. They are building hundreds of new coal-fired stations, but they are not unaware of their responsibilities—the Paris commitments and what the world requires of them. They cannot afford CCS and must have cheap power for the hundreds of millions of Indians with neither electricity nor water, so it is desperately needed for development. They say that if they can work with off-the-shelf technology for ultra-supercritical boilers, they can achieve a 45% efficiency increase in their coal-burning capacity; that is, they can get 45% more electricity out of the system for every tonne of coal burned. That would have a distinct impact, perhaps not a welcome one to purists, in lowering carbon emissions.

The third area, aside from CCS, that needs much more attention is at the refinery end. We have too

many refineries that are higher carbon than necessary, and of course we are importing a lot of fuel into Europe from areas where the refineries operate with substantial carbon emissions—far higher than some European refineries, which find themselves in great economic difficulty. It is a completely messed-up situation and it needs to be reorganised.

We all know in the end that Asia is the epicentre of climate disasters and that, if we are serious about combating climate change, the answer really lies in diverting India and China from cheap coal. There is a long way to go. We are making some progress and last year world carbon intensity actually fell by 2.8%, which is extremely good news. But the fact is that it needs to fall by 5.5% every year for the next 20 years to get anywhere near the Paris goals. Our contribution here in Europe is bound to be mainly by example and by what we can do by putting our shoulder to our resources and all our firepower into new technology. On those we are not doing well enough. EU governance should be supporting us with new priorities instead of pursuing overly prescriptive energy policies. That needs a new mindset in Brussels—a move into the digital age of less centralisation and standardisation to more individualisation, if you like. It is about the progressive nationalisation of energy policies which the digital age allows for but was not conceived of at the beginning of the European Coal and Steel Community, EURATOM or the foundations of the modern European Community. We need the kind of fundamental EU reform that many of us hope for and for which the United Kingdom should be pushing. We are left with the thought that we can do that, unless of course by some awful error we are not there, in which case we will not be able to do anything at all.

7.28 pm

**Lord Suri (Con):** My Lords, I thank the noble Baroness, Lady Scott, for bringing forward this debate. The report is timely given that we have only a little more than a week to go until the most critical poll that probably any of us will know in our lifetime. I hope that the British people, with their infinite sensibility, will opt for the safer choice rather than retreating from the world and the globalisation that has made us all richer, safer and more harmonious.

The report touches on one of the most pressing and serious issues that we face, not just us as Britons but as humanity. Climate change mitigation cannot be settled at national level. Greenhouse gases and rising sea levels do not respect national borders, and we and our European allies sensibly use the EU as a forum to decide what action to take.

As it happens, I support the EU proposal that greenhouse gas emissions should be reduced by at least 40% from 1990 levels by 2030 and by 80% to 95% by 2050. We have the Climate Change Act to compel the Secretary of State to work towards this target, too, but it is useful to have similar controls in the 2009 renewable energy directive. I am glad to see that the authors of this report endorse that responsibility.

It is important, however, to take account of the geopolitical nature of energy policy. As the report says, one can draw a perhaps depressing comparison between Germany and Poland. While Germany has



the luxury of not being overly dependent on coal or Russian fuels, Poland is heavily dependent on both. It would be unfair to Poland and other Visegrád countries to expect full implementation of all the relevant directives and regulations. Indeed, it would be a good idea to attempt to reform this peculiarity in the next reform agenda. Preferably, this would happen during the upcoming UK presidency of the Council.

Another salient point raised pertains to the integration of the market with regard to capacity market designs. Much like climate mitigation, EU member states are deeply interdependent when it comes to interconnectors. With a wide range of capacity market designs, the relevant authorities, on both the national and European level, run into difficulties. Power systems can become overloaded if supply is insufficient to meet demand in particular localities. Given that the House of Lords Science and Technology Committee has warned about the danger of concurrent overloads, action is required on the European level to remedy this. There are other benefits beyond just keeping the lights on, as investment markets can be calmed by increased security, thereby ensuring price stability. In the light of this, I look forward to seeing the Commission bring forward proposals in the area of market design and regulation in 2016.

To touch on a final topic, I feel that one of the problems the British public have with the EU and the institutions is that they feel overly bureaucratic and inefficient. Earlier, I mentioned the importance of oversight in the legal requirements for member states. There will of course need to be some authority tasked with this. I recommend that a new institution is not necessary. The Eurosceptics in European Union countries would have a clear case to make about the wasting of public money. The European Environment Agency could easily deal with a broadened oversight remit or the Commission could deal with it itself. But setting up a new institution, with a new building, more civil servants and its own acronym, would just hand more ammunition to those who are chipping away at European solidarity and co-operation.

7.33 pm

**Lord Grantchester (Lab):** My Lords, this has been a very interesting report, reflecting the challenges of integrating a wider EU approach to energy policy, taking into account energy security and decarbonisation plans in response to climate change goals. I am grateful to the noble Baroness, Lady Scott of Needham Market, for her committee's concise report and for her introduction.

The committee's recommendations were very much accepted and taken on board in the Government's response. The policy direction towards greater co-ordination and harmonisation of EU capacity markets, open to cross-border mechanisms such as interconnectors and greater regional integration, underlines the clear conclusion that the UK would certainly benefit from continued membership in the EU following next week's referendum. I agree with the noble Lord, Lord Teverson, that energy policy is a clear candidate to be developed in a European context.

As the noble Lord, Lord Suri, said, working with Europe enables us to raise ambitions on climate change, not just in the UK and Europe, but throughout the

world through our participation in the Paris agreement last year. This is an agreement signed up to by not just the western powers, but all the peoples of the world. From within the European Union we can influence events and set the pace towards a collective goal of building a carbon-neutral global economy in a generation, with all countries agreeing to raise their ambition on clean energy every five years. While the binding commitments made are not yet sufficient to limit temperature rises well below the 2-degree limit, this agreement should take us much closer to climate safety.

It is interesting to reflect that this report, published in December last year, provides an interesting critique of policy actions by the Government since. Several debates on the Energy Bill and renewable energy last Session highlighted the need for the Government to be aware of the effects of their lack of a clear and consistent plan. The recommendation at paragraph 62 reads:

“Rapid and unexpected changes in policies ... create policy uncertainty and may undermine investor confidence”.

Paragraph 63 states:

“The UK Government should be clear about its own renewable energy strategy and target for 2030 as part of its decarbonisation and energy security objectives”.

The report continues with a call for the Government and member states,

“to meet the Commission's deadline for the preparation of the first National Energy and Climate Plans by 2018”.

In their response, the Government give their commitment to meeting the Commission's deadline and state that work is already under way. This is excellent. On this side, we consider this crucial to mitigate the damage done recently to investor confidence. Will the Minister give the House any further details on workstreams and reports for consideration coming over this winter?

The Paris agreement was secured through close working over several years, identifying that using cleaner and more efficient technologies can bring benefits when co-ordinated across Europe. In the referendum debate we would like to see the Minister and his colleagues in the department clearly promote these benefits. Recommendation 12 at paragraph 63 argues that the Government,

“should be clear about its own renewable energy strategy and target for 2030 as part of its decarbonisation and energy security objectives”.

Does the Minister agree with paragraph 69, which says:

“The UK Government should go to greater lengths to explain to consumers the financial and security benefits of a more integrated EU energy market”?

I am sure that he will endorse the fact that the UK has played a leading role in shaping an energy strategy for the EU and must continue to do so by voting to remain in the referendum.

We support the EU 2030 energy and climate change package, which includes the headline commitment of a 40% reduction in greenhouse gases against 1990 levels. On the EU-wide commitment to 27% of energy coming from renewables by 2030, we agree that there should be clarity to ensure how this is to be achieved. We agree with and welcome the flexibility offered to member states to develop their own plans to meet

[LORD GRANTCHESTER]

energy and climate objectives in ways most appropriate to their natural contexts. Consumer interests should not be segregated in energy policy. As the report states, “the interests of industrial, business and domestic consumers should be considered in energy governance framework discussions”. Will the Minister outline the Government’s plans to consult consumers and stakeholders during the development of the UK’s national energy and climate plan?

