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PARLIAMENTARY DEBATES  
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# HOUSE OF LORDS

## OFFICIAL REPORT

*ORDER OF BUSINESS*

Questions	
Education: Design Subjects .....	1381
Terrorism: Domestic Extremism .....	1383
United Nations Sustainable Development Goals .....	1386
Chechnya: LGBT Citizens .....	1388
Local Audit (Public Access to Documents) Bill	
<i>Order of Commitment Discharged</i> .....	1390
Merchant Shipping (Homosexual Conduct) Bill	
<i>Order of Commitment Discharged</i> .....	1391
Guardianship (Missing Persons) Bill	
<i>Order of Commitment Discharged</i> .....	1391
Ferriers (Registration) Bill	
<i>Order of Commitment Discharged</i> .....	1391
Health Service Medical Supplies (Costs) Bill	
<i>Commons Amendments</i> .....	1393
Northern Ireland (Ministerial Appointments and Regional Rates) Bill	
<i>Second Reading (and remaining stages)</i> .....	1398
Finance (No.2) Bill	
<i>Second Reading (and remaining stages)</i> .....	1422

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<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

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# House of Lords

Wednesday 26 April 2017

3 pm

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

## Education: Design Subjects Question

3.06 pm

*Asked by The Earl of Clancarty*

To ask Her Majesty's Government what steps they intend to take to encourage the study of design subjects in schools.

**The Parliamentary Under-Secretary of State, Department for Education (Lord Nash):** My Lords, the Government believe that all pupils should have access to an excellent and well-rounded education. Art and design and design and technology are essential to that, and they are compulsory subjects in the national curriculum at key stages 1 to 3. We have reformed the D&T and art and design GCSEs and A-levels in response to feedback from experts such as the Royal Academy of Engineering and the James Dyson Foundation to make them more rigorous, contemporary and of greater appeal to students.

**The Earl of Clancarty (CB):** My Lords, does the Minister agree that skilled design is essential for our technical trades and creative industries? As the Government are correctly putting an emphasis on technical education, are they not concerned about the significant fall in take-up of GCSE and A-level design subjects, with a recent Association of School and College Leaders survey showing a drop of 44% over the past year alone in the number of schools offering GCSE design and technology? Will the Government address these concerns, and if so, how?

**Lord Nash:** My Lords, the figures for pupil number decline in D&T GCSE have fallen less in the past six academic years than in the four previous academic years up until 2010, so we have arrested the decline. We have introduced computer science for the first time. The number interested in that subject last year along with a substantial increase in IT entries considerably more than make up for the decline in D&T. Of course, as the noble Earl has mentioned, I do not think that anyone can doubt our commitment to technical education given the passing in your Lordships' House yesterday of the Technical and Further Education Bill. New courses will be based on groups of occupations within the 15 framework routes, which will include creative and design.

**Lord Storey (LD):** My Lords, a look at the Government's website shows the importance of design to our economy, yet since it became a subject that is no longer compulsory in secondary schools we have seen a 50% reduction in the number of young people

taking it. Added to that, there will be some 2,000 fewer teachers for the subject by this coming September and half the number of new trainee teachers that are needed for it. This is a real crisis. I agree with the Minister about the importance of this subject, but we need to fix these problems and make design part of a celebration in our education service.

**Lord Nash:** I agree entirely on the importance of design, and of course we have a number of free schools that are particularly focused on this area. We offer a £12,000 bursary for new teachers coming into the sector to teach design and technology, and as I have said, we are making our D&T courses much more contemporary. Previously, they were very material focused, but now they are more context driven. We are particularly keen to reform them so that we can address the gender imbalance in D&T and attract more girls to study the appropriate STEM subjects. For instance, under the existing D&T syllabus, 96% of the participants in textiles are girls whereas only 7% are studying electronic products. We are keen to address this.

**Lord Watson of Invergowrie (Lab):** My Lords, there is a bigger picture here because design is one of the subjects that some head teachers will be unable to afford to provide if a Tory Government are re-elected and cuts to the schools budget are given free rein. The Minister and his department like to repeat the meaningless soundbite that more money than ever is going into schools. Of course it is, because there are more pupils than ever in our schools; the point is the funding per pupil. Last month the Education Policy Institute reported that by 2020 not a single school in England would be able to report that they had had no real cuts in funding per pupil. That is in direct contradiction of the 2015 Tory manifesto. Can the Minister assure the House that this year's version of the manifesto will tell parents the truth about education funding plans?

**Lord Nash:** I know that the noble Lord always likes to look at the bigger picture, but as we all know, and as the National Audit Office and the IFS have told us, the increase in funding per pupil between 2000 and 2020 is 50%. As I have said previously, particularly when I answered a Question and invited the noble Lord to visit the government website, it is quite clear that many of our best-performing schools are also the most efficient schools financially. We have a great deal of advice, toolkits and benchmarks available to advise schools on how to manage their finances more effectively.

**Lord Baker of Dorking (Con):** My Lords, last July take-up of design and technology fell by 10% for the seventh year. That subject and others are being squeezed out of the curriculum as a result of the EBacc. Yet, the artistic, creative and technical side of our economy is worth £500 billion a year. Many companies are finding it quite impossible to employ youngsters leaving school at the age of 16 or 18 because they do not have the skills the industries want. This will get much worse after Brexit. There must be fundamental change to the EBacc to allow a broader curriculum to serve the British economy.

**Lord Nash:** I pay tribute to my noble friend's support for technical education. In fact, there is no evidence that the EBacc has had a direct effect on the number of pupils taking arts subjects. In fact, the number of pupils taking at least one arts subject has increased since the introduction of the EBacc. As I have already mentioned, it is quite clear that modern pupils, in addition to being interested in design, are also interested in things such as coding.

**Baroness Farrington of Ribbleton (Lab):** My Lords, will the Minister admit that it is shameful that the Government are wasting money on creating new free schools where school places are not needed and cutting the funding for pupils in adjacent schools where the money is needed? The Minister is presiding over a system that is depriving pupils in general because of his and his colleagues' pet theory about independence.

**Lord Nash:** I am delighted that the noble Baroness has given me the opportunity to answer that question. Since I have been a Minister for the last four and a half years, 93% of free schools have been created in areas where there is a recognised need for new places. We are spending our money far more efficiently than the previous Labour Government. Despite inflation, we are building schools at least a third more cheaply than Labour's profligate Building Schools for the Future programme. I constantly face bills from schools built quite recently under that programme, where I have to spend millions rectifying their very poor design.

**Lord Cormack (Con):** My Lords, drawing attention to my interest as chairman of the William Morris craft fellowships, can I ask what my noble friend can do to encourage young people in our schools to follow the traditional crafts and to have more, proper apprenticeships available to them thereafter?

**Lord Nash:** My noble friend makes a very good point. We have a wide range of new apprenticeships. Employers will be at the heart of our design of these apprenticeships. We are keen that these lead to jobs. I will certainly take his point back and discuss what we are doing in this area.

**Baroness Whitaker (Lab):** My Lords—

## Terrorism: Domestic Extremism *Question*

3.14 pm

*Asked by Baroness Jones of Moulsecoomb*

To ask Her Majesty's Government whether they intend to refine the definition of domestic extremism, in order to enable the police to focus on those involved in terrorism and serious crime.

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, the definition of domestic extremism used by the police is not statutory. Questions

about the police definition and their work on domestic extremism are matters for the police.

**Baroness Jones of Moulsecoomb (GP):** I thank the Minister for that evasive Answer. Quite honestly, of course it is a matter for the Home Office whether the police misuse their time. There is now a huge amount of incontrovertible evidence showing that the police watch peaceful, non-violent environmental campaigners. They are utterly wasting their time and not concentrating on people who can actually cause terrorism—terrorism, not tourism—in this country or commit violent crime. Will the Home Office take its responsibilities seriously about preventing such crime and make sure that the police follow some reasonable guidelines on what a domestic extremist is?

**Baroness Williams of Trafford:** My Lords, I do not agree with the point on the police misusing their time. On whether the Answer was misleading, the Question read:

“To ask Her Majesty's Government whether they intend to refine the definition of domestic extremism”.

It is not our definition.

**Lord Harris of Haringey (Lab):** My Lords, I refer to my interests in the register. I appreciate that we are towards the end of this parliamentary Session so the opportunity to do something about what was in the last Queen's speech is diminishing, but in the last Queen's speech the Government promised a Bill to look at preventing extremism. I understand that that has been festering in the long grass ever since because of the difficulty in defining extremism. Will it carry on festering in the long grass or are the Government planning, if they manage to be re-elected, to bring forward proposals that will define extremism and that might then define whether the noble Baroness is an extremist? Quite a number of us might be deemed by other colleagues in your Lordships' House to be extremists. How will the Government address that question, as they told us in the Queen's speech they would?

**Baroness Williams of Trafford:** My Lords, clearly events have overtaken us. Tomorrow we will prorogue and this will be in the hands of the next Government—it might be a Labour one—to decide whether to bring forward such legislation. Yes, at the time of the last Queen's speech that was our intention.

**Lord Singh of Wimbledon (CB):** My Lords, I emphasise the concern over definitions. In the 1980s, when Sikhs were persecuted throughout India, when they were blamed and called terrorists and extremists, I was asked by the BBC whether I was a moderate or an extremist. I replied, “I am extremely moderate”. Such words have no meaning. We must get beyond these smear definitions and look to what actually concerns us.

**Baroness Williams of Trafford:** As someone who is extremely moderate as well, I do not disagree with the noble Lord. The point I was making in my Answer to the Question is that this definition was made by the police.

**Lord Paddick (LD):** My Lords, last week the Minister for Prisons said:

“Any form of extremism must be defeated wherever it is found”.

Can the Minister remind us of the Government’s definition of extremism, as used by that Minister last week? Does it include Jehovah’s Witnesses?

**Baroness Williams of Trafford:** My Lords, a Jehovah’s Witness may or may not be an extremist depending on their activity. Extremists seek to justify behaviour that contradicts and undermines our shared values. If that is left unchallenged, those values that bind our society together start to fall apart: women’s rights are eroded, intolerance and bigotry become normalised, minorities are targeted and communities become separated from the mainstream. That sort of behaviour cannot go uncontested.

**Lord Morris of Aberavon (Lab):** My Lords, can extremism ever really be legally defined?

**Baroness Williams of Trafford:** It will be legally defined when it is defined in law.

**Lord Pearson of Rannoch (UKIP):** My Lords, does the Minister recall the recent report from the National Police Chiefs’ Council, which found that less than 10% of tip-offs about potential terrorists came from within our Muslim communities? Does that not suggest that our peaceful Muslim friends may not be doing enough to expose and stand up against their violent co-religionists? If so, what can the Government do to help them?

**Baroness Williams of Trafford:** My Lords, I think such blanket presumptions are unhelpful at this stage. The vast majority of Muslims in this country share our values and our aspirations as parents and members of society. Prevent, the programme that this and previous Governments have run, has helped support people and protect them from those who would wish to poison their minds.

**Lord Rosser (Lab):** The Government announced at the beginning of this month that a 100-strong task force of counterterrorism experts was to be established the following week by the Home Office and Her Majesty’s Prison and Probation Service to examine intelligence from around the country to assess the danger posed by radicalisation behind bars, with the new unit being,

“the nerve centre for all counter-terrorism and counter-extremist work across the prison estate and probation service”.

Where have the 100 members of the new counterterrorism task force come from, and which areas of work within which departments or organisations are now currently operating with fewer staff as a result of the creation of this new task force of counterterrorism experts?

**Baroness Williams of Trafford:** That is a question on which I am going to have to get back to the noble Lord. I simply do not know, and I am not going to pretend that I know, the detailed answer to the question, so I will have to get back to him.

## United Nations Sustainable Development Goals

### Question

3.22 pm

Asked by **Lord McConnell of Glenscorrodale**

To ask Her Majesty’s Government what action they plan to take to deliver the United Nations Global Goals for Sustainable Development by 2030.

**The Minister of State, Department for International Development (Lord Bates) (Con):** My Lords, the Government are firmly committed to delivering the global goals, both at home and internationally. Our public report, *Agenda 2030*, of 28 March this year outlines our approach and provides examples of how we are contributing to the global goals.

**Lord McConnell of Glenscorrodale (Lab):** My Lords, the UK and indeed this Government led internationally on the establishment of the global goals, and in particular on the fact that they should be universal and that their implementation should be monitored with accurate, up-to-date data. It is therefore disturbing that today’s report by the House of Commons Environmental Audit Committee highlights that there is a suggestion that the Government will stop the Office for National Statistics establishing the data on which the implementation could be measured inside the United Kingdom. Will the Minister assure us that that is not the case and that the UK will continue to show global leadership, both abroad and at home, and practise what we preach?

**Lord Bates:** First, I pay tribute to the work of the noble Lord in his chairmanship of the all-party parliamentary group on the SDGs. Certainly, he is right to acknowledge that we have been at the forefront of the negotiating of the global goals and that we will be at the forefront of their implementation. On his specific point about data, we have passed that across to the Office for National Statistics. There are 17 goals and 240 measures. It is quite a big task to undertake. The ONS has come up with a consultation document. Initially it was delayed from October to 9 May; that was its own decision. Now, unfortunately, that 9 May announcement has been delayed by the purdah rules of the general election, so I would expect it go ahead soon after. It is very important that civil society organisations and business groups participate in that because, as the noble Lord suggests, data will be critical to ensuring that the goals are monitored and delivered.

**Baroness Sheehan (LD):** My Lords, SDG 16 commits the Government to tackling illicit financial flows, which lose developing countries an estimated \$100 billion a year. That is why it is all the more disappointing that the Government have blocked any talk of transparency in our overseas territories as part of the Criminal Finances Bill. Following the Panama papers leak, does the Minister agree with me that the Government

[BARONESS SHEEHAN]

must get a grip and set up public central registers of beneficial ownership, ensuring the same transparency in our overseas territories as we have in the UK?

**Lord Bates:** I do not know whether the noble Baroness was present last night, as I was, when we had the debate on this issue. The Government brought forward an amendment which commanded the support of this House—including the Liberal Democrat spokesman. I am sure that the noble Baroness will be very happy to speak with her colleague about that if she has any disagreement.

**Lord Alton of Liverpool (CB):** My Lords, does the Minister agree that one of the things that jeopardises sustainable development is a combination of conflict, where there is the need to bring conflict resolution, and corruption? In the light of the Government's welcome announcement that they will sustain development programmes and funding for development overseas, will he tell us what priority a new Government are likely to give to combating conflict in situations such as South Sudan, where famine has come as a direct result of it, and dealing with corruption, where aid money can be embezzled and misused?