It should be noted that the UK does not have a clear plan ahead to meet the 2020 target, let alone the 2030 target. The UK should meet certain reduction commitments through a balanced mix of low-carbon options, including nuclear, CCS, renewables, storage and greater levels of interconnection and demand management, together with the very important aspect of increased investment in energy efficiency.

The UK could face a 25% shortfall in meeting the 2020 clean energy target. After setting the fifth carbon budget, to be published by the end of 2016—this year—the Government have to present an emissions reductions plan to cover our targets up to 2032. As yet it is unclear how transparent and inclusive this process of developing the plan will be. Following the Paris agreement, what consideration will the Government give in their energy and climate plan to meet the ambition and the timetable set out that member states raise their climate target every five years? What further implications to policies do this Government foresee? In the light of the report does the Minister have plans to integrate proposals in conjunction with other member states?

There are already clear economic benefits of interconnections to EU energy markets, one of the other main recommendations of the report, referred to by my noble friend Lord Hanworth and the noble Lord, Lord Howell. The E3G study concluded that greater interconnection to EU energy markets allows the UK to bring cheaper energy from the continent and balance variable renewable generation across a wider area, which could save the UK £500 million a year by 2020. A 2014 National Grid report estimates that doubling interconnection capacity would bring benefits to every consumer, amounting to £1 billion a year—a saving of £13 a year off household bills.

This report has brought general agreement about the pathway the EU should be taking. The Government have responded positively. All speakers have highlighted important aspects of the report and the noble Viscount, Lord Ullswater, made an interesting contribution with his thoughts on the technology mix of energy sources. This excellent report underlines to the House that there is much work for the Government to do to live up to its expectations and to the hopes of the noble Lord, Lord Howell. We will certainly work with the Government to bring coherence to their plans.

7.42 pm

**The Parliamentary Under-Secretary of State, Department of Energy and Climate Change and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, I am most grateful for contributions to what has been an extremely wide-ranging debate, far beyond the issue of energy

governance, as many noble Lords would acknowledge. It covered just about every aspect of energy policy, possibly apart from smart meters, so I will try to give those a mention as well as I go through. I will try to pick up all points brought up by noble Lords. I will ensure that officials and myself read a report of the debate, pick up every aspect of the debate and write to all noble Lords who have participated in what was, as I have said, a very wide-ranging debate.

First, I join with the thanks to the noble Baroness, Lady Scott, who has done an outstanding job over three years as chairman of this committee, and to committee staff and officials. The noble Baroness, Lady Scott, as she said, now rotates off and I welcome to the rotisserie the noble Lord, Lord Teverson, who follows her; she is obviously a very difficult act to follow. There must be something in the water in Needham Market, I think. I thank her very much for the work she has done and for this report.

I say at the outset, pursuant to what was said by the noble Viscount, Lord Hanworth, the noble Lord, Lord Grantchester, and my noble friend Lord Suri, that the position of the Government on the European Union is very clear: we believe that it is in the best interests of the United Kingdom that we remain members. That is certainly my view too and it colours some of what I will be saying as I go through the various points that have been made. On an international level, international points were made as well, highlighting the importance of the European Union, the relatively recent success in Paris and the role that the United Kingdom and the European Union made in that—we were part of the European Union negotiation team. My right honourable friend the Secretary of State, Amber Rudd, played a leading role in that. The leading official for the European Union was Pete Betts from our own DECC and we were very proud of the role that he played too. That is a clear example of the importance of the European Union in relation to climate change.

Energy and climate policy is an area where there is significant added value for the United Kingdom in working with our European partners, whether to shape the single market or to drive ambitious action on climate change in Europe and more widely. The Government support the energy union because it should help ensure that the Commission and all EU member states take a more holistic, long-term and strategic approach to energy and climate policy. I should say something at this stage about the Energy Council in Luxembourg a week ago today, to which the noble Baroness, Lady Scott, referred. The only reason we did not sign the agreement, the North Seas countries declaration, was simply *purdah*, as I made clear at the time and have since. I am absolutely clear that we will sign it, but we were not in a position to do so last week or this week. As soon as we are able to do so, we will.

The holistic approach I have referred to should cover all five pillars of the energy union. These are energy security, the internal market, energy efficiency, decarbonisation, and research and innovation. They are all central parts of UK government policy as well as energy union policy. At the heart of it, the energy union should support the delivery of a competitive, interconnected and fully functioning single energy market.

The single energy market is the cornerstone of our ability to provide secure, affordable and sustainable energy supplies. That is the approach of the Government and I am very pleased to hear the support that the noble Lord, Lord Grantchester, offers to that approach.

The United Kingdom has long been a strong advocate of making the single energy market a reality, because it helps keep bills down and improves the energy security of all. Inside the EU it is cheaper and easier to buy and sell energy across borders. By 2030, a fully integrated EU energy market could save EU consumers £50 billion a year in energy costs. Therefore, we fully support the further development of the single energy market and are working with the Commission on its electricity market design proposals, a point raised by my noble friend Lord Suri. We understand your Lordships' interest in common EU standards for capacity markets. However, until there is a fully functioning internal market, we do not think that such common standards are practically possible or, indeed, politically desirable. The development of capacity markets is a political decision which needs to take into account the circumstances of individual member states. It is not appropriate or desirable to be harmonised at European level, in our view.

It is, however, important that the effect of capacity markets on the working of the single energy market is kept to a minimum. That is why the United Kingdom, the first member state to receive clearance for our capacity market, supports agreed general principles for capacity markets and encourages member states to share best practice and to develop our common understanding of how capacity markets in different countries interact. Of course, we are happy and indeed keen to share our practice and our own experience in relation to that. Capacity markets are a very important part of dealing with the capacity that we have and the importance of security of supply, a point raised by my noble friend Lord Howell. I was at the National Grid this morning, discussing this. We actually have a slightly better margin than we have had for the past winter, but it is obviously something where capacity markets, demand-side reduction and interconnectors are all helping us to address the challenges: there are challenges, of course.

I move on to regional co-operation, a point raised by the noble Baroness, Lady Scott, and my noble friends Lord Selkirk and Lord Howell. The sharing of information, plans and best practice can also improve energy security for the United Kingdom and our partners across Europe. My noble friend Lord Selkirk of Douglas raised recommendations 19 and 20, which we unequivocally support, about balancing the need for EU frameworks with member states' right to choose the best and most cost-effective way to meet their emissions reductions targets. We strongly support that and would strongly oppose any attempt to use the governance framework to impose *de facto* binding national or regional renewable targets.

As I think I have made clear, we also support increased interconnection. The United Kingdom plans to more than double the amount of electricity we can import over the next five years, saving consumers nearly £12 billion in energy costs over the next two decades, involving interconnectors with France, Belgium

and Norway and so on. Combined with recent measures to facilitate cross-border energy flows, interconnection should improve energy security and give the United Kingdom access to continental electricity when it is cheaper.

We strongly believe in an energy union and that it is important to strike the balance between national interests and the way the energy union will operate in the interests of the whole community. That is what we seek to do. Indeed, based on the experience of last Monday, I think that is what other member states seek to do. I forget which noble Lord made the point about differing national interests and differing national energy mixes—I think it was my noble friend Lord Selkirk although it may have been my noble friend Lord Howell or somebody else—with Germany ruling out nuclear, France being strongly nuclear and the United Kingdom being somewhere in between. The nuclear issue arose at the recent Energy Council and was dealt with. It seems that most states in the energy union take a different view from that of Luxembourg, Austria and Germany, which are fairly strongly anti-nuclear. Member states have different national interests and should have the right to determine the way in which they reach decarbonisation targets.

If the single market works well, the overall effect will be to reduce prices. The energy union should also give investors the greater policy certainty—many noble Lords mentioned this—that they need to make the long-term investments in energy infrastructure projects required to continue to deliver secure, affordable and clean energy in the future. Investor certainty is certainly important. A very clear signal was given in Paris. We should keep at the very forefront of our minds the importance of that clear message. I say “should” in relation to the energy union giving investors that greater policy certainty because we are at a very early stage in the development of thinking about the energy union, what it means and how it can best be implemented. This was discussed last Monday and clearly things will move on. This is why the report and indeed this debate are so timely.

Discussions are beginning in capitals and in Brussels to determine what an energy union governance framework should look like and how to develop an approach that works for countries not used to taking a holistic approach to energy and climate policy, and for countries such as the United Kingdom which have done so for many years. Given what is at stake, it will be vital to develop the right framework for the governance of the energy union, one that seizes the opportunity to enable all member states to have a clear and credible road map for decarbonisation of their economies over the long term. That point was made by many noble Lords, including my noble friends Lord Howell and Lord Ullswater and the noble Lord, Lord Teverson. The framework should support those member states that will be producing national energy and climate plans for the first time. We shall proceed on the basis of the carbon plans that we are already producing, so this will form the basis of our own national energy and climate plans. However, it must respect those member states such as the United Kingdom which have produced such plans for many years. We believe that the United Kingdom can play a strong leadership role here, continuing

[LORD BOURNE OF ABERYSTWYTH]

to share with other member states the experience we have gained from the complex cross-government work required to both produce and implement our carbon plans.

We have set out our position on ending energy from coal. We are unique in the European Union and in developed countries in that regard. That highlights the differences that often exist in this field. My noble friend Lord Howell referred to the importance of the marine possibilities that we have such as hydro, which is important at the moment. Tidal lagoons are being looked at and we need to move that forward. We believe that with our experience we can help others develop long-term, robust, credible national plans and so ensure a level playing field across the EU.

However, the arrangements for energy union governance need to be flexible. Member states must be responsible for developing and delivering their own national plans. Crucially, member states' right to determine their own energy mix must be respected. With this in mind, we do not believe that national renewables targets in particular should be part of the 2030 framework. This should not surprise noble Lords as this has been a very clear stance of the Government for a considerable period.

The United Kingdom is a world leader in offshore wind deployment and we recognise the role played by the 2020 framework to kick-start renewables deployment and drive down costs in the United Kingdom, across Europe and globally. But for the period after 2020, it is right that member states have the flexibility to decarbonise in the most cost-effective way. Energy union governance should not create unnecessary burdens or constraints, nor restrict member states' policy choices on those issues best addressed at national level. I briefly mention nuclear, which has come up. I do not want to get bogged down in a discussion about Hinkley. That is perhaps for another time. I am happy to pick that up in correspondence but will say that the increased cost of Hinkley is an increased cost for EDF and the Chinese Government. That is not reflected in the strike price. In decarbonising, the contribution of nuclear is important not just from Hinkley and developments at Wylfa, Moorside and so on but also from small modular reactors.

In policy terms this means balancing the need for EU frameworks on issues such as market integration and emissions reduction with preserving national flexibility to choose the best and most cost-effective way to meet national greenhouse gas targets. It also means balancing the need for certainty and predictability with the need to adapt as the market changes and technologies develop. It has also been mentioned in the debate that there will be developments that we may not even anticipate at the moment—known unknowns. With an eye to the better regulation agenda, the energy union should not create additional burdens for countries such as the United Kingdom which are ahead of the pack. We will be arguing strongly for a flexible template for member states to use in completing those national plans.

As regards DECC's goals, clearly there is the trilemma. Our first priority is energy security—as I think noble Lords know—affordability and, of course, the importance of clean energy and decarbonisation. We are strongly

committed to those goals. Nobody can doubt that, having seen what we did in Paris with the commitment to decarbonisation.

I apologise for picking up other points made by noble Lords in a somewhat random way but they were not perhaps central to the report. The challenge of security of gas supplies in Europe is certainly a central one and—to be fair—comes up in relation to the energy union. That obviously is linked with not just the energy union but also the energy community in south-east Europe and, indeed, the energy charter which governs the former Soviet Union, the European Union and a few others in terms of ensuring that we have security there. That clearly is important. I have mentioned some of the other issues relating to nuclear. I think I have covered the importance of interconnectors. Energy efficiency is certainly important. We hope that that can contribute to demand-side reduction. It is already bringing down demand, as has been acknowledged today in relation to the national grid. Demand is an important point in ensuring that we have that security of supply. We are now getting the demand-side reduction on the industrial business side. We can expect to see that delivered through smart meters and smart grids on the domestic side as they roll out to 2020 and, indeed, beyond.

CCS is vital. We discussed that very recently in New York when signing the international treaty and when discussing bilateral arrangements with other states on the importance of coming together to see whether we can pool resources in terms of research and data on CCS. That work will be ongoing. Therefore, an awful lot is happening. I restate my thanks and those of the Government for the report, which is timely and well thought through. We largely accept it and welcome it, as noble Lords are aware. I am very grateful for it. I thank the noble Baroness once more for all that she and the committee have done and wish them all the best in the future.

7.59 pm

**Baroness Scott of Needham Market:** My Lords, I am very grateful to all noble Lords who have taken part in the debate this evening and particularly to those who said nice things about me. I have reached that age where my gratitude is much greater than my modesty, so I thank them for their comments.

I also tried very hard in my introduction not to mention the R word but of course the referendum is the backdrop against which all these debates take place. I thought it was interesting that there was consensus, certainly among this evening's speakers, on the challenges we face in producing a supply of energy that is environmentally sustainable, secure and affordable for everyone—and consensus that these objectives can be met only by co-operation of a number of kinds between countries. The challenge is about how we create a governance framework that delivers the strategic objectives while allowing it to reflect member states' very different traditions and preferences for an energy mix. If the European Union can get this one right, it will also be a very useful template for other areas of endeavour where there are advantages in working together but we still want to maintain some freedoms and flexibilities.

I was particularly struck by the point on innovation and making sure that such a framework does not stifle innovation, because I think we are on the cusp of an energy revolution. We are not very far away from that and would not want to stifle that sort of innovation and change. With that, I again thank all noble Lords, particularly the Minister, and I beg to move.

*Motion agreed.*

## Statutory Auditors and Third Country Auditors Regulations 2016

*Motion to Approve*

8.01 pm

*Moved by The Earl of Courtown*

That the draft Regulations laid before the House on 23 May be approved.

**The Earl of Courtown (Con):** My Lords, effective financial reporting underpins the success of every business. It helps inform decision-making, improve performance and promote confidence in a company's future. For many businesses, audit is essential to provide assurances that financial reporting to shareholders is honest and accurate. Government activity in this area should improve trust and transparency, but without placing excessive or undue burdens on business. The proposed regulations implement the 2014 EU audit directive, which amends a directive adopted in 2006, and the EU audit regulation. They apply to a wide range of businesses that require audit services. However, the most significant changes to the status quo will apply to public interest entities or PIEs, as I will refer to them in this debate. For the purposes of these EU reforms, PIEs are banks, building societies, insurers and other companies listed on a regulated market.

The audit directive and regulation came about due to recognition that action was needed to improve confidence in audit quality and assure auditor independence. The final legislation, which was passed with UK agreement, represents a workable and positive outcome for UK negotiation. The directive and regulation take further steps to harmonise audit regulation across the EU but also allow member states sufficient flexibility to regulate audit services in ways that reflect the national systems that they have built up over time.

The key priorities for the United Kingdom, in the negotiation of this legislation and its implementation, have been to help secure high-quality audits and independence in auditor judgments across the EU, and to help avoid excessive concentration of large firms in the audit market. The profile and importance of auditing in UK business means that we have consulted extensively on the implementation of the EU audit directive and regulation. BIS published a discussion document in 2014 to get views on our approach to implementation. Responses to that document informed a technical consultation in 2015. Both consultations showed general support for our approach to ensure maximum flexibility for auditors and their clients. The majority of the stakeholders who responded had practical experience of preparing or auditing accounts. The responses have been published online.