**Lord Bates:** The noble Lord is absolutely right. We have said that the 0.7% commitment stands, but we are also absolutely resolute that there needs to be reform of the international aid system to ensure that that hard-earned money, provided by British taxpayers and other taxpayers from around the world, gets to where it is most intended. That is why we are behind arguing for global goal 16 on peace and security—because, without peace and security, there can be no development or growth. That is also why we have committed the large sum of money—£100 million—to South Sudan and to the other areas which are touched by famine at present.

**Lord Collins of Highbury (Lab):** The Minister mentioned the recent DfID report setting out the priorities, which gave examples of all the targets and goals. I am really disappointed that, on goal 8, “Decent work”, and goal 10, “Reduced inequalities”, no mention is made of civil society. In particular, no mention is made of trade unions, nor the work of the ILO in addressing the appalling labour standards in our supply chain. Can the Minister explain this omission?

**Lord Bates:** I can—or will certainly attempt to. What is happening with the SDGs is that they not only apply internationally—we are bound to them internationally as collective goals; 193 nations signed up to them—but are very much targeted at what we will do domestically to implement them. One recognition we made through that on goal 8, which is crucially important, is that employment is now at record levels in the UK. It is at the highest level since records began in 1971. One thing we are saying is that that is a good example of where UK labour market reforms have brought about changes that can increase growth and achieve the target of global goal 8, to which the noble Lord referred.

**The Lord Bishop of Southwark:** My Lords, like the noble Lord, Lord Alton, I welcome the Prime Minister's pledge to maintain the commitment of 0.7% of GDP for overseas aid. But I would be glad to know the Minister's views on the usefulness of targeting aid in support of the goals not solely through large organisations but through more local partners such as those highlighted in the West Bank and Gaza by the right reverend Prelate the Bishop of Leeds on 21 March.

**Lord Bates:** We are absolutely of the opinion that we should work closely with civil society organisations and that we are part of a global partnership to leave no one behind, which applies and cuts across all the goals. We will engage with local partners, who are in the best position to deliver the improvements and the targets that we seek on the ground. We will continue to do that and I know that many religious organisations, including church organisations, also have a crucial role to play in that around the Middle East and in Africa.

**Lord Foulkes of Cumnock (Lab):** My Lords, some of us are a little more sceptical about what the Prime Minister said about the 0.7%. Can the Minister clarify whether that 0.7% will be spent according to ODA principles by a separate department that is not linked to any other department in Whitehall?

**Lord Bates:** The 0.7% was a commitment made in 1970 and it was first brought in under a Conservative-led Government—and it has been sustained under a Conservative Government. What we have said is that the 0.7% commitment was never in doubt and will remain continuously. But we are absolutely committed to saying that we want to look very carefully at where and how that money is spent, to ensure that every single penny given goes to the people who are most in need. That is our commitment and we will stand by it.

**Lord Low of Dalston (CB):** My Lords—

## Chechnya: LGBT Citizens *Question*

3.30 pm

*Asked by Baroness Barker*

To ask Her Majesty's Government what action they are planning to take in response to reports of the persecution and detention of LGBT citizens in Chechnya.

**The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con):** My Lords, the Government are extremely concerned by reports of the detention and ill treatment of more than 100 gay men in Chechnya. I issued a statement on 7 April which was publicly supported by the Foreign Secretary. Officials in our embassy in Moscow raised our concerns with the Russian Government on 13 April. The EU made a statement on behalf of all member states at the OSCE, and the UK delivered a national statement at the Council of Europe.

**Baroness Barker (LD):** I thank the Minister for her Answer. We now have clear evidence that gay people are being detained in camps in Chechnya and hunted in Russia. In circumstances where people are in fear for their lives, will the UK Government consider a form of leave to enter in order that people can seek international protection in the UK?

**Baroness Anelay of St Johns:** My Lords, the noble Baroness raises the critical issue of the safety of individuals who are facing not just persecution; the Chechen leader Kadyrov wants their elimination before the start of Ramadan on 26 May. In the light of that, it is important for the whole of the international community to work together to resolve these issues, and that is what we shall certainly do. With regard to our asylum procedures, we are in the process of carrying out a commitment to improve the asylum processes for those claiming asylum on the basis of their sexual or gender identity. Decision-makers are provided with dedicated guidance on the management of such claims. We are working closely with NGOs and the UN High Commissioner for Refugees to develop this guidance and training and make it work better.

**The Lord Bishop of Newcastle:** My Lords, what support have Her Majesty's Government provided and what support do they intend to provide to the Russian LGBT Network, which is helping gay men flee Chechnya?

**Baroness Anelay of St Johns:** My Lords, the right reverend Prelate raises an issue that was partly addressed by the noble Baroness, Lady Barker. I assure her that we are working on this. That work has to be sensitive because I do not wish to expose anybody to real personal danger. Let us not underestimate the gravity of the situation in Chechnya. The threats that have been made both by the leaders and by people in the community are abhorrent. We will do our best to achieve international agreement on the safety of people who are threatened.

**Lord Cashman (Lab):** My Lords—

**Lord Alli (Lab):** My Lords—

**Lord Lexden (Con):** My Lords—

**The Lord Privy Seal (Baroness Evans of Bowes Park) (Con):** It is the turn of the Conservative Benches.

**Lord Lexden:** My Lords, is it not the case that the Russian Government actively support laws that encourage the oppression of LGBT people throughout their territories?

**Baroness Anelay of St Johns:** My Lords, the Chechen Republic is a federal subject of the Russian Federation and comes under the authority of the Russian Government in Moscow, so with regard to issues in Chechnya the buck stops with President Putin. With regard to wider issues across Russia, we believe that the situation for LGBT people has deteriorated since

the law banning the promotion of non-traditional sexual relations among minors was passed in June 2013. It is a very worrying situation.

**Lord Alli:** My Lords, first, I thank the Minister for all the work she has done and the support she has given to this cause, in particular her statement of 7 April. In that statement, she made clear that she was calling on the Russian Government to investigate these allegations promptly. The Minister quite rightly says that since then the Chechen President has threatened to “eliminate”—eliminate—all gay men and members of the LGBT community by the start of Ramadan, on 26 May. The Russian LGBT Network has been on the front line of trying to protect gay men in Chechnya, but so far the Russian authorities have refused to launch any formal investigation into the testimonies they have collected. May I ask the Minister to continue to put pressure on the Russian authorities to start the investigation into those testimonies? If they will not do so, will the UK, EU or UN do more to highlight the testimonies from those who are being persecuted?

**Baroness Anelay of St Johns:** My Lords, the noble Lord makes extremely valid points. I commit us to continuing to work on these matters throughout purdah, during which we can still do things, wholly within the rules, to uphold existing policy. I give him an assurance on that. It will be for a new Government to look at how they wish to act through co-operation across the international community, in both the Human Rights Council and the United Nations Security Council, but I would hope that any Government would wish to follow that course.

**Baroness Northover (LD):** My Lords, I also welcome what the noble Baroness has said, but she will be aware that these very vulnerable men are vulnerable not only due to the actions of their Government but now from honour killings. Can she expedite what she has said she will do in terms of visas?

**Baroness Anelay of St Johns:** My Lords, the Answer I gave was with regard to asylum, and I want to make that absolutely clear. The noble Baroness raises a critical issue when she refers to the so-called honour killings of gay men by family members. To put this into context, detainees who have been held are being sent back home, which is tantamount to a death sentence, because police are using families to lure gay men back to the region to be arrested and they are then reportedly either tortured or killed. We are told that families are hunting down escapees and handing them over to the authorities. This situation needs international co-operation. I believe, from what has been said in this House today, that we have all-party co-operation.

## Local Audit (Public Access to Documents) Bill

*Order of Commitment Discharged*

3.37 pm

*Moved by Baroness Eaton*

That the order of commitment be discharged.

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

*Motion agreed.*

### **Merchant Shipping (Homosexual Conduct) Bill**

*Order of Commitment Discharged*

3.38 pm

*Moved by Baroness Scott of Bybrook*

That the order of commitment be discharged.

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

*Motion agreed.*

### **Guardianship (Missing Persons) Bill**

*Order of Commitment Discharged*

3.38 pm

*Moved by Baroness Hamwee*

That the order of commitment be discharged.

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

*Motion agreed.*

### **Farriers (Registration) Bill**

*Order of Commitment Discharged*

3.39 pm

*Moved by The Earl of Caithness*

That the order of commitment be discharged.

**The Earl of Caithness (Con):** My Lords, I understand that no amendments have been set down to this Bill and that no noble Lord has indicated a wish to move a manuscript amendment or to speak in Committee. Unless, therefore, any noble Lord objects, I beg to move that the order of commitment be discharged.

**Lord Tyler (LD):** My Lords, I wonder whether it would be appropriate for me to ask a question of the noble Earl, and indeed of the Minister. I wonder whether either of them have seen the report—published today, as I understand it—by the Delegated Powers and Regulatory Reform Committee, referring to some important aspects of this particular Bill, which of course has been looked at literally only today by that committee, on which I serve. There are aspects that raise the controversial issues of the Henry VIII clause. The Government originally supported the Bill and produced a Memorandum for the Committee about these matters on behalf of the noble Earl and the Bill's promoters in the other House.

These questions raise important issues about executive expediency. We all recognise that at this stage of a Parliament it is extremely important to complete the business that is before both Houses, but I believe, and I think Members of your Lordships' House will agree with me, that we should not do it simply for the expediency of the Executive. If there are matters that are of concern to this House about the way in which secondary legislation following from the Bill is to be handled by Parliament, we in this House are duty-bound to ask those questions. It would be wrong, simply because we are faced with an early general election or indeed the end of a Session, simply to fast-track legislation without proper regard to these issues of scrutiny. I am sure the noble Earl would agree with me, as he is a strong protagonist for the responsibilities of this House.

I wonder whether the noble Earl and the Minister will now be in a position to comment on the important qualifications that have been brought forward by the Delegated Powers and Regulatory Reform Committee to your Lordships' House today on the issue of secondary legislation. It is not immediately apparent why the promoters of the Bill, and indeed the Government, did not use the LRO procedure, which would have been more appropriate. It would have meant that we had proper scrutiny of the secondary legislation that follows from the Bill.

I am sure other Members of your Lordships' House will agree with me that we should not simply be accelerating procedures for the convenience of the Government. What we should be doing is our duty in terms of proper scrutiny. In that respect, I hope both the noble Earl and the Minister will agree that proper regard should be paid to the committee's concerns.

**The Earl of Caithness:** My Lords, I am grateful for the intervention from the noble Lord, Lord Tyler. This Bill is not for the benefit of the Government; it is for the benefit of the farriers and updating the law.

I am aware of the report. I have not had time to discuss it with the Minister, but I plan to do so immediately this Motion has been agreed because I think it right and proper that I should do so. Had we had sight of the report earlier, I would have been able to see the Minister before now, and I apologise to the House for not having been able to. However, I shall do so immediately after this.

**Lord Grocott (Lab):** Bearing in mind that the noble Earl is now looking to an accelerated Committee stage for his Private Member's Bill, I remind him of the

Committee stage of the abolition of by-elections for hereditary Peers Bill at whose Committee stage, where it was supported widely across the House, he and one of his noble colleagues decided to table some 30 amendments in order to prevent the further passage of that Bill. I wonder whether, when I introduce a similar Bill in the next Session of Parliament, he will afford the same courtesy of a rapid passage of the Committee stage to the hereditary Peers abolition of by-elections Bill as appears to be being afforded to him today.

**Noble Lords:** Answer!

**The Earl of Caithness:** My Lords, I am grateful to the noble Lord for not tabling amendments to this Bill.

*Motion agreed.*

## Health Service Medical Supplies (Costs) Bill

*Commons Amendments*

3.44 pm

### *Motion A*

*Moved by Lord O'Shaughnessy*

That this House do not insist on its Amendment 3B and do agree with the Commons in their Amendments 3C and 3D in lieu.

#### **Commons Amendments in lieu**

**3C:** Page 2, line 19, at end insert—

“( ) after “body” insert “and any other person the Secretary of State thinks appropriate”,”

**3D:** Page 2, line 27, at end insert—

“( ) After subsection (1) insert—

“(1A) Consultation about the proposed exercise of a power under subsection (1) must include consultation about the following—

(a) the economic consequences for the life sciences industry in the United Kingdom;

(b) the consequences for the economy of the United Kingdom;

(c) the consequences for patients to whom any health service medicines are to be supplied and for other health service patients.””

**The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con):** My Lords, I beg to move Motion A. In doing so, I apologise to the House for the late change to the running order. Noble Lords who were expecting—or indeed hoping—that my noble friend Lord Nash would be taking the Bill through will have to make do with me.

We are here again to consider whether and how the Government can take into account the impact that exercising the powers in the Bill will have on the life sciences industry and on access to new medicines for patients who may benefit from them.

When we last debated these issues, I set out clearly the Government's reasons for disagreeing with Amendment 3B. As I explained at the time, it would undermine one of the core purposes of the Bill by undermining the Government's ability to put effective

cost controls in place. This could encourage companies to bring legal challenges where cost controls have not in themselves promoted growth in the life sciences industry, seriously hindering the Government's ability to exercise their powers effectively to control costs. This would have a detrimental effect if the Government were to take action to control the price of an unbranded generic medicine where it is clear that the company is exploiting the NHS, because the Government might be challenged on the basis that the action does not promote the life sciences sector. Nevertheless, as I am sure that all noble Lords agree, in such an instance it would of course be the right thing to do for the NHS, for patients and for taxpayers. The powers in the Bill that enable such action have received universal support in both Houses throughout the Bill's passage.

Through our previous debates on this issue, we clarified that there was no intention to undermine the core purposes of the Bill; rather, the intention is to ensure that a mechanism is laid out in the Bill to ensure that the Government pause to reflect on the impact of any proposed statutory price control scheme on the life sciences industry, and on access to cost-effective medicines. With this clarity, the Government have now put forward their own amendment in lieu which will achieve just that, without undermining the Bill's core purpose.

Consultation requirements are already set out in Section 263 of the NHS Act, prior to the implementation of any statutory price control scheme for medicines. Our amendment, which received support from all parties in the other place, would mean that the Bill would amend the NHS Act to include particular additional factors that must be consulted on. These are: first, the economic consequences for the life sciences industry in the United Kingdom; secondly, the consequences for the economy of the United Kingdom; and, thirdly, the consequences for patients to whom any health service medicines are to be supplied and for other health service patients.

The requirements are framed in this way in order not only to consider the economic consequences for the life sciences industry and for patients who may benefit from new medicines but to balance these factors against wider considerations. I am sure that we can all agree that, although a thriving life sciences industry and access to new medicines are highly desirable, it must not come at any cost and it is the Government's responsibility to achieve the right balance and to be held to account for it. As with all consultations, the Government must give all responses due consideration before finalising policy. Setting these requirements out in the Bill does not limit the scope of any consultation on a statutory pricing scheme, offering both the Government and consultees the opportunity to give all relevant issues proper consideration.