The regulations before us will amend the Companies Act 2006 and other related legislation on the current audit framework. I am aware that they may appear complex but the effects should easily be understood with the help of guidance. We have tried to keep additional costs as low as possible. Our impact assessment is publicly available but I acknowledge that the majority of the costs will impact on PIEs. These are the most important businesses and effective financial reporting in this area is crucial. The regulations implement the requirement to identify a single competent authority for the regulation of statutory audits. The Financial Reporting Council will fulfil this role. This is consistent with the Written Statement to the House last July. The FRC will delegate tasks to the existing recognised supervisory bodies, for example the ICAEW or the ACCA. These delegations will include approval of individuals and firms as eligible for appointment as auditors, inspections, investigations and enforcement. The FRC will retain the task of inspections and investigations of PIE audits.

As I have mentioned, the regulations introduce provisions to secure auditor independence. Most significantly, this includes a framework for the mandatory rotation and retendering of audit engagements for PIEs. This will require all PIEs to put their audit out to tender at least every 10 years and change their auditor at least every 20 years. This will apply in respect of financial years beginning on or after 17 June 2016. Currently, there is no maximum duration for an audit engagement and annual reappointments of the same auditor can continue indefinitely. So we have spent considerable time analysing how to make maximum use of the flexibilities provided in the regulation to reduce disruption to the market.

The requirement on retendering and rotation will be introduced on a phased basis. Some engagements will be given a further four or seven financial years after the regulations come into force, depending on how long they have already been in place. That engagement must then be brought to an end.

This wider requirement is intended to be as consistent as possible with the requirement introduced by the CMA. As a result, and so that the initial implementation of the framework is simple to follow, we have not taken up the member state option to incentivise "joint audit". The practice of appointing more than one audit firm is not followed in the UK, and the CMA did not consider it would improve competition in the audit market. We will of course keep this decision under review.

Another change made by the regulations will benefit the full range of businesses that use statutory audit services, including limited liability partnerships. Businesses will no longer be able to sign effective agreements that restrict their choice of auditor. The regulations also contain changes that are likely to have a deregulatory effect. These include changes to make cross-border provision of audit services more straightforward in the EEA. As well as having the potential to increase competition in the UK, this mandatory EU requirement will be reflected in similar provisions in other member states and should open up opportunities to UK firms.

[THE EARL OF COURTOWN]

This Government believe that a non-statutory approach to implementation of EU legislation should be adopted wherever possible. The implementation of ethical and technical requirements in the directive for auditors will be covered by revised FRC standards. This approach reflects that taken to implementing the 2006 audit directive, where the requirements in the directive were implemented in UK law as requirements on the content of FRC standards.

Many of the requirements of the EU regulations will also apply as part of the standards. This includes a black list of services that auditors will not be able to provide alongside the audit to avoid overfamiliarity between the management and auditors of PIEs. It also includes additional requirements on the content of the audit report for PIEs, which supplement further harmonisation in the directive. This is not expected to significantly increase the length of audit reports but is likely to increase their value to users.

In conclusion, the regulations will strengthen standards for the audit of PIEs and make audit reporting more informative. They should also improve confidence in the independence of auditors and avoid excessive concentration in the audit market. They open up opportunities for smaller audit firms that are not as well established as their larger competitors. I beg to move.

**Lord Hodgson of Astley Abbotts (Con):** My Lords, “Statutory Auditors and Third Country Auditors Regulations” is not an exciting title—it will certainly not have them dancing in the saloon bar of the Dog and Duck—but this is important to the country, to the companies in this country and indeed to our capital markets. I want this evening to question the extent to which these regulations will achieve the very wide-ranging and important objectives the Government expect from them and whether there may not be perverse and unintended consequences, possibly just maintaining the status quo and the risk of a further increase in the regulatory burden, which my noble friend referred to in his opening remarks.

I hope that the House will forgive me if I take a minute just to lay out my case. I make these remarks drawing on my experience as a non-executive director of a public company from 2002 to 2014. I ceased to be a director two years ago, so I do not have a direct interest to declare, but I should draw the House’s attention to my past record. The company was what they call a FTSE 250 company—that is to say not in the top 100 but in the next 250, so one of the 350 largest companies in the country.

What are the Government seeking to achieve? I draw the House’s attention to page 1 of the impact assessment, where it says:

“What is the problem under consideration? Why is government intervention necessary?”

It goes on to say:

“The financial crash in 2008, led to calls for greater scrutiny of the audit profession. The belief was that the accounts of several financial institutions had been given unjustified ‘clean’ audit reports and so potentially misled investors and regulators, undermining confidence in the financial system as a whole and affecting the efficient allocation of financial capital”.

In reading that, one could only conclude that the fundamental purpose behind these regulations is to address issues of systemic risk. If this were not the case, why would the impact assessment focus so heavily on undermining confidence in the financial system as a whole?

If we are addressing systemic risk, there are relatively few companies that are large enough to pose a systemic risk in this country: the banks, certainly, along with other financial institutions, and some of the biggest industrial and commercial companies. How many? Possibly 50, but probably no more than that. However, the regulations, as my noble friend has told us, apply to every company called a public interest entity—a PIE. When I read the policy background on page 2 of the Explanatory Memorandum, it was clear that it applies to all listed companies of whatever size, from the biggest to the smallest. Just for the record, it would be helpful if my noble friend could give an assurance that the regulations do not apply to companies listed on the AIM. If he cannot give that assurance, I will be seriously upset.

What additional reporting requirements will be imposed on PIEs? According to paragraph 7.6 on page 3 of the Explanatory Memorandum,

“The Regulations make changes to audit reporting requirements, including the reporting of irregularities; auditors of PIEs will be required to submit an additional report to the audit committee of the audited entity”.

In order to try and tackle the challenges—or possibly the failures—of auditing the 50 or so companies which pose a systemic risk to the British economy, we are proposing to require all listed companies to prepare further reports, for which of course they will have to pay, directly or indirectly.

I have heard many politicians on both sides of the House deplore the emergence of private equity at the expense of the public stock market. Such people seem to worry about what may be happening behind the green baize door of a private company, away from the public gaze. As it happens, I do not share that view—I think there are good and bad everywhere—but I share it in one respect, which is that the man in the street cannot and probably should not invest in private equity in the way he can and should in shares traded on public markets such as the London Stock Exchange. In order to encourage general faith and confidence in the fairness of our liberal capitalist economy, we need a healthy, growing public market in which all our fellow citizens can participate. Every time the Government come up with another set of regulations to be complied with by public companies, they give another boost to the growth of alternative funding mechanisms and therefore accentuate the different investment opportunities available to different parts of our society. If the Government said: “These regulations apply only to companies which pose a systemic risk to the UK economy”, I would be entirely supportive, but I fear that is not the case.

How do the Government think that this can be remedied? My noble friend referred in his opening remarks to excessive concentration. I return to the impact assessment:

“The market failures are due to misaligned incentives, conflict of interests and lack of competition. Companies infrequently tendering audit appointments or changing auditors cause there to

be little opportunity for new entrants to compete for contracts, leading to a lack of competition in the market for the provision of audit services”.

Lack of competition? There are only four major firms in the PIE space—all other auditing practices are at present effectively also-rans—so there are only four entrants to the race, one of which must be ruled out because it will be the current auditor and another may be ruled out because it is providing corporate finance or other services. We have a race of only two horses. This is what we call competition. There is bound to be the effect of taking in each other’s dirty washing or passing the buck around when you have that limited a number of participants.

8.15 pm

If the Government really want to increase competition in the audit space, they need to encourage the profession to find ways to develop more effective challengers. I do not doubt that the profession will say, “Not our business, gov, nothing to do with us. It’s up to the clients”—the companies whose accounts are to be audited—“to make their choice”. It will go on to say that the companies are entirely free to make their choice of any firm, however big or small.

That is a false premise. I go back to my experience. When the company of which I was a director put its audit out to tender, I got the agreement of my board colleagues to include a leading mid-sized firm in addition to the ever-present big four. The mid-sized firm took a lot of trouble over its presentation and presented well, but the killer question was: “How many other FTSE companies do you audit from the Birmingham office?”. The answer was none. That was not surprising, because 97% of the FTSE 350 companies are audited by the big four; only 10 have an auditor that is not one of the big four. It is a very big ask to suggest to a public company board that it take the risk in these circumstances of appointing such a firm, however good its presentation. The risk/reward ratio is not in its favour.

The challenge to the Government and the profession is: how do you achieve break-in to the magic circle? One way would be to encourage joint auditing. In response to the question I posed earlier to which the answer was none, the answer could become, “We do not audit any alone, but we are joint auditors to one”, or two or three, so beginning to build confidence in the wider audit market.

Of course, this will not be popular with the four oligopolists. They will see a threat to their position and their response will be couched in terms of risk to the standard of British auditing, and so on, but in fact, if they can think more long-term and creatively, such a development will effectively buttress their position. I invite the House and the Government to think what happens if four becomes three when one of the existing four firms collapses—we have had collapses in major auditing firms—and we therefore have intense market concentration.

Extraordinarily, in the regulations, as my noble friend has told us, the Government are missing a chance at the margin to encourage the emergence of joint auditing as an interim step in the break-out and so create a more competitive market. Paragraph (20) of the preamble to the directive reads:

“The appointment of more than one statutory auditor or audit firm by public-interest entities would ... help to increase audit quality ... the presence of smaller audit firms in the audit market would facilitate the development of the capacity of such firms ... broadening the choice of statutory auditors and audit firms for”—

PIEs.

As my noble friend said, elsewhere in Europe joint auditing is much more prevalent. As a result, there are derogations in the regulations to give additional protection. I do not understand why the Government have not taken this up, except for the hallowed phrase used by my noble friend: “That is not the way we do things here”. They have chosen not to do it, and I think that is a mistake. So despite all the stuff about the need to increase competition, the effect of the regulations that we are discussing this evening is to reinforce the oligopoly of the big four.

Just before I finish, I shall say a word on the regulatory burden, to which my noble friend referred. The impact of each individual regulation is of itself unobjectionable. It is like barnacles on a boat; one barnacle makes little or no difference, but 10, 100 or 1,000 do make a difference. The practical example that I can give of the extent of the imposition of barnacles in the corporate sector is of the company of which I was a director. When I joined the board of that company in 2002, the annual report was 61 pages long. In the last financial year to 30 September 2015, it was 128 pages long—more than doubled. The accounts and notes had risen from 27 pages to 66 pages and the remuneration committee report went up four times from five pages to 19 pages. Others must judge whether that is likely to have been a productive use of resources. It will have been welcomed by the professional services and advisers, who will have more work to do and more work to check, but whether it will advance commensurately the overall prosperity of the general population of the UK is in my view more doubtful.

These regulations are the produce of tired thinking. It is a shame that the profession and its regulators have not been able to think more creatively about the real issues and, instead, have fallen back on the old policy of, “If in doubt, stick in another regulation”. They represent missed opportunities: a missed opportunity to improve the competitive nature of the audit market; a missed opportunity to focus reform on the areas that need it; and, above all, a missed opportunity to think of better, more focused and more meaningful ways in which to measure the performance of British industry and commerce, on the success of which our country’s prosperity depends.

**Baroness Hayter of Kentish Town (Lab):** My Lords, following that speech, I think that the Minister will be delighted to know that we welcome these regulations, and particularly what they seek to achieve. I am a little surprised that, today being 13 June, they come into operation on 17 June—so we are cutting it fine. Nevertheless, the content is important to improving audit, and is another welcome initiative by the EU, further proof of how our membership of the EU enables us to develop rules across the whole of the EU, which will ensure that the public can be assured that company accounts really mean what they say. We particularly

[BARONESS HAYTER OF KENTISH TOWN]

welcome the increased oversight of the auditing of quoted companies, credit and insurance firms, all of which are vital to the health of UK plc. I think even the noble Lord, Lord Hodgson, would agree with that. We especially welcome strengthening the independence of auditors from their clients, including independent members having to form a majority of an audit committee. We strongly welcome the audit firm rotation, with at least 10-yearly public tendering, and an upper limit of 20 years for appointments, and we welcome the restrictions on the supply of non-audit services, including at certain points tax, legal, and internal audit functions.

The questions that I shall pose to the Minister are about the governance of the competent authority—the FRC; the delegation to, and recall back from, an RSB; and the potential exclusion from membership of an accountant from a professional body. First, I recognise the detailed work that the FRC has undertaken in preparing for these regulations, and in preparing itself for 17 June. However, could the Minister confirm that involved in that planning were not only the regulated community but representatives of the wider community, which particularly depends on high-quality auditing—consumers, investors and employees?

That brings me to the second question about the FRC—its future accountability and governance. I note that in its response to our Secondary Legislation Scrutiny Committee, BIS said that the Government and the FRC are likely to review the current accountability framework. Will the Minister confirm that in any such discussions and review the Secretary of State will take seriously the need to include these wider interests of consumer, investor and employee representatives in the governance of the FRC? I should perhaps say that, although it is quite out of date, I used to chair the FRC's actuarial stakeholder group. This wider input to professional, ethical and enforcement standards remains important, and I would like to build it into any such review of governance.

When we look at BHS or many other examples, we are often left wondering what on earth the auditors did not see or did not choose to report. A proper audit might have led to different outcomes. It is essential that in fulfilling its bigger and, indeed, powerful role, the FRC will work not simply with its regulated community—that is, the audit firms and the RSBs—but with these wider interests who are dependent on high-class auditing for the future of their jobs or their investment or, indeed, for the purchase of goods and services in their role as consumers. Will the Secretary of State consider their interests in looking at future governance?

Secondly, in relation to the delegation from the competent authority to an RSB and the recall of those delegated powers, the regulations define what cannot be delegated from the competent authority—the FRC—but allow the retention of some tasks. They also allow for some tasks to be reclaimed. Will the Minister confirm that, so that the FRC can concentrate on the systemic risks in the audit market, it will leave the other bits of the regulation of audit to the existing regulatory supervisory bodies? I assume that he agrees that the FRC should really concentrate on the bits that only it can do and leave the RSBs to use their experiences and skills where that is appropriate.

That brings me to the part in the draft regulations that state that something can be reclaimed if the FRC considers that the RSB is unable to carry out the task. However, we know nothing about how that would be defined and what the barrier is. Will the Minister outline the governance mechanism and the criteria behind a judgment that an RSB was not able to carry out a task? Will there be transparent criteria for that decision on its competence? Will there be any appeal mechanism against such a judgment?

Thirdly, if I and others have read this correctly, an important area is the potential expulsion by the competent authority—the FRC—of an accountant from his or her professional body. I think the Minister knows that RSBs are concerned about the FRC taking power to exclude members from their professional body. The ICAEW asked whether it really was the intention to allow the FRC to exclude an ICAEW member from membership of the ICAEW or whether it was really simply for the FRC to be able to exclude a member from holding an audit licence issued by their professional body. That is quite a big difference. Our legal friends who are in the House tonight will know the difference between being and not being a member of their professional body. It would be unusual for an outside body to take away their membership of the Law Society or the Bar Council.

8.30 pm

The BIS response on that question to the Secondary Legislation Scrutiny Committee seemed to be that the former was the intention—that the FRC would indeed be able to exclude an auditor from membership of an RSB—because the definition seems to encompass that. It refers to the definition of an auditor in Regulation 2 as being the same as in the Companies Act 2006. If so, that in effect would enable the FRC to strike someone out of their professional body, which is not in the original EU directive's list of five sanctions that have to be imposed by a competent body; it will be the Government who have added that. I do not like to use the word "gold-plating", but it comes to mind with regard to the Government adding that when it was not in the original list of five sanctions that a competent authority could impose. It also seems slightly illogical because the five prescribed sanctions under the directive are very much targeted at stopping poor-quality audit work. That is where the FRC's sanctions should be targeted.