The amendment is specific to Section 263 of the NHS Act—that is to say, the powers to put a statutory scheme in place for medicines. Where action is being taken against a specific instance of high prices, it would not be appropriate for it to be subject to such a wide-ranging consultation. In such cases, the NHS Act requires consultation with the appropriate industry body or bodies prior to the exercise of the powers.

[LORD O'SHAUGHNESSY]

With this amendment, the Government have therefore addressed the real intent behind Peers' concerns, giving assurance of proper, balanced consideration of the effects of any statutory pricing scheme on the life sciences industry and patient access to medicine without undermining the Government's ability to operate such a scheme. I hope that it will meet with the approval of the House.

Before closing, I thank the many noble Lords who have contributed not only to the development of the amendment but to the Bill as a whole. I thank the noble Lords, Lord Warner and Lord Hunt, and the noble Baroness, Lady Walmsley, as well as my noble friend Lord Lansley and the noble Baroness, Lady Finlay, for their contributions to improving the Bill. Finally, I also thank other noble Lords who have made important contributions to the debate, including the noble Lord, Lord Patel, and the noble Baronesses, Lady Masham and Lady Wheeler. I believe that we have worked in a constructive and open spirit and, as a result, the Bill is better and stronger than when we found it. I beg to move.

**Lord Warner (CB):** My Lords, I am grateful to the Minister for the further thought that he has given to the amendment that your Lordships passed at an earlier stage. I am also grateful to him for his courtesy in showing me the amendments before he went forward with them; I very much appreciate that. I accept the Government's arguments for the new approach that they have provided on the set of concerns that we had across the House about the adequacy of the provisions in the Bill on the life sciences industry and on speedy access to NICE-approved drugs. I accept their arguments that the original amendment was to some extent too restrictive on their freedom of manoeuvre when they need to act on unreasonable high prices. The Government have skilfully met the concerns of your Lordships' House and I am very pleased to be able to support the amendment.

While I am on my feet, I will also thank the Minister for the courteous way in which he has listened to concerns throughout this Bill and taken the issues away, considered them with his officials and come back and tried to respond to many of the concerns. Across the Benches of this House, we are grateful for the way in which he has conducted the discussions during the passage of the Bill.

**Lord Lansley (Con):** My Lords, I am glad that my noble friend is on the Front Bench to see this Bill safely through. I share with colleagues an appreciation of how he and officials from the department have worked consensually, carefully and considerately to try to make the Bill as good as we can make it. I welcome the amendments in lieu; they point to a sensible way forward in relation to the consultation on the statutory scheme. I would ask that my noble friend is equally clear that, in the negotiations leading to any voluntary scheme, Ministers will have regard not only to their statutory duties, as we have discussed, but to these considerations reflected in this amendment. One purpose of the Bill is to make a voluntary and a statutory scheme entirely consonant, one with the other.

The only other point that I would make is that, of course, when one passes legislation it is about not just the law but the administration that follows and accompanies it. In that context, it is important that Ministers take these powers, but it is equally important that in the administration of those powers, not least in working with NHS England and NICE, they work in the same constructive fashion to see that the impact on the life sciences industry and the accessibility of the best available treatments for patients, at a price representing value for money, are integral to the purposes of the legislation. I hope that they will equally be part of the further action that the Government take with NHS England and NICE to ensure that, however they manage the budgetary impacts as they must, they do so in a way that has the interests of patients and the country at heart.

**Baroness Masham of Ilton (CB):** My Lords, I congratulate the Minister on his hard work on the Bill and his helpfulness. I have one question. As this is a global matter, how can the Government assure us that the prices of drugs will come down?

**Lord Hunt of Kings Heath (Lab):** My Lords, I look forward to the Minister's answer to that last question. From the opposition Benches, I very much welcome the agreed amendment that has come forward from the Government today. It is good to see how wash-up can concentrate minds no end, and we have reached a very satisfactory outcome. I am very grateful to the Minister and his officials for their co-operation on this.

The Opposition have been in no doubt whatever that it is absolutely right to take action against those companies that have clearly been abusing the system. We should also pay tribute to the *Times* newspaper for its campaign, which has opened up some transparency in a pretty murky area.

There are two key issues that need to be taken forward. First, the key message of debates in your Lordships' House is that, in seeking to deal with this particular problem, we must not underestimate the contribution of the pharmaceutical industry to this country, to the economy and to the life sciences sector. We have a problem in that we are incredibly innovative in the number of new drugs that are developed in this country, but the NHS is finding it increasingly difficult to invest in them and patients are not getting the benefit.

The second is the whole question of balance between the statutory and voluntary schemes—the noble Lord, Lord Lansley, referred to this. I have reached the conclusion that the current arrangements are simply not up to scratch in relation to how government should negotiate with the industry in the future. The patent lack of transparency about the real price paid by the NHS for individual drugs means, in my view, that the arrangements are no longer fit for purpose. I hope that the Government—whichever Government are in power post election—will look afresh at the need for new arrangements in negotiation which get a fair price and also lead to the adoption of innovative new drugs for NHS patients.

Can the Minister say when he thinks the Government will be in a position to implement the key provisions in this Bill in relation to prices?

**Lord O'Shaughnessy:** My Lords, I thank all noble Lords for their warm words and I reciprocate those feelings: it has been a very interesting, challenging and enjoyable experience working with noble Lords on this Bill on what is—as the noble Lord, Lord Hunt, has pointed out—a critical matter. It is critical not just that we get the best possible prices for drugs and that we crack down on those who are trying to rip off the system, but that we make sure we are also supporting the life sciences industry and are improving access for patients.

I am particularly grateful for the work done by the noble Lord, Lord Warner, and I appreciate his support for this amendment. My noble friend Lord Lansley and the noble Lord, Lord Hunt, made the point about the equivalence between the voluntary schemes and statutory schemes. There is equivalence in law and equivalence in spirit. It is in the nature of voluntary schemes that they take into account issues around access and life sciences, because that is, in a way, why they come about. You would not have one if you could not have some agreement on that. By making this amendment today we have provided something that was taken into account by the voluntary schemes by moving it into the statutory schemes and providing that equivalence.

My noble friend is quite right about the need to work in a constructive manner. It is possible to create a system in which the interests of patients, industry and the NHS align. There is no necessary reason for them to be in conflict and, indeed, we all want a system where we have improved access and keen prices that raise the standard of care available on the NHS.

I join the noble Lord, Lord Hunt, in congratulating the *Times* on its investigations, which continue. Indeed, I think that there was a story at the beginning of the week or the end of last week about that. It has put a turbo boost under this, but clearly there is more to do. This Bill will allow us to get up stream and not have to wait until things get to the Competition and Markets Authority many years down the track; it will allow us to improve things up front.

As to whether the current arrangements are up to scratch and what might happen in the future, noble Lords will understand if I resist making a comment on what might happen in the future, or what a future Government might do. My own observation—this is my way of answering the question from the noble Baroness, Lady Masham, which I will avoid slightly—is that any new system ought to be trying to rebalance spending towards innovative drugs, which can of course be done in any fiscal envelope; it is not necessarily a point about spending per se but about the balance of spending. Any system would probably benefit from being both simpler and quicker. I am sure that is something that Ministers in the Department of Health, whoever they may be after the next election, will want to grapple with.

I thank my officials who have done a fantastic job and have worked very hard with noble Lords across

the House on the Bill and on amendments. I am very grateful to them. I think that 24 government amendments have now improved the Bill.

On a personal note, I have very much enjoyed taking my first piece of legislation through your Lordships' House. Pending the election result, it may be my last, but I hope it will not be. Others may disagree.

4 pm

**Lord Hunt of Kings Heath:** My Lords, I will not comment on that last remark. The key clause is Clause 5. Can I take it that once the Bill receives Royal Assent the Government can implement that straightaway?

**Lord O'Shaughnessy:** I believe that would be the case. Of course, there is a difference between what officials can do and what Ministers can give instructions to do in a period of purdah. However, as soon as the measure is in law, it is enforceable.

*Motion A agreed.*

## Northern Ireland (Ministerial Appointments and Regional Rates) Bill

*Second Reading (and remaining stages)*

4.01 pm

*Moved by Lord Dunlop*

That the Bill be now read a second time.

**The Parliamentary Under-Secretary of State, Northern Ireland Office and Scotland Office (Lord Dunlop) (Con):** My Lords, the context for this short and simple Bill is very clear. Northern Ireland has enjoyed the longest unbroken period of devolved government since the old Stormont Parliament was dissolved in 1972. It is now nearly 10 years since full power was restored to the devolved institutions in Northern Ireland following a prolonged period of suspension. In these years Northern Ireland has taken important and positive steps forward. Northern Ireland is today a more peaceful and prosperous place than it was. Of course, there are still too many acts of wanton violence. Paramilitary activity and terrorism have not yet been eradicated from the streets of Northern Ireland, as we saw all too clearly with the placing of a significant bomb over the weekend by dissident republican terrorists next to a primary school in north Belfast. This is an outrage, putting innocent lives at risk. I pay tribute to the work of the police and other emergency services who work so hard to keep us all safe.

It is clear also that significant economic and social challenges remain to be overcome, so we are all united in this House and beyond in our desire to see the momentum of the peace process maintained. Momentum is what the people of Northern Ireland want their political leaders to deliver, whether here at Westminster or in Stormont. The continuation of strong and stable devolved government is what people voted for in large numbers in the recent Assembly elections. It is what they expect. It is what they deserve. We must not let them down, so protecting the interests of the people of

[LORD DUNLOP]

Northern Ireland is at the heart of this simple, three-clause Bill—a Bill designed to ensure that every opportunity is given for an Executive to be formed so that the ratepayers of Northern Ireland do not suffer greater difficulty in managing their bills or that a gap does not open up in funding for essential public services.

It is ultimately the UK Government who have responsibility for maintaining political stability in Northern Ireland, and the Government take that responsibility very seriously. My right honourable friend the Northern Ireland Secretary has updated Parliament regularly in recent weeks. In doing so, he set out his intention to bring forward legislation with two aims in mind: to provide the legal basis for an Executive to form and to set a regional rate to enable that important source of revenue to be collected. In the final full week of this Parliament, the time is right to deal with both those matters, providing greater certainty for the people of Northern Ireland and creating the opportunity for the parties to come together to secure the resumption of devolved government. The way in which this Bill deals with the latter issue takes into account the reality of the forthcoming general election.

I know that the House understands very well the background leading up to today's Bill. The collapse of the previous Executive in January placed a duty on the Northern Ireland Secretary to set a date for a further election. He did so in January, with the election held on 2 March. Since then, the Secretary of State has been engaged in talks with the political parties and, as appropriate, the Irish Government, in accordance with the well-established three-stranded approach. These talks have had one clear purpose: to re-establish an inclusive devolved Administration in line with the 1998 Belfast agreement and its successors.

When the new Assembly sat for the first time on 13 March, it set in train a 14-day deadline under the Northern Ireland Act 1998 for an Executive to be formed. That deadline, however, came and went on 27 March. The failure to form an Executive within the prescribed period meant that my right honourable friend was placed under a further duty to set a date for another election. At that point, it was no longer possible for an Executive to form without either another election or new legislation specifically enabling Ministers to be appointed to an Executive.

With talks under way and a realistic prospect of an agreement being reached, to have called another Assembly election would not have been appropriate—a view widely shared, not least by many in this House. Therefore, following consultation with the parties and the Irish Government, the Secretary of State convened a further phase of intensive round tables in the 10 days before Easter.

Progress was made on several fronts during that phase on the formation of an Executive, on the budget and on the programme for government. There was progress too in terms of legacy. Constructive discussions took place with all the parties on the detail of the legacy institutions set out in the Stormont House agreement and the need to reform legacy inquests. As my right honourable friend said on Monday in the other place:

“Although no one will underestimate the challenge of addressing the legacy of the past, the proposals are now sufficiently developed that the next step should be to publish them for consultation”.—*[Official Report, Commons, 24/4/17; col. 918.]*

In that way, we can listen to the views of victims and survivors and all those who will be most affected by the proposed new institutions.

However, looking at the talks as a whole, it was clear that outstanding issues remained to be resolved and that a period of reflection was necessary to give the impetus for discussions to reach a successful conclusion. As a result, the talks were paused over Easter and, since then, meetings have continued between the parties.

The Government are clear that the restoration of devolved government remains achievable and the absolute priority. However, that will require more time and more focused engagement by the parties on the critical issues that remain, building on the discussions over the course of the past eight weeks. The Government's hope, and wish, is that the parties can use this period to build on the progress made so far. This is particularly important given that, with an election on 8 June, if a deal is not reached now, the people of Northern Ireland will be faced with nearly six months without an Executive.

The Bill before this House today would provide the space, and the opportunity, for the parties to do just that. The Government consider this to be the most practical way forward for the people of Northern Ireland in the current circumstances. It is an approach that recognises the current focus on the general election and provides the scope for the parties to continue discussions and to resolve outstanding issues, while providing time for an incoming Government to consider their options if a deal does not prove possible before the election. This gives the best possible opportunity for restoring a strong, stable and inclusive devolved Government. I take this opportunity to place on record my gratitude to the parties opposite for their constructive and positive engagement during the process leading up to this point, and for their support for the measures we are proposing today.

Moving to the substance of the Bill, as I have said, Clause 1 would remove the present legal barrier to an Executive being able to form to enable any deal reached to be implemented. It would retrospectively reset the 14-day clock in the Northern Ireland Act 1998, which expired on 27 March, with a 108-day period, removing the present duty that the Northern Ireland Secretary is under to set a date for an election, with this arising again at 4 pm on Thursday 29 June. After that time, as now, an Executive would no longer be able to form. To be clear, this extension applies to the specific circumstances following the last Assembly elections and does not represent a more fundamental change to the Northern Ireland Act 1998. It will provide the space in the current circumstances for an Executive to form, making clear that the parties are not absolved of their responsibility to make progress.

Let me reiterate the point that if a deal was not already in place, it would provide a period for further talks in the new Parliament, allowing the parties to take stock and move forward. It would mean also that if a deal is not struck, there is a period for the new

Government to properly consider the way forward. That is important. In the absence of a deal there will be significant decisions to be made in the new Parliament to provide political stability in Northern Ireland. None of us hopes to face that situation, and this Bill is intended to provide the framework to avoid that outcome. I hope, as I am sure the whole House does, that the parties will seize the opportunity, whether in the coming weeks or soon after, to deliver the Executive for which they have such a clear mandate to secure.