If the FRC is not to be given the power to exclude someone from their own professional body, it is hard to imagine what the regulations mean. A professional body cannot partially expel a member; it cannot expel them just for audit, if you like. Either you are a member of a professional body or you are not. So it sounds as if the FRC is being given that power. It is hard to know why because under the regulations the FRC can already prohibit someone from signing an audit, which really ought to be sufficient. Any question of expulsion would then fall to the professional body. If the FRC found someone who had not been competent as an auditor, I imagine that the professional body would then hold a hearing and decide whether or not they should be expelled. However, the regulations as written seem to preclude that second stage, and seem to allow the FRC to expel someone from a professional body.



I have one more question. First, are the Government confident that the regulations will indeed improve the role of auditors through the increased supervision by retendering that, and that auditors will be more independent of their clients? I hope they are going to say yes, they are confident, but that leads on to how they are going to monitor that to ensure that when we look back in three, four or five years, we can see some improvement. Any comments that the Minister can make on monitoring will be welcome. However, contrary to the earlier speaker, we welcome the thrust and aims of the regulations and we wish them well.

**The Earl of Courtown:** My Lords, I thank my noble friend and the noble Baroness for their contributions to this short debate. I know both of them feel that effective financial management underpins the success of every business, and the quality and reliability of financial reporting in the UK is well regarded. Consequently, it will also be a priority of this Government to maintain the rigour and integrity of the UK's audit regime. Although the regulations are largely regulatory they should place very low additional costs on business. Furthermore, compulsory retendering of audits should increase competition—notwithstanding what my noble friend said—and choice in the marketplace.

Although the application of the requirements to auditors of LLPs goes beyond the minimum requirements of the audit directive and regulation, it will implement the recommendations of the Competition and Markets Authority and meet the understandable desire of users and preparers of accounts for consistency in financial frameworks.

My noble friend and the noble Baroness, Lady Hayter, asked a number of questions. I will deal first with the questions asked by the noble Baroness. In her first question she asked whether the regulated community was involved in planning but also representatives of the wider community—consumers, investors and employers. As I said in my earlier speech, the Government have conducted two full public—I emphasise “public”—consultations on implementation. Respondents included representatives of companies and investors who are also effectively the consumers of audit services in this context. I am not aware at this stage of interest from any employee representatives but the ability for representations to be made in both consultations was there at that point.

The noble Baroness also asked about the need to include wider interests such as consumer, investor and employer representatives in the governance structure of the FRC. As part of current discussions relating to the status of the FRC as a public body the Government and FRC are likely to review the current accountability framework and to consider whether changes are needed following the implementation of the directive and regulation. I am sure that interest from these groups will be considered where it is expressed. It is fair to say that the interests of investors in particular are of great concern to the FRC and all its work.

The noble Baroness also mentioned leaving the regulation of audit to the existing regulatory supervisory bodies. The experience and skills of the professional bodies are vital to the quality of audit and accounting in the United Kingdom, which is why the United

Kingdom successfully made the case in Brussels for their continued involvement in audit regulation. However, we also support independent oversight of the profession as envisaged by the directive and regulation. The FRC therefore has had to have power and discretion to reclaim tasks from the RSBs where necessary.

The line in the EU reforms is between PIE audits, where inspections, most investigations and enforcements cannot be delegated, and other audits, where these tasks can be delegated. The regulations place the FRC as a competent authority in charge of delegation decisions. We do not want to tie its hands unduly. The FRC works closely with other regulatory authorities such as the Financial Conduct Authority and the Bank of England to identify areas of risk. We would expect any such areas of concern to be identified through consultation. This would all be subject to a direction from the Secretary of State which will oblige the FRC to work on the basis that it will delegate all tasks wherever possible.

The noble Baroness also asked whether I could outline the governance mechanism and criteria behind such a judgment and whether there would be any transparent criteria upon which any RSB competency would be judged. The FRC will delegate tasks on the basis that it can update from time to time the conditions which it will set when making the delegation. We will expect any conclusion that an RSB is unable to carry out tasks for a particular type of audit to be based on whether these conditions are met. The conditions will be set out in written delegation arrangements, which the FRC is currently discussing with the RSBs.

The noble Baroness also asked about an appeal mechanism for an RSB against such a judgment. There is no prescribed appeal system, but if the RSB considered that the FRC had acted unreasonably, it would have recourse to judicial review.

The noble Baroness also asked whether there would be some form of continual review of this matter. There will be continuing discussions on these regulations between the FRC and the Government.

My noble friend Lord Hodgson, with all his experience—

**Baroness Hayter of Kentish Town:** If the Minister is moving on from the points that I made, the one that he has not addressed is about the power which appears to be given to the FRC to expel a member from their professional body. If he does not have that information in front of him, maybe it will be possible to at least give an undertaking that discussions on that will take place, because clearly it is a key concern for the professional bodies.

**The Earl of Courtown:** My Lords, I thank the noble Baroness, but I thought that I had covered that issue. Rather than repeat what I said, I will write to her and put a copy of my response in the Library.

As I was saying, my noble friend, with all his experience in business, made some important points. Perhaps the most important question that he asked, right at the beginning, related to the Alternative Investment Market of the London Stock Exchange and public interest entities, and I hope that my answer will satisfy him. The definition of a public interest entity does not

[THE EARL OF COURTOWN]  
include companies unless they are banks or insurers that have securities listed only on the Alternative Investment Market of the London Stock Exchange. These companies will not be required to retender or rotate auditor appointments, or to be subject to any of the statutory provisions on audits of PIEs introduced by the regulations or to the provision of the EU regulation. Nor will they be subject to the FCA's or PRA's rules on audit committees.

My noble friend asked why these regulations do not apply to the small number of companies that pose a systemic risk. This was a source of concern in the negotiations in Brussels, where the list of criteria for a company to qualify as a PIE was reduced considerably. The definition of a PIE focuses on an EU-regulated market, not the AIM, and that may illustrate the concern in Brussels to apply some harmonisation across this area.

My noble friend also mentioned enabling more entry to the PIE audit market for mid-sized firms. The prohibition of restrictive clauses in, for example, loan agreements will help to achieve this, as it will not be possible for third parties to require other audit firms to be excluded from tenders.

I think my noble friend made a number of other points and if I have missed any, I will of course respond to them in writing, ensuring that the noble Baroness has a copy and that a copy is placed in the Library.

Finally, the Financial Conduct Authority has amended its rules to reflect changes to the framework in the directive on audit committees. The directive also requires rules on audit committees to be applied, for the first time, to unlisted banks, building societies and unlisted insurers—something the Prudential Regulation Authority has already done in respect of its rules. As noble Lords will note, overall this represents an extensive package of changes, of which these regulations are an important part. I commend them to the House.

*Motion agreed.*

### **Access to Justice Act 1999 (Destination of Appeals) (Family Proceedings) (Amendment) Order 2016**

*Motion to Approve*

8.44 pm

*Moved by Lord Faulks*

That the draft Order laid before the House on 14 April be approved.

**The Minister of State, Ministry of Justice (Lord Faulks) (Con):** My Lords, I beg to move that the Committee has considered the draft Access to Justice Act 1999 (Destination of Appeals) Order 2016, which I will refer to as “the civil order”, and the draft Access to Justice Act 1999 (Destination of Appeals) (Family Proceedings) (Amendment) Order 2016, which I will refer to as “the family order”.

The orders are intended to address the workload of the Court of Appeal and are made under Section 56 of the Access to Justice Act 1999. They have been consulted upon with members of the senior judiciary, as is

required by Section 56. As their titles suggest, the orders make provision in respect of the routes of appeal from judicial decisions in civil and family proceedings. I will start with the civil order.

The civil order replaces the Access to Justice Act 1999 (Destination of Appeals) Order 2000. If made, the order will remove the current distinction made for certain proceedings between interim and final decisions, so that appeals from all decisions of a particular level of judge will follow the same route and, as far as possible, lie to the next level of judge. This is the key amendment made by the order. The civil order also reflects amendments made by the Crime and Courts Act 2013 to Section 5 of the County Courts Act 1984, which widened the definition of “judge of the county court”.