I turn now to Clause 2 on the regional rates. Two acute issues of financial uncertainty are caused by the lack of an Executive. The first is the absence of a 2017-18 regional rate, which represents more than 5% of the total revenue available to the Northern Ireland Executive. Normally this would have been set by the Department of Finance earlier this year via an affirmative rates order in the Assembly. This would have enabled bills to be issued in 10 instalments, giving certainty to ratepayers and allowing various payment reliefs to be applied. However, time has nearly run out for that course. If no rate is set in the next few days, there will be fewer bill instalments of higher amounts, and the longer it takes to set a rate, the worse that situation would become. The only outcome would be bad debt, lost revenue, uncertainty and hardship. Therefore, while we are clear that this is a devolved matter, we are clear also that in the current circumstances only the UK Government can take action to secure the interests of individuals, businesses and indeed the Executive.

Clause 2 addresses this issue by setting a 2017-18 regional rate in Northern Ireland. It does so by setting "pence per pound" rates for both domestic and non-domestic properties. These rates represent a 1.6% inflationary increase, the same approach as was taken by the Executive in setting a rate the year before. As we make clear in Clause 2(4) and (5), it would not cut across the continuing right of the Executive to set a rate by order in the usual way. This would be the most limited step available to us, taken at a point beyond which we cannot delay.

The second financial matter is the lack of a 2017-18 budget. Its absence has meant that since the beginning of this month, civil servants alone have been in charge of allocating cash, which is by no means a solution for the longer term. Before Easter, therefore, the Secretary of State made it clear that he would provide further assurance in this regard if an Executive were not in place, reflecting the UK Government's ultimate responsibility for political stability in Northern Ireland. The Secretary of State has now provided that assurance in the other place.

First, he has indicated that the Government would be prepared, as a last resort, to pass an appropriation Act in the next Session to provide legislative authority for the expenditure of Northern Ireland departments. Secondly, the Secretary of State has published a Written Ministerial Statement, following the advice of the Northern Ireland Civil Service, setting out indicative departmental allocations. These reflect the budget priorities and decisions of the previous Executive and provide a basis for allocations in the absence of an Executive. These totals would not constrain the future freedom of an incoming Executive to amend expenditure allocations.

These are not steps any Government would take lightly. However, they reflect the duty Parliament owes to the people of Northern Ireland and the Government's ultimate responsibility, as I say, for political stability and good governance. By passing this Bill we can provide the scope and space for a deal to be done by the parties. The Government will continue to work intensively to secure that outcome in the critical weeks to come. That is what the people of Northern Ireland voted for and it is what businesses, community groups and individuals across Northern Ireland want to see. It is what this Bill seeks to deliver and I beg to move.

4.16 pm

**Lord McAvoy (Lab):** My Lords, I thank the Minister for his speech and for his recent Written Statement to keep the House updated on the situation in Northern Ireland. He has explained very clearly the intent behind the Bill and that is much appreciated. Before I start, I put on record our thanks to the Police Service of Northern Ireland and the emergency services who were called out to deal with the appalling terrorist incident outside Holy Cross School in the Ardoyne on Sunday morning. It was an act that showed total disregard for the lives of children and the local community and actively targeted serving police officers. We pay tribute to the bravery and professionalism of the police and emergency service staff.

All noble Lords will agree that it is regrettable that this legislation has to be before us today. This is not where any of us wanted to be. Our priority, shared across the House, is the restoration of the inclusive, devolved Administration that the people of Northern Ireland voted for. Your Lordships' House is familiar with the recent events which form the background to the Bill. We make it plain from these Benches that we will support the measures that the Government have brought forward in the Bill while negotiations on the formation of an Executive are ongoing. As the Minister explained, the Bill makes provision to extend the period for filling ministerial offices in the Northern Ireland Assembly, so that this remains an option throughout and immediately after the general election campaign. We accept and support this approach, which is measured and will give space for progress to be made and for an Executive to be formed.

The provisions to urgently set regional domestic and non-domestic rates for this financial year go some way to addressing, as the Minister has said, the acute financial uncertainty facing Northern Ireland. Businesses and communities in Northern Ireland need far greater financial security than this measure alone provides. It is imperative that negotiating parties reach agreement and form an Executive so that the elected Assembly can be returned to take urgent decisions and serve the people of Northern Ireland who elected it.

I have a small number of questions for the Minister, particularly with regard to the time that will be available for negotiations during the coming weeks. Is he able to tell the House what talks are scheduled to take place during the general election period? What continued support will current Ministers and government officials be able to provide to the negotiation process before a new Government are elected? What arrangements are in place so that talks can continue, as I am sure they

[LORD McAVOY]

have been going on until now, with the Irish Government? The Secretary of State made the welcome statement that constructive discussions have taken place on legacy issues—such an important base to move forward from. Is the Minister able to tell us more about what point the legacy proposals have reached? I think he said that they are ready to be put out for consultation. What preparations are being made and has a timescale been discussed for that consultation? The Troubles touched victims in every part and every community of Northern Ireland. It is the victims, their families and their loved ones who must have their voices heard as we pave the way for dealing with that legacy.

I do not need to remind your Lordships' House of the range of issues that face Northern Ireland in the months to come. At a local level, communities need decisions and funding for key public services. Northern Ireland is also uniquely placed for discussions, under whichever Government is returned, for the UK's future relationship with the European Union. As I have said, we lend our support to the interim provisions introduced in the Bill, but the situation we find ourselves in is not desirable and not sustainable.

It is not what the people of Northern Ireland voted for. We are dedicated to the return of an inclusive devolved Administration in Northern Ireland. We must not have a return to direct rule in any form, and we must be honest and vigilant in ensuring that we do not allow each step of this process to make it harder to go back to inclusive, devolved government. After the enormity of what has been achieved, not least through the efforts of many Members of your Lordships' House, we have achieved far too much to move backwards now. We look to all negotiating parties to meet in the spirit of compromise and agreement, and to do their duty in returning a working Government to Northern Ireland.

4.21 pm

**Baroness Suttie (LD):** My Lords, I thank the Minister for being in touch with my noble friend Lord Alderdice and me about the Bill last week. I shall keep my remarks extremely brief as we consider the Bill a sensible and necessary approach to the circumstances in which we find ourselves, and we hope to see its swift and unamended passage through your Lordships' House today.

I begin by paying tribute to the police officers and those from the other emergency services who worked on Sunday to keep the whole community in north Belfast safe, following the discovery of a dissident republican bomb. Those who placed this bomb, not only in the heart of the community but outside the gates of a primary school, do not represent the vast majority of people in the area. Such actions have no place in a democratic society.

It is unfortunate that this election has been called without regard to the sensitive negotiations in Northern Ireland, and that, instead of working with the political parties to secure devolution so that Northern Ireland can have a strong voice in the Brexit negotiations, the Prime Minister has concentrated more on securing her own political future. Given that the general election has now been called, however, we believe that extending

the period for forming an Executive in Northern Ireland to 29 June is necessary as further progress on the talks is unlikely during the election period.

We also recognise, as has been pointed out by the honourable Member for Foyle, Mark Durkan, in the other place, that the Government may not be in a position to give undertakings or commitments in the negotiations in Northern Ireland as we move into a period of *purdah*. So in reality it may not be possible to achieve a comprehensive agreement before the election. I would be grateful if the Minister could confirm whether that is indeed the case.

The general election comes at a crucial time for Northern Ireland. The current vacuum is not sustainable; it is already doing damage to the Northern Irish economy and its public services, so we are also supportive of the second provision of the Bill, which sets the regional rates for domestic and non-domestic property in Northern Ireland for the current financial year. Will the Minister assure us that, in the short but critical three weeks between the election on 8 June and this revised deadline of 29 June, if the Prime Minister is returned to office, she will make securing a stable Executive in Northern Ireland one of her top priorities?

Perception is extremely important in politics. Does the Minister agree that clear leadership must be shown at the highest level of government to help secure the devolution settlement, including prime ministerial visits to Belfast? While we recognise that it is unlikely that much progress will be made in the forthcoming weeks, will the Minister also reassure us that he will continue to consult and work with all political parties in Northern Ireland and confirm that the political parties in Northern Ireland were consulted on, and are content with, the inflationary increase of 1.6% provided for in the Bill?

I give assurances from these Benches that we will not oppose either of the provisions before us in the Bill today. However, I urge the Minister not to let any progress deteriorate in the coming weeks, and ensure that talks in Northern Ireland are resumed as a matter of urgency following the election on 8 June.

4.24 pm

**Lord Browne of Belmont (DUP):** My Lords, I should like to join other noble Lords in strongly supporting the Bill before us and I fully appreciate that its fast-tracking is unavoidable in the circumstances. I would also like to associate myself with the comments made by other speakers regarding the security services and the very difficult job that they have to do in Northern Ireland.

We all recognise that the achievement of consensus among Northern Ireland politicians is sometimes intrinsically difficult, but nevertheless we should be encouraged by the achievements of the devolved Administration in recent years and by the agreement reached in the Stormont House talks. In the circumstances, the irresponsible actions of Sinn Féin over the past few months are very regrettable and the decision of that party's Deputy First Minister, the late Martin McGuinness, to resign led inevitably to the collapse of the Northern Ireland Executive and the subsequent Northern Ireland Assembly elections. After the election, Sinn Féin again refused to nominate a Deputy First Minister and thereby again prevented the establishment of a devolved Administration. In contrast, the Democratic

Unionist Party did not lay down any preconditions for the re-establishment of devolved government and continued to seek agreement among all parties on the relevant issues.

The Secretary of State, who has to be congratulated along with his team on the way they have conducted the negotiations under extremely difficult circumstances, remains positive regarding the progress of the talks and believes that there is the will and the commitment among the parties to find a way forward, and therefore the extension of the period for filling ministerial offices provided for in this Bill is very much to be welcomed. Can the Minister give an assurance that 29 June is the final cut-off date and will be the last deadline to be set? I feel that if this is made clear, it will focus the minds of the negotiators on reaching an agreement.

We must all hope that a successful conclusion to the talks will be arrived at by that date. Moreover, it is clear beyond doubt that unless the provisions of the Bill related to the setting of the regional rate are also passed into law as soon as possible, the administration of Northern Ireland will cease to function effectively.

In concluding, I should like to take a broader perspective on the future of Northern Ireland. The decisions which must be taken in the next few years on the subject of the United Kingdom's withdrawal from the European Union and on the constitutional status of the constituent countries of the United Kingdom are probably more important than any taken, certainly in my lifetime. Personally, I strongly favour the retention of a strong United Kingdom comprising England, Scotland, Wales and Northern Ireland, and I fully support the decision of the people of the United Kingdom to leave the European Union as expressed in the recent referendum. It is essential that the representatives of Northern Ireland are fully consulted during these important discussions, but this will be possible only if the devolved institutions are in place. Can the Minister inform the House about what steps will be taken to ensure that Northern Ireland interests are fully represented in the unfortunate event that the talks fail?

I have listened to the Minister and I understand that the proposals dealing with the legacy of our troubled past are on the table. I am pleased that he has informed the House that the Government are willing to publish them so that wider consultation can take place in the next few weeks.

We must all hope earnestly that the talks will reach a successful conclusion before 29 June so that a functioning Executive can be established which will deliver peace and prosperity for all the people of Northern Ireland. I can assure the House that my party is totally committed to reaching out and securing a lasting agreement. The message coming from the Province right across the board is that people want devolution up and running, so I support the Bill.

4.29 pm

**Lord Trimble (Con):** My Lords, as has in effect been said, this Bill is necessary. Consequently, it will be supported and will proceed in this House. It also comes at the last minute. I understand why the Government have waited until the last minute before bringing forward these proposals, because they will

want to proceed with the talks that have been going on as though that is the key thing where they want success. It is then natural to leave the Bill to the last minute before bringing forward necessary provisions if there has not been agreement.

We also have to consider what will be done in the future. When we look to that future we are dealing with a very significant anomaly where one party with less than a third of the seats in the Northern Ireland Assembly is in a position to collapse the Assembly, has done so and shows no sign of taking a different approach. I know the Government will hope that they can find an agreement between now and the new cut-off date in June, but the auguries are not good. We have to consider where we are.

I note that the noble Lord, Lord Browne of Belmont, wants the new deadline to be final—that is what I understood him to say. If it is to be final, the question is: what will happen when that comes if things have not succeeded? In that sense, to come to what the noble Lord, Lord McAvoy, said, we do not want a return to direct rule—I agree with him on that—but if we have a final cut-off date in June, we do not have success and we do not have direct rule, what do we have? We have to give careful consideration to this.

The problem at present is the inability to form an Executive. Are an Executive absolutely necessary? There may be other ways to deal with this. I apologise to the noble Lord, Lord Murphy of Torfaen, for not having consulted him on what I am about to say—he would be in a position to give a very interesting response—because I look to what happened with the first phase of devolution in Wales, where there was a corporate Assembly without an Executive that functioned reasonably effectively. As I understand it, that operated for some six or seven years, then the Welsh Assembly wanted to move to having an Executive, but that shows what could be done in this situation.

If, come the cut-off date in June, we are in a position to bring forward a little bit of legislation that vested the administrative powers in a corporate Assembly, that Assembly could continue to function and it would be able to move to have an Executive the moment that the party that presently will not nominate for an Executive shows a willingness to do so. We would have an arrangement that could be flexible and would not prevent an Executive being formed at a later stage, but would mean that the Northern Ireland Assembly would continue, that there would not be direct rule and that the administration can be carried forward by the corporate Assembly.

That is a suggestion. There may be others, but while the Government will not want at this stage to make any formal consideration of plan B, thought needs to be given to this. This is a modest suggestion that I would like to put out there. It might help to make some parties a bit more amenable when they realise that there is a plan B. I am well aware of the attitude that Sinn Féin can take to deadlines when they are there: it seems to regard a deadline as an insult and wait until it breaks the deadline before it does anything. That is the way it used to operate in the past. Maybe it has learned something in the interval, but I would not want to count too much on that. I leave those thoughts for people to consider.

4.34 pm

**Lord Morrow (DUP):** My Lords, at the outset of my comments, I, too, pay tribute to the Police Service of Northern Ireland for the work it has done and been called on to do in recent times. Of course, it should not have to do that. Unfortunately, there are those in our society who seem to think that the planting of a bomb at the gateway of a primary school is something to be proud of. It is a downright disgrace that such an incident should happen. I roundly condemn those who did that and I commend the police on their swift action and for preserving life. Too often in the past, their predecessors, the RUC, got simply nothing but criticism when they stood in the way of those who would destroy life. I pay tribute to the PSNI today.

In this debate today, I do not want to either overestimate or underestimate the situation that Northern Ireland finds itself in. There are those who seek to blame the Government here at Westminster, but I make it very clear that I attribute no blame whatever to this Government for the situation in Northern Ireland. The blame can be traced much closer to home and certainly not here in London. It must be said that, given the type and style of government that operates in Northern Ireland, it can be difficult and trying to provide smooth and progressive government. I hope that lessons will be learned from the latest experience. Regretfully, I am extremely doubtful that the form of government we have is sustainable in future. I would like to be proved wrong—and would be happy enough if I am—but I say that most sincerely.

The Bill before the House is, as has been stated, to set a regional rate for Northern Ireland for 2017-18 and allow a new Executive to be formed. It provides an extension of time to the period when an Executive can be formed. Of course, this should have been the function of the Northern Ireland Executive and the Northern Ireland Assembly, but the refusal of the Sinn Fein Finance Minister to bring forward a Budget forced the Government's hand; hence the debate today and the situation we find ourselves in.

I welcome the Government's decision. I and my colleagues will support it. My only criticism is that, slightly contrary to what we have heard, I think it should have happened sooner. Some would say that it is what Northern Ireland voted for: that is, for their own Government, to make their own decisions and to strike their own budgets and rates. That is, of course, correct. Some say that was voted for on 2 March and that is correct, too. However, it was also voted for in May 2015, but the democratic wish of the people was denied. Today, we are at a standstill. Sinn Fein apparently sees the merits of democracy only when it suits them and works for their agenda.

We all know that Sinn Fein do not like making difficult decisions. We were told that the election held on 2 March was because there were issues regarding the renewable heating initiative. Strange to relate, since 2 March we seldom if ever hear of RHI. It has somehow disappeared and is no longer an issue. Let me say very clearly: RHI was never the reason for the election, simply the excuse.

We are told that there is a lack of respect and this must be addressed. Of course, this is Sinn Fein speak. Where was the respect when Gerry Adams referred to

unionists as “B—s”? I will not complete the word. He stated very clearly that equality was a means of breaking unionists. Well, 30 years of murder and mayhem, of bombing and destruction, did not achieve this, and I assure the House that the new tactics of Sinn Fein will not achieve it either. When Sinn Fein speak about respect, it has a very hollow ring to it.

Then we had the dreadful, insulting remarks of Martina Anderson, Sinn Fein Member of the European Parliament. When, referring to the Brexit vote—irrespective of the position you take on that—she screamed out where the Prime Minister could put her borders, it was the most disgraceful, disrespectful and insulting remark I think I have ever heard a politician come out with. To put it mildly, it was quite outrageous. Of course, we also had the recent appointment by Gerry Adams of Michelle O'Neill. She travelled to Coalisland to eulogise IRA murderers, and today has announced that she will be paying homage to the eight IRA terrorists who were intercepted by the security forces as they went on a mission to murder, bomb and destroy.

What does respect mean? It seems to mean different things to different people. My understanding of it seems somewhat different from that of those who tell us we do not show them respect.

We will give the Bill our full support. I think it is necessary, but it is most unfortunate that it has to be this way.

4.42 pm

**Lord Empey (UUP):** My Lords, like for many other Members, it is a matter of deep regret for me that this piece of legislation is before the House. We thought, perhaps naively, that the days when such legislation was required were over, but that is not the case and I have very little confidence that this is necessarily the last piece of legislation that we will see in the next few months.

A number of noble Lords have mentioned the actions of the PSNI at the weekend, but one should not be surprised. Whenever there is a political vacuum, these types of people will fill that vacuum. Nature abhors a vacuum. As a former Minister, the noble Lord, Lord Murphy, knows what I mean. This is what they do. The incident at Holy Cross, however awful, is merely one of a series of similar incidents that perhaps noble Lords have not picked up on—successive attempts to kill members of the security forces or the prison service. This is not a new tactic. It has been ongoing for quite a long time. Not only should we pay tribute to the PSNI and what they have done, but I have to say that the co-operation between the PSNI and the Garda Síochána is at one of the highest levels it has ever been. They are working very closely together and have managed to prevent a very substantial number of attacks. We must never forget that that level of co-operation is the one thing that is preventing further attacks being successful.

Turning to the Bill, as the Minister said in his opening remarks, it is the most minimalist position he can take. Noble Lords may or may not be aware that rates in Northern Ireland are still levied. We never had the council tax, which was perhaps a good thing.

But one advantage with the rates is that you can collect them because properties do not tend to move overnight—although I am sure it is possible to find a way of doing that. The rates are divided into two parts: the district councils set a district council rate and Stormont sets a regional rate. They are roughly 50/50, but councils do not collect rates in Northern Ireland. It is done by an agency of the Department of Finance and they are already a month late. I suppose I am not the only person in the Room who will have to declare an interest, because there are those of us who are going to have to pay them.

The delay has already cost a lot of money, as we had to mail every property in Northern Ireland to tell them that their rates were not going to be collected on time, and so forth. So the cash flow that local councils depend upon—bearing in mind that they still raise in excess of 80% of their money out of the rates—will, I suspect, already have been interrupted. Whether that will be dealt with by borrowing or using reserves, it will be balanced out in due course. The point is that this leads to gross inefficiency in budgeting and planning, and has already added costs. If things come out late then people get into trouble or debt and their whole planning goes out of the window, so we need to take care. There is no alternative to what the Government are proposing in the Bill.

Similarly, when we turn to the clause dealing with ministerial appointments, had the Bill not been brought forward I have no doubt that somebody could have judicially reviewed the Secretary of State because, by the far side of the general election, the argument might be that his not calling a general election there within a specified time was not reasonable. We therefore had to proceed with this legislation to ensure that the Secretary of State is protected from that and that another opportunity is created for the formation of an Executive. The noble Lord, Lord Trimble, put forward an alternative idea should that not be possible. Without going into the merits or demerits of that proposal, I ask the Minister to assure the House that, should he find himself in difficulty at the end of June, he and his colleagues, including his right honourable friend in the other place, will look flexibly and creatively at alternatives to direct rule and a collapse of the institutions.

Having been down the Stormont steps a few times myself, I can assure your Lordships that it is much easier to get down them than to get back up them again. We must not forget that we have North-South institutions, some of which I played some part in creating, along with the noble Lord, Lord Trimble, and others. They obviously lack direction because that direction has to come from the Administration in the Republic and the Executive in Northern Ireland, and of course one half of that equation is missing. So all those bodies spending taxpayers' money are left rudderless and without proper direction. This can be carried forward for quite some time, and those of your Lordships who have been in situations such as ministerial positions will know that you can do this only for so long, but we have to remember that Stormont has been out to lunch since before Christmas and we are now talking about the end of June. Who knows whether that will be the finish of it?

Mention has been made of the budget. There should be a properly fixed budget. I would hope that the departments would be looking at their budgets for 2018-19 and beyond now, but they do not even have a properly agreed budget for this year, other than the fact that a civil servant has taken a decision under the rules. The Secretary of State may issue a statement, but of course that statement has no legal power. It merely raises the issue, but the civil servant is setting the rates—the departmental budgets.

We know that Northern Ireland has the longest waiting lists in the health service and huge problems over education. We fought for the ability to impose our own rate of corporation tax and were ultimately granted the ability to do so, but that has gone down the drain now. It was supposed to come in in April next year, but there is no possibility of that happening now, so there is another lost opportunity.

In the last Stormont Administration, there was a high level of incompetence. We have to be honest about that and about other things. It was not a good Administration. It stayed, it was there, it served that purpose and that was good, but it was not a good Administration.

Mention was made of the United Kingdom leaving the European Union. The total contribution so far from Stormont to Whitehall has been a two-page letter last August, which set out the very obvious, but we have not had any meaningful input. I join other noble Lords in asking the Minister, as I asked his colleague from the Department for Exiting the European Union, how, precisely, Northern Ireland's views are going to be put forward. We have the most critical and difficult situation developing with the border and we are not even at the races. We are making no input of any submission. Stormont is silent. There has been one letter in the past nine months. That is most unfortunate.

All we are doing is showing contempt for ordinary people who are on long waiting lists. We have hundreds of people on protective notice in the voluntary and community sector because they do not know whether the money is going to be coming in or not.

This brings me back to a point I have made in this Chamber on a number of occasions about parliamentary oversight of the devolved institutions. There is none. That is a major mistake. We have to be continuously watching. Vast amounts of taxpayers' money is going not only to Northern Ireland but to Scotland and Wales. The heating scandal that was ostensibly the issue that brought the Executive to their knees has been mentioned. I agree with the noble Lord, Lord Morrow, that it was a passing vehicle that was used, not the main cause of the Sinn Féin decision, but the scandal is still there, the bills are still to be paid, it should never have happened, and nobody is looking at that. We are again talking about huge sums of money. I totally oppose the concept of devolve and forget. It is a rotten policy. It does not apply only to Northern Ireland. It is a mistake. There must be a level of parliamentary oversight, particularly when the vast amount of money spent by these Administrations is coming from here. I will leave that for another day. I do not expect the Minister to respond on that, but I hope he will clearly indicate that he will keep his options open.

[LORD EMPEY]

As to Mr Adams and Sinn Féin, whatever people have to say about Martin McGuinness, and there is lots that people could say about him, he was more involved in the institutions in Stormont and more committed to them. I do not think Mr Adams is in the same position. The negotiations after the election are going to be extremely difficult, but I hope that the Minister and his colleagues will be prepared to keep an open mind and look at creative options because to close the place down and abandon the institutions with all the problems that arise is the worst option. I hope it is not necessary to restore direct rule. If it is, we will have to deal with it, but I sincerely hope that we can avoid it, and that may require a lot of creative thinking.

4.54 pm

**Lord Lexden (Con):** My Lords, I have worked closely and most enjoyably with my noble friend Lord Empey throughout this Parliament, and indeed for years before, and it is a great pleasure to follow a speech into which he injected so much of his characteristic wisdom and humour.

The Bill is clearly essential and the Government deserve the full support of the House for it. The rates in Northern Ireland must be set and paid in the usual way, so that vital local services can continue to be provided and those who deliver them can continue to receive their pay. It is right, too, that the time available for talks on the formation of the new devolved Executive should be extended. The Government tell us that progress has been made—that being so, they must persist in their endeavours.

Their persistence commands the deepest admiration. It would be interesting to tot up the total number of hours that have been spent in recent years in talks, first to produce the Stormont House agreement in 2014, then to try and arrange for its implementation in 2015 and now, in 2017, to restore devolution itself to life in this wonderful Province—an integral part of our country. How do they fill the time during all these long hours of talks? The sheer extent of the talking should at least demonstrate unequivocally to everyone at home and abroad that absolutely nothing is being left undone in these valiant efforts to restore power-sharing between the Democratic Unionist Party and Sinn Féin. They are perhaps the most unlikely partners in government in this country that the wit of man could contrive, given that their fundamental constitutional objectives are diametrically opposed.

Everyone wants devolution to be restored successfully in Ulster. How reassuring it would be if the two parties on which success wholly depends could find it possible to issue some form of joint statement pledging themselves to work together constructively in the years between one Assembly election and the next, for the good of all the people of Northern Ireland, regardless of their conflicting constitutional objectives. Such a statement, and an agreed programme of work founded on it, would provide a really firm basis for the stable, enduring and fruitful power-sharing for which so many have yearned for so long. Without such some such joint approach, will not devolution, if and when it is restored, be conducted once again largely through

separate departmental fiefdoms without serious regard to collective responsibility, further entrenching the deep party—and thus communal—divide in this part of our country? How could such a state of affairs serve the true interests of our fellow country men and women in Northern Ireland?

In the circumstances that we confront today, we may very well need to give the most careful consideration to the ideas put before us this afternoon by my noble friend Lord Trimble and the noble Lord, Lord Empey. The Conservative and Unionist manifesto at the election two years ago stated:

“The Conservative Party is the party of the Union—and we will always do our utmost to keep our family of nations together”.

In its manifesto specifically for the elections in Northern Ireland, the party emphasised:

“We will never be neutral in expressing our support for the Union”.

Today, those commitments are more important than ever before.

4.58 pm

**Lord Rogan (UUP):** My Lords, first, I apologise to the noble Lord, Lord Dunlop, as I missed the first minute of his statement. I wish also to associate myself with the remarks of the noble Lord, Lord McAvoy, the noble Baroness, Lady Suttie, and other noble Lords regarding the actions of the PSNI at Ardoyne last Sunday. But as my noble friend Lord Empey said, members of the PSNI face murderous violence from republicans daily. The people of Northern Ireland, and indeed we in this House, owe a debt of gratitude to the PSNI and its bravery. My noble friend Lord Empey talked about declaring an interest, and I have to declare an interest in that my cash flow has been extremely improved by the late collection of the rates.

Establishing an Assembly and Executive in Northern Ireland is absolutely vital, as the United Kingdom is about to embark on formal negotiations with the European Union. We need strong voices arguing for Northern Ireland here in Parliament and in Stormont. Likewise, with the upcoming Westminster election, it is vital that we elect for Northern Ireland 18 MPs who are willing to take their places in this Parliament. What we do not need is the abstention of Sinn Féiners, receiving a salary and drawing maximum expenses without any meaningful way of contributing to the Parliament in London. We need a strong voice for Northern Ireland to ensure that we get the best possible deal for our farmers, universities, businesses, communities and voluntary sector.

The legislation brought forward yesterday by the Secretary of State provides some certainty by striking a regional rate so that the rates will be collected and public finances and local government services can still continue to function in Northern Ireland. However, it is somewhat embarrassing that something as clearly a devolved issue as Northern Ireland regional rates has been legislated here in Westminster. It is a sad indictment of the current state of affairs in Northern Ireland politics and in particular the conduct of DUP and Sinn Féin, currently the two largest parties in Ulster.

The Bill seeks to extend the date for a formal Executive, which will give some breathing space after the general election on 8 June. However, devolution in

Northern Ireland cannot simply be put on ice without consequences. With no Government in place, key strategic decisions are not being taken regarding the health service, our education system, our economy and many other factors. Indeed, as the noble Lord, Lord Empey, has alluded to, one casualty of the current political crisis is the devolution of corporation tax. It now appears extremely unlikely that we will see a rate of 12.5% by April 2018, as was previously agreed. This represents a very great missed opportunity.

The indicative budget and departmental allocations brought forward yesterday by the Secretary of State have no statutory footing or ministerial oversight. It is a civil servant's budget, and that position is simply not sustainable. Decisions regarding the public finances should be taken by responsible Northern Ireland Ministers who are accountable for their actions, not simply drawn up by Permanent Secretaries.

In March, 90 MLAs were elected by the people of Northern Ireland to a local Assembly in the expectation of their forming an Executive at Stormont where local decisions could be taken and Northern Ireland Ministers could be held to account. The steps taken this week by the Secretary of State should be an exception. We need devolved government back up and running as soon as possible so that the Secretary of State does not have to legislate for us again in the near future. In the meantime, though, my party supports the Bill.

5.03 pm

**Lord Alderdice (LD):** My Lords, I too identify myself with the comments made by my noble friend Lady Suttie about the horrible events in north Belfast and, indeed, about the Bill itself. At this late stage of the Parliament, and at this late stage of a debate on this emergency legislation, it would be quite inappropriate for me to make a lengthy speech or one that simply repeated things that had already been said in the debate. However, there are one or two things that are worth saying.