The 2000 order currently makes provision for routes of appeal where a route is not already provided in other legislation. In particular, the order makes provision for an exception with regard to appeals against final decisions in claims which are allocated to the multi-track and appeals from decisions in specialist courts; for example, proceedings under the Companies Acts. At present, these appeals lie directly to the Court of Appeal, in some cases circumventing both the county court judge and the High Court, irrespective of the level of judge who made the decision to be appealed. This exception might well have been thought appropriate at the time that the 2000 order was debated, but there is no doubt that both the county court and the High Court have the requisite level of expertise to determine such appeals irrespective of whether the decisions appealed are interim or final. In the meantime, valuable judicial and administrative resources in the Court of Appeal are being lost to matters that can quite properly be determined in the lower courts.

Turning to the detail of the civil order, the Ministry of Justice has worked with the senior judiciary to ensure that these amendments will work, and we are grateful to them for their assistance. Although the civil order may appear quite detailed, its effect is to simplify the routes of appeal so that appeals from decisions of district judges sitting in the county court will lie to a circuit judge, except in respect of appeals in proceedings under the Companies Acts, which will now be determined by the High Court; appeals from decisions of circuit judges will lie to the High Court; appeals from decisions of masters and district judges sitting in the High Court will lie to a High Court judge, except in proceedings which have been allocated to the small claims track of the Intellectual Property Enterprise Court, where an appeal will lie from a decision of a district judge to an enterprise judge; and appeals from decisions of High Court judges will continue to lie to the Court of Appeal. The result will be that cases will be considered at the most appropriate level of court, which, in turn, will result in a more efficient use of available judicial resources.

Recent amendments to Section 5 of the County Courts Act 1984 significantly increased the number of judges who might sit in the county court, and list no fewer than 25 judicial officeholders, including certain tribunal judiciary, who may do so. In reflecting this reform, and to ensure that the correct route of appeal

is applied in each case, the civil order also recognises that when sitting as a judge of the county court, some of that number will be accorded a level of seniority commensurate with that of a circuit judge, while others will be accorded that of a district judge.

I should add that the amended order will not undermine the judicial power to order that an appeal be transferred to a higher appellate authority should the circumstances of the case merit it. Also, as is apparent on the face of the civil order, the new arrangements are not intended to affect the rules relating to second appeals, which will continue to lie to the Court of Appeal.

The aim of this new civil order is to clarify and simplify the appeals process to ensure that the route of appeal in civil proceedings lies to the next level of judge. This should reduce the number of appeals that are lodged in the Court of Appeal and reduce pressure at that court by making best use of judicial time, ensuring that cases are heard in the most appropriate level of court.

I now move on to the family order. This order amends the Access to Justice Act 1999 (Destination of Appeals) (Family Proceedings) Order 2014, which I will refer to as the 2014 order, to route certain family court appeals away from the Court of Appeal to the High Court. The order also includes consequential amendments to the Family Procedure Rules 2010. Those rules set out the practice and procedure that is to be followed in family proceedings in the family court and the High Court.

Family proceedings in England and Wales are dealt with primarily in the family court, with the High Court also having jurisdiction to hear such cases. The default route of appeal from a decision of a judge of the family court would be to the Court of Appeal. However, the 2014 order already makes provision for appeals from decisions of certain judges in the family court to be routed to a different, higher, level of judge in the family court. For example, an appeal from a decision of a district judge in the family court already lies to a circuit judge in the family court.

The family order will amend the 2014 order so that appeals from certain decisions of circuit judges and recorders in the family court will lie to the High Court rather than to the Court of Appeal. It has been laid in response to concerns about the quantity of appeals currently being made to the Court of Appeal. Ministry of Justice statistics published in June 2015 show that family-related appeals to the Court of Appeal increased by over 200% between 2008 and 2014. Appeals must be dealt with in ways proportionate to the grounds of complaint and the subject of the dispute, while ensuring effective access to justice.

The changes proposed under the order mean that, rather than an appeal hearing taking place before a court of up to three Court of Appeal judges, appeals routed to the Family Division of the High Court will be heard by a single, specialist and experienced High Court judge. It is clear that this change will reduce the senior judicial resources required for these types of appeal and, by moving some work to the High Court, the Court of Appeal will be better able to manage cases of appropriate weight for that court.

Routing certain appeals to the High Court instead of the Court of Appeal should also lead to a reduction in the time it takes for these appeals to be heard and, by reducing the number of appeals going to the Court of Appeal, I hope this change should also benefit the flow of cases in that court. This will allow for more effective and expeditious determinations in other appeals, for example public law appeals relating to children.

The senior judiciary was consulted on these proposals in November 2015. It was supportive of these proposals and its views were key in determining the content of the order. We also consulted 10 key stakeholders, including the Law Society, Bar Council and the Council of Her Majesty's Circuit Judges, who were broadly supportive of our proposals and whose responses helped us to finalise the policy position. Further details in relation to the points raised in the consultation responses are summarised in the Explanatory Memorandum to the family order.

The amendments to the 2014 order made by the new family order will apply to appeals from decisions of the family court made by circuit judges and recorders in all proceedings, including appeals from decisions made relating to contempt of court, with some exceptions. Those exceptions are: appeals from decisions made on appeal in the family court, so as not to create an extra level of appeal; appeals from decisions made in proceedings under Part 4 or 5 of the Children Act 1989, for example appeals against orders placing a child in the care of a local authority; appeals from decisions under the Adoption and Children Act 2002, including adoption and placement order appeals; and appeals from decisions relating to contempt of court linked to the above proceedings.

In the case of appeals relating to proceedings under Parts 4 and 5 of the Children Act 1989 and those under the Adoption and Children Act 2002, the consequences of the state intervening in a family's life, the fact that the relationship between a parent and their child may be completely severed and the child's status changed by adoption, and the complexities arising in these proceedings are considered so serious as to merit these types of appeal continuing to be heard by the Court of Appeal.

To summarise, appeals must be dealt with in ways that are proportionate to the grounds of complaint and the subject of the dispute, while ensuring effective access to justice. The amendments made by the family order will allow that to happen. By moving some work to the High Court, the Court of Appeal will be better able to manage cases of appropriate weight for that court.

I should add that, as well as these measures to improve the flow of work through the Court of Appeal, the Civil Procedure Rule Committee has recently launched a further and separate consultation outlining proposals to raise the threshold for permission to appeal to the Court of Appeal and remove the automatic right of oral renewal for permission to appeal where permission has been refused on the basis of the documents in the case. The consultation closes on 24 June.

If the proposals under consultation, which I have described to the House, are accepted then they will apply to appeals to the Court of Appeal in both civil

[LORD FAULKS]

and family cases. This consultation, along with these two orders, form a suite of reforms to improve efficiency in the civil courts. We are grateful for the ongoing work of the judiciary in our efforts to achieve this. Noble Lords will be aware that judicial recruitment is the responsibility of the Lord Chancellor. That of course means ensuring that he meets his statutory obligation in respect of appointments, but also keeping workload under review—as he does—to ensure that enough judges are available to hear appeals within a reasonable timeframe.

Noble Lords will wish to know that the Lord Chancellor's decisions are informed by a so-called complement group made up of senior judiciary and HMCTS officials who examine the business need at all levels of the judiciary and advise the Lord Chancellor on the optimum complement. Both orders respond to concerns about the volume of appeals directed to the Court of Appeal and they will ensure that cases and appeals are being heard in ways that are proportionate to the grounds of the complaint and the subject of the dispute. I beg to move.

**Lord Beecham (Lab):** My Lords, when these orders were debated at the Third Delegated Legislation Committee, for all of 13 minutes, with an opening in the Commons by the Minister responsible there of two minutes, my honourable friend Christina Rees expressed support for the changes, which had the backing of the senior judiciary, as we have heard, recognising the need to reduce the workload on the Court of Appeal. It took a freedom of information request from the Law Society, apparently, to reveal that almost half of the 646 trials adjourned in that court were adjourned because of a lack of judicial resources.