No one ever thought that the peace process would be a sprint. Some realised it would be a marathon; others realised it would be a steeplechase with plenty of hurdles. The truth is that in many ways it is a relay race, with Governments passing the baton from one to the next. This generation of Northern Ireland politicians has dropped the baton. A previous generation learned, through painful experience of violence, trouble and many political talks, that there had to be some better way of organising things for ourselves in Northern Ireland. Of the many lessons we learned, the crucial one was that addressing our problem was about addressing disturbed relationships between our communities. The noble Lord, Lord Dunlop, mentioned the three-stranded process. It was three-stranded because we were dealing with three sets of relationships.

What has been forgotten by the current generation of politicians is that it is all about relationships. As I listen to what has been going on prior to and during the early days of this election campaign, I do not hear people speaking of others as though they recognise that they must have a working relationship with them. To some extent, the noble Lord, Lord Morrow, if not others, demonstrated to the House something of the kind of problem that one might find. If we were to

have members of the nationalist community or republicans in this Chamber—which we do not—the noble Lord, Lord Lexden, and others would not have to wonder what they were talking about over such long periods. They would find that the disagreements have no difficulty finding momentum and continuing for many days, weeks and, indeed, years. Without establishing some kind of better working relationship with each other, there is little point in saying that we must have devolution, we must have an Executive and we must get on with working together when there is no sign of that being done.

That brings me to the proposition laid out by the noble Lord, Lord Trimble. On the last occasion on which we debated the issues, he and I both indicated that some creativity of thinking was important, and he has taken that forward. I support what he said about creative thinking and the specific measure that he suggested: between now and the end of June, we hope that there will be agreement, but we will not be hanging on by our fingernails waiting for it. On the part of the officials of the noble Lord, Lord Dunlop, serious work needs to be done on the option of the Northern Ireland Assembly operating much as the Welsh Assembly did during its first years: taking responsibility, not only because it is difficult to form an Executive but because in local councils in Northern Ireland, for many years, Sinn Féin, unionists, Alliance and others have been working effectively as corporate bodies and making decisions. Sometimes it takes a long time to get the decision, and the decisions are not necessarily always the best, but they are better than no decision and they are better than people in Northern Ireland not being directly represented by the Assembly. I give way to the noble Lord.

**Lord Elystan-Morgan (CB):** I am most grateful to the noble Lord and, like everyone here, I appreciate that he is casting around, as is the noble Lord, Lord Trimble, for any solution to this most difficult situation, but the Welsh Assembly is a very limited parallel in this case. Why? Because what were transferred were not legislative rights but executive functions. Those functions were transferred from Ministers of the Crown here in Westminster to an elected Assembly in Cardiff. The legislative transfers were very limited. Therefore, it is not a precedent for Northern Ireland, unless one takes the view that it is possible to have a legislature dealing without an Executive. That may be possible.

**Lord Alderdice:** I thank the noble Lord. I have to say that I am pretty familiar with the fact that it was different because, when the Presiding Officers of the Welsh Assembly and the Scottish Parliament were appointed, all three Presiding Officers were, as is well known in your Lordships' House, Members of your Lordships' House. We were also all sons of the Presbyterian manse, as it happened. We spent a lot of time talking to each other about these issues, and there were many things that we did not agree to do.

For example, I suspect that my noble friends on the Benches opposite would appreciate the fact that when we were discussing the question of language in the Northern Ireland Assembly, the people in Dublin suggested that we should not go as far on the Irish

[LORD ALDERDICE]

language as the Welsh went on the Welsh language. The noble Lord is absolutely right to point out that the Assemblies are not identical, but it would be a mistake to think that one is merely casting around for any possibility.

We have to make changes to the way the Assembly is run, but we also have to ensure that we do not wipe out a generation of Northern Ireland politicians who will have to find some way to build relationships. They will not do that if there is no elected Chamber in which to meet and no elected responsibilities for them to take. They will go back to their own communities, snipe at each other and not try to build a relationship. It is crucial that there are ways for that to be done at the level of the Northern Ireland Assembly, not just at the level of local government.

It is also crucial that we find ways in which elected representatives at a senior level can be involved in the negotiations on Brexit, as has already been said. That requires a Northern Ireland Assembly, but it requires one that is taking responsibility because, quite rightly, the people of Northern Ireland will not support the idea that politicians are paid to be Assembly Members without any serious responsibilities to undertake. What the noble Lord, Lord Trimble, has said is thoughtful; it needs to be worked on by officials at the Northern Ireland Office. We cannot simply wait until 5.30 pm on 28 June, when people suddenly begin to think, “My goodness, what can we do at this point?”. I do not imagine that they are doing that—nor do I imagine or even expect that the Minister will comment on this issue in his speech. I do not table this to ask him a question to which he should respond, because he should not; he should be working as he is doing, and as his right honourable friend in the other place is doing, to try to get an outcome. However, it is very important for us to think about what might happen in the other circumstances.

I appreciate that the implication of this legislation is that we will not have an Assembly election on the same day as the Westminster election. There are those who would have liked that to happen. I do not think that the majority of people in Northern Ireland wanted it, but for other reasons—I think it will be a very polarised Westminster election in Northern Ireland—the last thing we want to do is create out of that an Assembly even more polarised than the one before it. So it is the right decision by the Secretary of State and his colleagues, and I support it, but I raise the concern that we must not feel that, by passing this, we have put the problem to bed. As other noble Lords have said, we are simply putting on a piece of sticking plaster that takes us through the next couple of months. Then we will have some seriously difficult problems that will undoubtedly come back to your Lordships’ House one way or another.

5.11 pm

**Lord Cormack (Con):** My Lords, I shall speak briefly in the gap for two reasons. First, it is important that there should be voices from other parts of the United Kingdom to this integral part of our United Kingdom. With the exception of that of my noble friend Lord Lexden, all the extremely well-informed

speeches have come from Members from Northern Ireland. That is right and proper, but let them understand that those in the rest of the kingdom are as concerned as they are at the future of this glorious part of our country.

The second reason why I seek to speak is that I had the honour, for the whole of the 2005 Parliament, of chairing the Northern Ireland Affairs Committee in another place. I saw at first hand the development of something truly remarkable—a power-sharing Executive with the late Lord Bannside, Ian Paisley, and Martin McGuinness together. I shall never forget the meetings, particularly with Ian Paisley, when he took that extraordinarily brave step.

On 2 March, the people of Northern Ireland voted, hoping, as the noble Lord, Lord Empey, said, to be voting for an Assembly from which an Executive would emerge. The last thing that the people of Northern Ireland want or need is yet another election after 8 June—but, of course, the worst thing that could possibly happen would be the imposition force majeure of direct rule. We have to do everything possible and use all our ingenuity to ensure that that does not happen.

You do not have to be a mathematician to realise that 29 June is only three weeks after 8 June, and I hope that the Secretary of State, who has had the opportunity to listen to much of this debate, and my noble friend on the Front Bench, will take into account the very sensible and imaginative suggestions made by the noble Lord, Lord Alderdice, and my noble friend Lord Trimble during this debate. I hope that they will think, too, of the fundamental point made by the noble Lord, Lord Empey, in talking about parliamentary oversight. It is a gap—and whether it is via Select Committee, or an adjudicating panel of your Lordships and the other place, there are many ways in which this can be done. We should all turn our minds to them, but what must not happen is that we go back to direct rule or have another wholly unnecessary election in Northern Ireland.

5.14 pm

**Lord Bew (CB):** My Lords, I shall speak briefly in the gap to commend the Minister’s words when he said that the legislation represented the duty that Parliament owes to the people of Northern Ireland. I agree strongly, but I have one reservation about this legislation. A regional rate must be set; the rationale given in the papers that we have seen associated with this Bill is a little too coy.

The fact of the matter is that the United Kingdom’s subvention to Northern Ireland—which I fully support; it is what the union means—is the equivalent of £20,000 a year to every family of two. In such a context, not to set a regional rate would be absolutely outrageous, and I think that this should be stated absolutely explicitly. For this deeper reason, the tradition has grown up—it exists on the unionist side, the Northern Irish side and the London side—of not talking about the financial realities in Northern Ireland and the scale of that subvention. I am now convinced that we will not get a settlement or a deal on devolution unless people come to terms with the reality of the United Kingdom and the profound economic benefits that it brings to Northern Ireland.

As I have said, both for reasons that are very understandable, the Westminster Government have not talked much about this in public and the people of Northern Ireland and their parties have talked remarkably little about it. But it is part of the way in which we can shift the discourse on to greater realism. I strongly support this legislation, but I think the argumentation for it is just a little too coy.

5.15 pm

**Lord Eames (CB):** My Lords, I, too, will be brief in using the gap. I think that what noble Lords have heard this afternoon from those of us who come from Northern Ireland, if they needed any conviction or encouragement, will have left them in no doubt as to the sheer frustration and disappointment which is felt right across our community. It is not easy at this stage to stand back and point the finger of accusation. It is, I believe—in the words of the noble Lords, Lord Trimble and Lord Empey—a time for us, in the positions that we occupy in this House, to encourage positive, creative thinking about the whole nature of the theory of devolution. What we are seeing in Northern Ireland is not just the reaction or the failure of the political machine, after years of violence and suffering and filling a vacuum, rather it is fundamental questions about what devolution means in a post-conflict society. I regret that, having tried to play a role in the reconciliation process as Primate of All Ireland for over 20 years, I have learned the hard way how difficult the whole question of the legacy issue is.

I simply caution the Minister that to talk about the publication of a White Paper on ways of dealing with the legacy issue is the right step but it takes us into a minefield. As co-chairmen of the Consultative Group on the Past, way back over the years, Denis Bradley and I discovered how difficult that minefield was. The minefield has not altered; it has deepened. We are not finding new mines, but ways of discovering the old ones and putting a different colour on them, putting a different emphasis on them, and hearing other voices talk about the same mines. This is one of the worst lessons about the situation we are in, and we ignore it at our peril.

The question is: what is devolution and what is the best form of devolution for the people of Northern Ireland? The mother of one of our security forces who was murdered during our Troubles said to me the other day, “We have simply answered the violence of the IRA and the loyalist groups by saying, ‘Let’s see how we can split the political process and make it another way of fighting the war’”. That is a devastating indictment of where we are: “another way of fighting the war”. In God’s name, can we not have the ingenuity and wisdom to find a way of increasing the responsibility that local politicians can have, not just encouraging them to use it but educating them on how to use it? That, I believe, is what the people of Northern Ireland are saying at this time as I—with regret—support this legislation.

5.19 pm

**Lord Murphy of Torfaen (Lab):** My Lords, the remarks of the noble and right reverend Lord, Lord Eames, sum up a great deal of this very important debate.

He referred to the men and women of evil who we thought had been overcome following the peace process. Clearly, they still exist, as we know, given the incident in the Ardoyne at the weekend referred to by noble Lords.

What is so good about this debate, short though it is, is that your Lordships have brought enormous wisdom and experience to it. I hope that the Minister, when he winds up, and, indeed, his right honourable friend the Secretary of State, will take great heed of the points that were made. My noble friend Lord McAvoy has already said that these Benches totally support the Bill. We support the fact that it is important to raise the regional rates. When I was Finance Minister, one of the most unpopular things I had to do was to impose rates on the people of Northern Ireland, but it had to happen, so obviously we agree with that.

Obviously, there is a need to ensure that we keep on trying to restore the institutions. A large number of your Lordships have referred in this debate to direct rule. Some in Northern Ireland—none in this Chamber, I am sure—would like direct rule to come back, because if there is direct rule—I was a direct rule Minister for five years—it means that you avoid taking difficult and nasty decisions. You ask British Ministers to do it for you and then you castigate them for doing it. At the same time, all you are as political parties are supplicants to whoever is in power—a Labour or Conservative Government. That is a wholly unsatisfactory way to run any country, let alone Northern Ireland. The noble Lord, Lord Empey, made a very important point when he said that it is so much easier to decide not to have an Assembly and to bring down the institutions than to restore them. That is at the heart of what has happened over the last couple of months. It is easy to bring down those institutions but very difficult to raise them up again.

The noble Lord, Lord Alderdice, referred to the importance of having a political generation. Certainly, over the years since the signing of the Good Friday agreement, a political generation has grown up in Northern Ireland who are used to government and to doing things. It would be a tragedy if the talents of those men and women across the community in Northern Ireland were wasted.

A very interesting comparison with the Welsh Assembly was made by the noble Lords, Lord Trimble, Lord Alderdice and Lord Empey. Indeed, my noble friend Lord Elystan-Morgan referred to it as well. When the Welsh Assembly was first established in 1999, it was a body corporate—a bit like a big local authority, if you like, although, of course, it always had Ministers. However, in the early days, the Assembly had a choice. It could, if it so wished, abandon that idea and go back to the committee system of a large council. I do not advocate that as necessarily the best thing to do in Northern Ireland. However, we have to seek out the most imaginative possibilities we can find so long as they retain the principle that all members of the community in Northern Ireland support them. Such possibilities are worth a try if there is support for them. Indeed, anything that will restore devolution is worth a try.

Some of the issues under discussion can be resolved—for example, that of the Irish language. We have experience in Wales of the Welsh Language Act and of Welsh

[LORD MURPHY OF TORFAEN]  
 medium schools. We now have, although this was not the case originally, a consensus on the Welsh language. For many years it caused a hugely difficult political situation in Wales. People took very different views on the issue of the language and it was heavily politicised. I do not think that that is now the case in Wales because of what has happened over the last 20 years. I know, for example, that Alun Davies, a Minister in the Welsh Government, is very willing—indeed, he recently wrote an article in the *Western Mail*—to give advice to Ministers and others in Northern Ireland on how proposals for the Irish language can work alongside those for the Welsh language. The idea is to compare them and look at best practice to ensure that the arrangement is consensual rather than causing confrontation.

I take the point that the noble and right reverend Lord, Lord Eames, made about legacy, but I think that there is a worthwhile proposition in the consultation. Anything that means that people continue to talk about how to deal with the past must, in itself, be a good thing.

Another contentious issue in the Assembly is petitions of concern, whereby everybody has a sort of mutual veto. It was never meant to be like that following the Good Friday agreement, but it needs to be addressed.

Your Lordships are not really working on these issues with a very promising back-cloth. There is no doubt that Brexit divides people in Northern Ireland and that the border and the relationship with the Republic of Ireland are hugely significant. Those things are bound to play a part in the forthcoming general election in Northern Ireland. They cannot be avoided—what is there is there. Nor can the general election be avoided. It is not the best thing to happen in the middle of talks in Northern Ireland but it is there. All I would say from these Benches is that the Government should keep the show on the road.

I understand that the Secretary of State and his Minister in the House of Commons will be fighting their own elections. Happily, like all of us, the Minister in your Lordships' House will have no election to fight, so I hope he will be able to ensure that some talking continues during the election period and that people keep their eyes on the issues before them. All of us who know Northern Ireland realise that whenever there is an election, there is polarisation, and I do not think that the general election will be any exception. However, that does not mean that behind the scenes work cannot still go on.

The Irish Government is an important issue. They do not have an election and they have a role to play. They could continue to have discussions with the different political parties in Northern Ireland and I hope that they will. After the election, there will be three weeks to resolve this issue. Again, the noble Lord, Lord Alderdice, made a very important point. This is all about relationships, trust and confidence between people and between members of the Government. I hope and pray that between now and 29 June there will be a resolution. If there is not, I think there will be a case for the Prime Minister—whoever that might be—to go to Northern Ireland with the Taoiseach to ensure that the talks are put up a step. That might not

be necessary but I know that every Member of this House wishes the Government and the political parties well in resolving these extremely difficult issues.

5.28 pm

**Lord Dunlop:** My Lords, first, I thank all noble Lords who have contributed to today's proceedings, providing valuable and important exchanges on the Bill. I very much agree with what the noble Lord, Lord Murphy, said. Today, we have heard great wisdom from noble Lords across the House, as I think is always the case when we have debates about Northern Ireland.

A theme of the debate has been that this is not where any of us wanted to be but it is where we are, frustrating though that is, as the noble and right reverend Lord, Lord Eames, rightly said. I think that there is broad agreement across the House on the steps that the Government are taking today. Another theme that has come across very strongly is that, in searching for solutions to restore devolved government in Northern Ireland, there is a need to show imagination and creativity. That was mentioned by, among others, my noble friend Lord Trimble, the noble Lords, Lord Empey and Lord Alderdice, and my noble friend Lord Cormack.

I extend my thanks once again to the parties opposite and to all others for their support for the Bill and agreeing to its faster than usual passage through this House. As we have heard, the Bill is short and modest in scope, but it provides the framework within which the parties may come together, reach agreement and form an Executive. That is what the people of Northern Ireland voted for on 2 March, and it must remain the focus. This Government will always uphold their responsibilities on political stability and good governance in Northern Ireland. That is why the Bill provides the flexibility for an incoming Government to act in the best interests of Northern Ireland and the space for the parties to conclude a deal. I am very appreciative of the support of the House for this approach.

I was grateful too for the support there was for the Government taking the exceptional step of having this Parliament set a regional rate for Northern Ireland for this year. Although very much a step we had hoped to avoid, it is an essential move for securing greater financial certainty for individuals and businesses in Northern Ireland.

I turn now to some of the specific points raised during the debate. Obviously, one important theme was the question of where the talks go from here and what that will mean for deadlines and creative solutions. These issues were raised by the noble Lords, Lord McAvoy, Lord Browne, Lord Empey, Lord Trimble and Lord Lexden, and the noble Baroness, Lady Suttie. It is very important that we do not absolve the parties in Northern Ireland of their responsibilities to resolve their differences. The Secretary of State will be meeting the parties tomorrow to consider the way forward. That is the right moment to consider how best to proceed.

Of course the UK and Irish Governments will continue to maintain contact during the election period in line with the three-strand approach, and of course the Northern Ireland Office will continue to be prepared

to uphold the UK Government's responsibilities during the pre-election period. As I have said, the Bill provides the necessary space for agreement to be reached, and that is where the focus should rightly be.

However, this process cannot drag on indefinitely. Clearly, if no agreement is reached then an incoming Government would have to look at the full range of options available. I am sure that any Government coming in after the election would want to examine any creative solutions that are on the table. As has been said by others in this debate, nobody wants a return to direct rule. We want a return to strong and stable devolved government in Northern Ireland.

Brexit has been mentioned, as has the priority that the Government attach to Northern Ireland issues. As we have debated in the past in this Chamber, Northern Ireland clearly has unique interests and those interests are an absolute priority for the Government and the Prime Minister. That was reflected in the Prime Minister's Article 50 letter, and the Government are encouraged by the priority that has been shown in the draft EU negotiating guidelines, which reciprocate the priority that the Government themselves attach to Northern Ireland issues. As we have discussed and debated many times before, no one wants a return to hard borders, and we want to maintain the momentum of the peace process.

Mention was made of the general election—how could we avoid it? The Prime Minister is seeking a strong mandate to deliver the best possible deal, not just for Northern Ireland but for the UK as a whole.

Representing the interests of Northern Ireland is absolutely why we need the Northern Ireland Executive to be re-formed and get up and running again. In the meantime, the Northern Ireland Office will continue to champion the interests of Northern Ireland in discussions in Whitehall. We have been actively engaging with stakeholders across Northern Ireland to make sure that we understand and represent those interests effectively.

Legacy was mentioned by the noble Lord, Lord McAvoy, and the noble and right reverend Lord, Lord Eames. The Secretary of State for Northern Ireland is absolutely clear that we should move to a period of public consultation. Clearly, the timing of this will be a matter for an incoming Government after 8 June, but there is widespread agreement that the current situation is unsatisfactory and we must find a better way—and better outcomes—for victims and survivors that is fair, balanced and proportionate.

On the issue of rates, I can confirm that all the parties were consulted on the approach to the rate and the Government's approach has been informed by advice from the Northern Ireland Civil Service, in line with scenarios that were provided by officials in the Northern Ireland Civil Service to the political parties. On the resources available to local councils, I reassure the House that any delay in setting a rate has not interrupted the income of local councils.

In conclusion, I am grateful to all noble Lords for their support for the passage of the Bill and I thank my officials for the support they have provided. I am also grateful for the support of the Northern Ireland Civil Service. As I have said, the Bill provides the

scope and space for a deal to be done, which is what businesses, community groups and individuals across Northern Ireland want. I am sure that I speak for the whole House when I express my sincere hope that all sides use the opportunity that the Bill provides to secure the resumption of devolved government in Northern Ireland at the earliest opportunity. I ask the House to give this short and simple Bill a Second Reading.

*Bill read a second time. Committee negatived. Standing Order 46 having been suspended, the Bill was read a third time and passed.*

## Finance (No. 2) Bill

*Second Reading (and remaining stages)*

5.37 pm

*Moved by Baroness Neville-Rolfe*

That the Bill be now read a second time.

**The Commercial Secretary to the Treasury (Baroness Neville-Rolfe) (Con):** My Lords, this Government have long demonstrated that we can deliver a stronger, more secure economy. The economy continues to grow robustly, employment is at a record high and the deficit has been brought down by almost two-thirds. Following discussions, the Bill before us is shorter than on its introduction in the other place. None the less, the changes it will make take significant steps in helping to create a fairer and more sustainable tax system.

Following the parliamentary vote on the general election, the Finance Bill is proceeding on the basis of consensus. At the request of the Opposition, the Bill has been amended to take out a number of measures originally included. There has been no policy change. The provisions before the House will make a significant contribution to the public finances and the Government will legislate for the remaining provisions at the earliest opportunity at the start of the new Parliament. These include: corporation tax restrictions on interest expense and on loss relief; the reduction in the dividends allowance; changes to the tax treatment of the non-domiciled; anti-avoidance changes, such as the new penalty for enablers of tax avoidance; and the primary legislation for the Making Tax Digital programme. The Government remain committed to the digital future of the tax system, a principle which has been widely accepted in extensive consultation. I want, in passing, to acknowledge the work that the Economic Affairs Finance Bill Sub-Committee has done on the tax administration aspects of the programme. The Government have decided to pursue this measure in a Finance Bill in the next Parliament, in the light of the restrictions on time which now apply.

I now turn briefly to the main provisions included in the Bill before us. The UK has one of the highest rates of obesity among developed countries. Soft drinks are a major source of sugar in children's diets. Obesity drives disease and it costs our economy. The NHS incurs direct costs of over £6 billion each year from treating ill health related to obesity. The Bill legislates

[BARONESS NEVILLE-ROLFE]

for a soft drinks industry levy to encourage producers to reduce added sugar in their drinks. I am pleased that this change has gathered a wide degree of support here and elsewhere. I am even more pleased that the levy is already working, with Tesco—once my employer, so that is good to hear—and the manufacturers of Lucozade, Ribena and Irn-Bru among those already committing to reformulate their drinks and reduce added sugar. That is good news for our children's health and, although revenues will be lower, we will maintain the full £1 billion funding committed to the Department for Education to give children a better and healthier future.

There has been debate as to whether the levy should go further and, in particular, whether it should apply to milk-based drinks. Milk and milk products are a source of calcium and other nutrients. One in five teenage girls do not get enough calcium in their diet, and the same is true for one in 10 teenage boys. However, we want milk-based drinks to contain less added sugar, so Public Health England will challenge and support producers to reduce added sugar content by 20% by 2020, and will publish a detailed assessment of progress in that year. Yesterday, in the other place, my honourable friend the Financial Secretary, Jane Ellison, committed to review the exclusion for milk-based drinks in 2020, based on the evidence from Public Health England's assessment of producers' progress against their sugar reduction targets. I am happy to reaffirm that today.

The Finance Bill also legislates for increases in duty rates as announced in the Spring Budget and that took effect shortly afterwards. These increase tobacco duty rates by 2% above RPI inflation for all tobacco products, which also makes an important contribution to the Government's wider health agenda to reduce smoking prevalence. A minimum excise tax on cigarettes ensures that the cheapest cigarettes will pay a minimum level of duty, making it less profitable to sell cigarette packs below this level. Alcohol duties will be uprated in line with RPI inflation, while producers will continue to benefit from the effect of freezes and reductions in recent years.

The Finance Bill makes an important contribution to securing the nation's public finances, reducing the deficit while allowing the Government to support our critical public services. For that reason, we announced in the Autumn Statement an increase in the rate of insurance premium tax from 10% to 12%. The Bill provides for this increase, which will take effect from 1 June and is expected to contribute over £800 million annually to the public finances.

Turning now to personal tax, the tax system needs to keep pace with the different ways in which people are working. As the Chancellor set out in both the Autumn Statement and in the Spring Budget, the public finances face a growing risk from the cost of incorporations. Indeed, the Government estimate that by 2021-22 the cost to the Exchequer from people choosing to work through a company will be over £6 billion. Part of this arises from people choosing to work through their own personal services company who would otherwise be classed as employees. The off-payroll working rules, also known as IR35, are

designed to ensure that, where individuals work in a similar way to employees, they pay broadly the same taxes. However, non-compliance is high, costing an estimated £700 million each year. The Finance Bill therefore addresses this by transferring the liability for compliance with the rules in the public sector to the body for which the individual is working. We expect it to improve compliance significantly, raising revenue, while simply ensuring that the correct amount of tax is paid under the existing rules.

Finally, while some changes to address tax avoidance and evasion originally included in the Bill have been omitted and will be legislated for at the next available opportunity, the Bill includes a number of changes that advance the Government's aims in this area. This Government are committed to tackling tax avoidance and evasion at all levels in order to ensure that everyone, no matter who they are, pays the right amount of tax at the right time. Since 2010, we have invested more than £1.8 billion in HMRC to tackle evasion, avoidance and non-compliance, helping to secure more than £140 billion in additional tax revenues. This includes more than £45 billion from large businesses and more than £2.5 billion from the very wealthiest. The UK also has one of the lowest tax gaps in the world, and the Government have announced more than 35 policies in this Parliament which are forecast to raise more than £18.5 billion by 2021-22. The Finance Bill extends that record by making changes to ensure that those who promote tax avoidance schemes cannot circumvent the rules by reorganising their business while continuing to use high-risk tactics in promoting avoidance schemes. It tackles abuse of the VAT relief for adapted motor vehicles and introduces a new charge on loans from disguised remuneration schemes that have allowed beneficiaries to avoid paying the tax that should have been due on their employment. The Government's record on tackling avoidance and evasion and making sure that tax is paid fairly is one of which I am proud.

So to conclude, this Finance Bill supports our commitment to a fair and sustainable tax system, one that can support our critical public services and gets the country back to living within its means. I beg to move.

5.45 pm

**Lord Haskel (Lab):** My Lords, I cannot remember speaking in such a select debate. It may be that other noble Lords were deterred by the 762 pages of the original Finance Bill, which I think made it probably the largest Bill ever. Fortunately it was cut down yesterday and it is hard to know what is left, so I thank the noble Baroness for telling us.

We debated the Budget Statement on 14 March, and since then we have learned two important things. First, Brexit is going to be a lot more difficult than we thought, and secondly, we are going to have an election. The election means that the social aspects of the Finance Bill have to take priority. It is a Bill that, as well as trying to grow the economic pie, has to be accompanied by the politics that divide it up fairly. Does that happen with what is left here? I do not think so.

From what the Minister has said, the Bill avoids some awkward choices on things such as social care and national insurance for the self-employed. Indeed,

since our debate last month, we have had more proof that the proliferation of low-paid and insecure work is strongly aided by the way the Government are still allowing companies to differentiate between people who work off a digital platform and those who work off a bricks-and-mortar platform. We now also know more about how this contributes to the lack of investment in raising productivity. In his Budget speech, the Chancellor called this our “number one priority”. Yes, the number of people in work is rising, but the disappointing growth in productivity continues. This indicates that much more attention should be paid in a Budget such as this one to the quality of jobs and whether they enable people to achieve an acceptable and rising standard of living. This is the social necessity that needs to be incorporated into the Bill, but it misses an opportunity to put that right.

We now know even better that the Bill’s indecision on adult social care is putting more of a burden on NHS finances. This Finance Bill is a lost opportunity to take the tough decisions on where public care ends and private care begins—an opportunity, perhaps, to introduce an insurance scheme whereby we all pay in and those who do not need care help to fund those who do. This is what would take pressure off NHS finances. This is a solution for those who are still at work, but for people who need care now, perhaps the Bill should have introduced some kind of loan scheme that would be repayable on death, but it is silent on that.

Since 14 March, when we last debated this, we have had further proof that the growth in the economy is not fuelled by investment, but by consumption—consumption with diminishing investment. That investment has been financed by borrowing. This private debt is approaching record levels. We all know that the housing market is being fuelled by the thin margins that brought Northern Rock down, yet the Bill still encourages this reckless lending. As long as this private debt remains there will be stagnation in growth and productivity. It is a pity that the Bill did not take up the opportunity to do something about this.

Since the Budget Statement, we now know that Brexit will cost us a lot more than we thought. The House of Commons Library tells us that up to 19,000 EU rules and regulations may have to be put on the statute book. EU statistics speak of 12,000. The CBI tells us that to avoid a race to the bottom we will have to create domestic versions of 34 regulatory organisations. The head of the Civil Service tells us that Brexit entails more than 1,000 new rules. Indeed, the Institute for Government speaks of 15 new Bills before we even exit. This is a tremendous undertaking.