Can the Minister explain why the Government allowed the number of cases to increase by 59% in the last five years without increasing resources or taking action of the kind embodied in this order? Is there a particular category of case which is responsible for this increase? To what extent, if any, has the reduced availability of legal aid in both family and other proceedings had a bearing on the matter, particularly given the number of unrepresented parties? Can he answer the question asked by my honourable friend and not answered by the Minister in the other place, as to the evidence base for the assertion that:

“The High Court has the capacity to absorb the extra appeals, thus lowering waiting times”?

She also asked to what extent these changes meet the four requirements made by Lord Justice Briggs for easing the load on the Court of Appeal, namely increasing the court's resources, reducing its workload, improving its efficiency and—I hope this would not be the case—deliberately reducing the quantity and quality of the service.

Somewhat disconcertingly, the Minister in the Commons admitted that, on their own, the changes,

“will not necessarily address any backlog of work held by the Court of Appeal, but they will ensure that the backlog does not continue to increase and that cases are dealt with at an appropriate level and as swiftly as possible”.—[*Official Report*, Commons, Third Delegated Legislation Committee, 8/6/16; col. 6.]

What does that mean in terms of the number of cases that will go to the Court of Appeal, as compared with the present situation, and as to the waiting time for hearings in that court? Needless to say, the so-called impact assessment, as is all too often the case, fails to supply the relevant information.

The Explanatory Memorandum to the family proceedings order refers to the consultation carried out by the Ministry of Justice and referred to by the Minister with a range of 10 stakeholders, albeit none from court users, as opposed to the judiciary and legal professionals. The consultation responses “broadly supported” the rerouting of appeals from circuit judges and recorders in family proceedings to a High Court judge rather than the Court of Appeal. But what does “broadly” mean? Did any of the consultees raise questions about resources or target times for hearings?

Finally, to what extent will the Ministry of Justice monitor progress under this new regime, both in terms of the cases to be heard in the High Court as now prescribed, and in relation to the effect of the reduced workload in the Court of Appeal? I trust that we will not be waiting for three or more years before the position is reassessed, particularly given that the changes are principally directed at a significantly sensitive area of law—the family area. I should declare a paternal interest inasmuch as my daughter sits as a part-time deputy district judge.

9 pm

**Lord Faulks:** I am grateful for the questions posed by the noble Lord and I congratulate his daughter on the contribution that she is making to the administration of justice. I am sure that she, like all judges, will be feeling the pressure that heavy workloads can create. The noble Lord asked if any consideration had been given to whether the lower courts could cope with additional work. The answer is that HMCTS, as is its responsibility, is fully aware of and supportive of the changes, and the Ministry of Justice has been working with the senior judiciary, who are supportive of the measures and keen for the order to come into force.

The noble Lord suggested that there has been a somewhat tardy response to what was clearly something of a crisis in the build-up of cases and the capacity of the Court of Appeal to deal with them. I am sure he will understand that any Government will have to be careful before depriving any litigant of their rights of appeal, which are well established, and will have to satisfy themselves, after the appropriate level of consultation, that restricting or changing the routes of appeal is in fact in the interests of justice and will not prejudice the interests of a particular appellant, while of course bearing in mind the fact that justice must be administered in an efficient way. The noble Lord will see that there has been a nuanced response in terms of the appeal process, so some of the appeals that I outlined in my opening remarks will still go straight to the Court of Appeal, where it is considered that that is appropriate. So this has not been an across-the-board response.

As to the consultation, there was a requirement for the Ministry of Justice to consult with the Lord Chief Justice, the Master of the Rolls, the President of the

Queen's Bench Division, the President of the Family Division and the Chancellor of the High Court before making the order. All specifically indicated that they were content with the provisions, and their views were key in determining the content. But in addition to the consultation with the senior judiciary required by statute, the Ministry of Justice held a wider consultation on these proposals with 10 key stakeholders: the Council of Her Majesty's Circuit Judges, the Association of District Judges, the Magistrates Association, the Chief Magistrate, the Bar Council, the Association of Lawyers for Children—very much, I respectfully suggest, representing the consumer—the Justices' Clerks' Society, the Family Law Bar Association, the Law Society and Resolution. That was a pretty broad series of bodies to consult before deciding on the appropriate changes to the arrangements.

**Lord Beecham:** My Lords, I am grateful to the Minister for supplying that information, but perhaps he could advise the department that in future when it sets out a position on these matters, it should give a rather fuller account of the consultations it has carried out—because it does not appear in the documentation that has been put before us.

**Lord Faulks:** I am tempted to say better late than never—but, in any event, the information is available, and I hope that it has satisfied the understandable curiosity that the noble Lord had about the extent of the consultation.

On the management of resources—clearly something that is a responsibility of the Government—this is an estimation. Of course one can never be precisely sure about how many people will be appealing. I do not have any figures on whether the increase in appeals is related to any of the matters that the noble Lord suggested. On the face of it, it seems somewhat unlikely that the reduction in legal aid in certain areas would result in there being more appeals. It could result in more or fewer appeals—but none the less, there has been an increase. As I also indicated, there is a consultation shortly to close as to whether there ought to be a change in the threshold for allowing an appeal to be launched in the first place. The Government are waiting for the response to that before deciding the next step.

On the question of backlog, the answer is simply this: we do not want to deprive anybody retrospectively, as it were, of a right to appeal that they had, so it will take a little time for the changes, which we think will improve matters, to take effect. Nothing very dramatic will happen until this order takes effect and we can reroute the appeals in the way we suggested.

On the question of monitoring progress, we will do so. If necessary, we will make appropriate changes to ensure, in so far as possible, that the administration of justice is efficiently carried out. We will continue, as we have done, to consult the judiciary—not only the heads of division, but various other bodies—to ensure we do this in the best way we can.

These are important changes. The appeal process is fundamental to civil and family jurisdictions. We feel we have the balance right. This should help to deal with the volume of appeals currently being made to the Court of Appeal and will make a significant difference to the progress of appeals prospectively after the order comes into effect. We also take the view that the order will clarify and simplify the process to ensure that the route of appeal is to the next level of judge. The family order will mean that certain family appeal hearings take place before a single, specialist and experienced High Court judge.

I hope that I have answered the questions the noble Lord asked. I beg to move.

*Motion agreed.*

### **Access to Justice Act 1999 (Destination of Appeals) Order 2016**

*Motion to Approve*

9.06 pm

*Moved by Lord Faulks*

That the draft Order laid before the House on 3 May be approved.

*Motion agreed.*

*House adjourned at 9.06 pm.*





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## CONTENTS

Monday 13 June 2016

Election of Lord Speaker <i>Announcement</i> .....	993
Message from the Queen .....	993
Election of Lord Speaker .....	993
Questions	
Carers over 80: Support .....	994
Turkey .....	997
Drugs Policy .....	999
Refugees: Unaccompanied Children .....	1002
Local Government Elections (Referendum) Bill [HL] <i>First Reading</i> .....	1004
Cohabitation Rights Bill [HL] <i>First Reading</i> .....	1005
Betting Licences (Category B2 Gaming Machines) Bill [HL] <i>First Reading</i> .....	1005
Genocide Determination Bill [HL] <i>First Reading</i> .....	1005
Digital Skills (Select Committee Report) <i>Motion to Take Note</i> .....	1005
Orlando Terrorist Attack <i>Statement</i> .....	1049
EU: Energy Governance (EUC Report) <i>Motion to Take Note</i> .....	1053
Statutory Auditors and Third Country Auditors Regulations 2016 <i>Motion to Approve</i> .....	1077
Access to Justice Act 1999 (Destination of Appeals) (Family Proceedings) (Amendment) Order 2016 .....	1087
Access to Justice Act 1999 (Destination of Appeals) Order 2016 .....	1094
<i>Motions to Approve</i>	

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