Does this Finance Bill provide for the people and resources necessary? The National Audit Office tells us that over the last 10 years there has been a 26% reduction in the number of civil servants. It also tells us that Whitehall alone would need to recruit some 2,000 staff in digital roles. Perhaps the new Government will have to take note of the American system, whereby IT experts do a tour of duty with the Government as a kind of patriotic contribution. Yes, the Government speak of seconding people and hiring consultants, but we all know the limitations of this and how inefficient it is. The Minister will know this from her business

experience. She will know that the real cost is the reduced efficiency and slower progress elsewhere in the departments from which these people are seconded. Maybe this is already happening. It was reported that because departments are short of staff, many—some say hundreds—of government contracts with the private sector which expire are being automatically extended instead of using the opportunity to find better ways of carrying out the services and reducing the costs. So much for raising productivity, our “number one priority”.

This Bill still speaks of apprenticeship schemes, funding them and how high standards will be maintained. That is great, yet a committee in the other place recently said that, to ensure these high standards, apprenticeships should not start until there is a clear way of measuring and ensuring these standards. In their response to that, the Government have said, “Yes, this could be a problem”. Is this because people were seconded from the Department for Education to the department for Brexit? If we are trying to reverse our dependency on immigration and rely more on the skills of our own people, we will have to do a lot better than that.

Since the election was announced, we all seem to agree on one thing: the mark of a civilised society is good public services and welfare funded by taxation. The Minister told us about taxation in the shortened Bill, but what a pity it was not reflected that, especially since our debate, we have learned that our economic prospects are less rosy and that spending cuts will make it even more difficult for many people. The Minister outlined the tax changes but not how we could civilise our society even more, perhaps by broadening the tax base with heavier taxes on activities that damage the environment, extending VAT to financial services, revaluing residential property, or fairly taxing inherited wealth. All this could go towards achieving the civilised society we seem to agree we want.

If the purpose of the Bill is to raise our standard of living and public services through economic and social growth working together, from what the Minister said it will need a lot more work by a new Government to achieve that. Perhaps another 762-page Bill is needed from the next Government.

5.55 pm

**Lord Kerr of Kinlochard (CB):** My Lords, I rise briefly in the gap to congratulate the Minister on her magisterial exegesis of what is still 148 pages and a dozen schedules. However, her reference to the plan to proceed—in due course after the election if returned—with the proposals for making tax digital slightly worries me.

I think everybody would agree that making tax digital for business is a good idea. However, both the Treasury Committee in the other place under the leadership of the admirable Mr Tyrie and your Lordships’ Economic Affairs Committee under the leadership of the admirable noble Lord, Lord Hollick, made rather serious criticisms of some of the details of the proposals. They are very big proposals. If the 780 pages were in front of us today, we would be debating a proposal that 2.5 million self-employed people, 1.5 million companies and 1 million landlords, even if their annual turnover was as low as £10,000, should be required to

[LORD KERR OF KINLOCHARD]

go online and make their tax returns quarterly—every three months—not annually. That would be for all these companies, including very small ones.

Both committees support the principle but your Lordships' committee recommended that this should be phased in and made optional for small companies and the Treasury Committee in the other place proposed that the threshold should be raised to be in line with that for VAT. That seems reasonable to me. I hope that, back in the Treasury and in the Revenue, people will not be idle in the next few weeks and months, and will take careful account of the reports from the two committees. Both support the principle that the Government propose to follow but find serious fault with some of the details of implementation and particularly phasing.

5.58 pm

**Lord Davies of Oldham (Lab):** My Lords, I, too, thank the Minister for describing so fully the remaining sections of the Finance Bill to be considered today. We all recognise the constraint in terms of the general election's imminence. She will anticipate that, as what is before us is an agreed position in the famous wash-up procedure, I am unlikely to add too much controversy to this debate. Well, we shall see. I appreciate the fact that she explained accurately what is in the measures. Of course, I have no debate with the measures at present.

I very much appreciate the contribution by my noble friend Lord Haskel. As ever, he has the ability both to identify the minutiae of a problem and to draw some general principles from it. It is a facility I wish I had to the same degree because it is important in economic debates that we understand the full implications of what is going on with discrete pieces of legislation.

I am also grateful to the noble Lord, Lord Kerr, who took from me the responsibility of analysing in particular the problems with regard to the controversial digital tax proposals. These are controversial, of course, because quite clearly a lot of people considered that their interests had not been taken sufficiently—if at all—into account. Both the committees to which the noble Lord referred indicated their views that the Government had made a pretty poor show of this.

In principle, we are in favour of the digitalisation of the taxation system but, pursued under a Labour Government, it will be after due consideration of the needs of business, particularly the categories to which the noble Lord, Lord Kerr, referred: businesses with limited resources being put under very substantial demands indeed. Meanwhile, of course, the Government have to wrestle with the fact that the intended taxation is not necessarily coming in at the rate they would have wished.

The Government have not been too lucky with Budgets in recent years. We all recall the rather embarrassing business of the pasty tax. We recall that the tax credit cuts were reversed by wiser counsel in this House. We remember the cuts to personal independence payments, which the Government had to rethink. Of course, we remember that in his Budget the Chancellor introduced a national insurance contribution proposal that turned

out to be something of a fiasco. All the key features of recent Budget proposals have had more than their fair share of difficulty, to the extent that one can wonder whether one can trust a Conservative Chancellor these days to get the fundamentals of the Budget right.

It is the job of the Opposition to point out when the Government have got things wrong and we will continue to pursue that role, even under the constraints of this Bill. We are now considering a gutted Bill left with those parts which both the Government and Opposition agreed should become law.

Of course, the Government tend to avoid tough choices while at the same time pursuing tax cuts for the multinationals and the super-rich, to be paid for by the mass of our people, who have rather more limited resources. So we take it with more than a pinch of salt when the Government put their proposals before us and suggest that they have some concept of fairness.

The Government fail to realise the need for additional fiscal resources, even when the NHS is in crisis. There is not a person in this country who is not aware of the current privations of the National Health Service. The one that is often cited is that the NHS has been obliged to jettison its target of dealing with people requiring hip or knee operations within an 18-week period. This is evidence of the considerable difficulties that the health service is in, and it is not at all clear that the Government have shown the political will to resolve the issue.

Of course, the health service has also been acting as a proxy for the problems of the social care service. Hard-pressed local authorities have not been able to sustain their share of the resources in social care. The fundamental responsibility for this crisis in two absolutely critical public services rests with the Government, and there is nothing in this Bill which indicates that the Government are prepared to face up to these issues effectively.

The Government's fiscal policy shows a ruinous performance on the public finances, as their target period for clearing the deficit has now been surpassed. It has gone from five years originally on to a further five years. It is now suggested that it will be a further seven years before the Chancellor can see his way to hitting the target, which between 2010 and 2015 dominated the then Chancellor's objectives. There was never really a recognition of the extent to which failure was enjoined in that period.

The weakness is not helped by cuts in HMRC staffing. In 2011, when I first addressed this issue in the House, I could not understand how the Government could be serious about indicating that they wanted to improve their taxation collection capacities—they had that as a major issue on the agenda—while pursuing their clear ideological objective of reducing the size of the state. The HMRC began to suffer its significant cuts at that time. How can a Government be so committed to a philosophy that they cannot recognise that cutting the efficiency of a government department, which does not just pay for itself but brings in huge resources far in excess of the cost of that department, is surely a nonsensical position to take up? But of course the Government did not accept that argument in 2011 and

are not accepting it in 2017. I have not the slightest doubt that if they were to continue in power, they would not accept the argument beyond 2017—but of course the electorate might have some say in that.

This weakness is not helped by the fact that over this period, the Government have misdirected their taxation targets in any case. The work of cutting staff resources in these terms is just emblematic of the fact that the Government are prepared to reduce their services, even when it is quite clear that the costs borne by the community are very significant. That is true not just in our health service and in social care but certainly in education. How can the Government waste resources on private schools when the state school system as a whole is crying out? The obvious fact is that every school is facing a reduction in the resources available to it.

The Government have a lot to answer to. They have at times paid lip service to one important feature of improving the economy: improvement in productivity. I well remember, and I welcomed, the appointment of a Minister who specialised in productivity and I regretted his departure after a very short time—too short for him to make any real impact on the issue. From what I can see, the Government have largely given up on this matter. They talk about certain areas in which there will be expenditure for contribution but the simple fact is that under their period in office since 2010, we have slipped crucially against the G7 criteria of productivity. We now have the largest gap since 1991 with the G7. How do the Government expect us to be successful in our trade negotiations with other countries if our productivity stays so low that our comparative costs are high, and we are not in a sufficiently competitive position with other countries?

This would be bad enough if we were in a relatively steady state, but of course Brexit has occasioned a complete convulsion in the country's prospects with regard to international trade and earnings. That means that the Government are going into this election with a great question mark over whether they have the will and the capacity to tackle the fundamental issues of our economy that ought to have been addressed long since.

This Budget is consistent with the performance of the Government since the Conservative Party became the dominant force in politics in 2010. There has been a conspicuous failure to hit economic and fiscal targets, backed up by taxation and social strategies which on the whole reward those who are already well off and hit the average working family and those on lower incomes hardest. So much for fairness. What we are actually seeing is the ever-growing inequality in our society which is prompting a response which the Government will have to reckon with in the very near future.

As my noble friend Lord Haskel pointed out, the Government's greatest failure is on growth. We have hit very low levels of growth ever since they have been in office. There has been a slight improvement in the past 18 months, but all forecasts show that within two to three years even those low growth levels will begin to subside. The Government cannot expect the country to be able to afford all that the public need in terms of personal resources and public provision if we cannot get growth in our economy.

I was grateful to my noble friend Lord Haskel and the noble Lord, Lord Kerr, for embellishing this debate with degrees of precision in areas on which the Minister should respond. Although she may think that, because I am trammelled to a degree by the fact that there is an agreement about the provisions in the Budget which should go ahead, I hope that at the very least the Minister will feel obliged to respond to their cogent points.

6.12 pm

**Baroness Neville-Rolfe:** My Lords, I thank noble Lords for their valuable contributions to this select debate. In his wide-ranging speech, the noble Lord, Lord Haskel, mentioned the importance of social measures and, as usual, made a number of interesting suggestions, including the point he often rightly makes about the importance of digital. On this occasion he not only referenced the workplace generally but the importance of getting it right in Whitehall.

On care and the NHS, to which he referred and which was also tackled by the noble Lord, Lord Davies of Oldham, we announced at the spring Budget an additional £2 billion for social care. This will help to ease pressures on the NHS by supporting more people to be discharged from hospital and into care as soon as they are ready. We are giving the NHS the funding that it needs. The Five Year Forward View plan asked for annual funding to rise by a minimum of £8 billion above inflation by 2020-21 and for investment to be frontloaded. The Government have delivered what the NHS asked for on both counts: the NHS's annual funding will increase by £10 billion above inflation by 2020-21 and £6 billion of this £10 billion will be delivered by the end of 2016-17, which is particularly important. I was pleased that to help manage demand on A&E we have committed to provide £100 million of new capital investment in A&E departments because that will help to ensure that patients access the most appropriate care as quickly as possible by improving the space for assessing patients and providing on-site GP facilities. This can help with bed blockers and is a good example of how things can be improved through management and efficiency, which I always regard as extremely important.

The noble Lord, Lord Haskel, talked about business investment and growing consumer debt. The OBR forecast business investment to grow by 15% over the forecast horizon period to 2021 and to rise as a share of GDP. Households' financial positions are certainly stronger than they were before the financial crisis, and debt interest as a proportion of income is at a record low.

The noble Lord also talked about productivity, a subject that we have often debated here. At the Autumn Statement, we announced £23 billion of extra investment through the national productivity investment fund, and tackling the UK's productivity challenge is a priority. To respond to the noble Lord, Lord Davies: the Chancellor mentions it often, it has pride of place in the Prime Minister's industrial strategy consultation and I agree that it is important. The Government are taking targeted action to invest in important things such as innovation, infrastructure and digital, to promote skills, to improve management and—I see my noble friend the Minister for Trade here—to encourage firms

[BARONESS NEVILLE-ROLFE]

to export, which always tends to be associated with strong productivity growth. There is work to do, as has been said, but productivity as measured by output per hour grew by 0.4% in Q3 of 2016 and by 0.4% in Q4 of 2016.

The noble Lord, Lord Haskel, asked about Brexit resourcing. The Treasury is working with all departments to understand the work required to prepare for a successful exit from the EU. Although aggregate spending plans for this review period remain in place, I can assure the noble Lord that the Treasury continues to engage with departments to ensure the right resources are allocated to the right places. I would add that I know from my own experience in dealing with Brexit for financial services that there is very high-quality Civil Service and external support, both in the Treasury and in DExEU.

The noble Lord, Lord Davies, asked about HMRC resourcing. The Government have always ensured that HMRC has the resources it needs. It makes sense to do so, and since 2010 we have invested over £1.8 billion in HMRC, and steps have again been taken to improve its effectiveness and efficiency.

I, too, was grateful to the noble Lord, Lord Kerr of Kinlochard, for joining us in the gap to share his view on making tax digital and for referring to the two recent parliamentary reports on the subject—particularly the one that was done in this House by the Finance Bill Sub-Committee, which I mentioned in my opening remarks. I am always very grateful for the work that is done on Treasury areas in the House. It really helps us to improve policy formation. Although there has been no change of policy, I entirely accept that time is needed for proper debate and scrutiny of the provisions for making tax digital. The Government remain committed to the digital future of the tax system—it was good to hear support for that from the Opposition Benches—and it was of course, in principle, accepted in the extensive consultation we held. But more time is needed for parliamentary scrutiny, and that will be made available at the earliest opportunity in the next Parliament.

I am grateful to noble colleagues for their contributions. We will debate some of the wider issues in the country, when we will demonstrate that we have a programme

for a stronger, more secure and more productive economy under a Prime Minister who is also determined to lead a country which works for all people and for all regions.

I have this evening outlined the benefits that the finance Bill, in this form, will bring in advancing our aims for a fair and sustainable tax system. I take this opportunity to thank Treasury officials for their high-quality support on the Bill and for getting it quickly into a state in which it could be considered today. On that basis, I invite the House to give the Bill a second reading.

*Bill read a second time. Committee negatived. Standing Order 46 having been suspended, the Bill was read a third time and passed.*

### **Digital Economy Bill**

*Returned from the Commons*

*The Bill was returned from the Commons with a reason and amendments. The Commons reason and amendments were ordered to be printed.*

### **Criminal Finances Bill**

*Returned from the Commons*

*The Bill was returned from the Commons with the Lords amendments agreed to.*

### **Higher Education and Research Bill**

*Returned from the Commons*

*The Bill was returned from the Commons with a reason and amendments. The Commons reason and amendments were ordered to be printed.*

*House adjourned at 6.21 pm.*