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OFFICIAL REPORT

ORDER OF BUSINESS

Retirement of a Member: Baroness Sharples <i>Announcement</i>	1825
Questions	
Unpaid Internships.....	1825
Disaster and Emergencies Preparedness Programme.....	1828
Children: Mental Health Assessments.....	1829
UK Borders: Surveillance.....	1832
CPS: Disclosure of Evidence	
<i>Private Notice Question</i>	1835
Procedure Committee	
<i>Motion to Agree</i>	1838
Environmental Protection (Microbeads) (England) Regulations 2017	
<i>Motion to Approve</i>	1842
Sub-national Transport Body (Transport for the North) Regulations 2017	
<i>Motion to Approve</i>	1849
European Council	
<i>Statement</i>	1858
Tackling Financial Exclusion (Financial Exclusion Report)	
<i>Motion to Take Note</i>	1872
Grenfell Tower and Building Safety	
<i>Statement</i>	1886
Tackling Financial Exclusion (Financial Exclusion Report)	
<i>Motion to Take Note (Continued)</i>	1900
Brexit: Trade in Non-financial Services (EUC Report)	
<i>Motion to Take Note</i>	1925

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

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House of Lords

Monday 18 December 2017

2.30 pm

Prayers—read by the Lord Bishop of Leeds.

Retirement of a Member: Baroness Sharples *Announcement*

2.36 pm

The Lord Speaker (Lord Fowler): My Lords, I should like to notify the House of the retirement, with effect from today, of the noble Baroness, Lady Sharples, pursuant to Section 1 of the House of Lords Reform Act 2014. On behalf of the House, I thank the noble Baroness for her much-valued service to the House.

Unpaid Internships *Question*

2.37 pm

Asked by Lord Holmes of Richmond

To ask Her Majesty's Government what steps they are taking to enforce minimum wage legislation to end the practice of unpaid internships, and whether they have considered any legislative change.

Baroness Vere of Norbiton (Con): My Lords, existing legislation already prohibits the practice of using unpaid interns as workers, and therefore we believe that further legislation is not necessary. What is needed is for employers to play their part by being good employers and making sure that they pay at least the national minimum wage for all interns from day one.

Lord Holmes of Richmond (Con): My Lords, in the light of low rates of reporting, lower rates of investigation and a near absence of prosecutions, does my noble friend not agree that it is time to deploy all of HMRC's powers and to introduce legislative reform to put an end to the pernicious practice of unpaid internships once and for all?

Baroness Vere of Norbiton: I thank my noble friend for his question and of course for the enormous amount of work he is doing in this area. There has been a step change in the amount of resources that HMRC has to tackle this problem. Funding has doubled from £13 million to £25.3 million in 2017-18. In two years, we have doubled the funding. The Government are taking this issue very seriously and we are recruiting extra compliance officers so that we can proactively identify those exploitative businesses that go on to exploit interns.

Baroness Royall of Blaisdon (Lab): My Lords, if there has been this step change, why did the recent IPPR report show a dramatic increase in the number of unpaid internships? I fully agree with the noble

Lord, Lord Holmes, that it is not fair to get a leg up if others cannot afford one. As a trustee of City Year UK, an excellent charity which works with social action, I am a strong supporter of youth social action, which is very different from unpaid internships. Will the Minister confirm when the youth full-time social action review will be published?

Baroness Vere of Norbiton: My Lords, I will have to write to the noble Baroness on the last point, but I will say that accurately predicting the number of unpaid interns in this country is extremely difficult. There are no accurate forecasts. To return to prosecutions, it is interesting to note that from a criminal perspective, we prosecute only those companies that are the most pernicious offenders but that HMRC takes action on a civil basis through the civil courts. In 2016-17, 1,134 businesses were taken through civil proceedings and we clawed back nearly £11 million for 98,000 workers. That is progress, but I recognise there is much more we can be doing.

Baroness Gardner of Parkes (Con): My Lords, will the Minister assure me that any action the Government take in this respect will not damage the numbers of wonderful people volunteering for charities and various organisations, where they are doing a lot of good? That should be kept quite distinct from internship.

Baroness Vere of Norbiton: My noble friend makes a very important point; it is one of the reasons why further legislation might be difficult and would have unintended consequences. In 2015 1.93 billion hours were volunteered by people in this country. I think all noble Lords will agree that that is marvellous, but it was 7% less than the hours volunteered in 2012. We need to keep our volunteers able to do the work that they do because it is extremely valuable.

Baroness Burt of Solihull (LD): My Lords, on the wider point about minimum wage contraventions, the Minister has outlined the steps that the Government are taking to tackle what she rightly described as a scourge, and those steps are welcome. However, on the point of criminal convictions, between February 2014 and September 2016 only three employers were prosecuted under the criminal law. Although criminal prosecutions are effective in enabling people to get back money that is owed to them, what steps is the Minister taking to bring the full weight of the law to the most extreme cases of non-compliance?

Baroness Vere of Norbiton: My Lords, as I have already mentioned, during the time that this legislation has been in place there have been 14 prosecutions and, as I said, those were for the most pernicious and serious cases. We tend to choose the civil route so that people can get their funding much quicker. However, there is one other way in which we can ensure that employers step up to the plate and stop exploiting workers: only last week we named and shamed an additional 260 companies across the country that are not doing right by their workers. I do not know whether noble Lords have had a chance to look through

[BARONESS VERE OF NORBITON]

their local media, but I have recently, and it is interesting to note how often local media pick up these stories and ensure that people in their local communities understand what their local companies are doing.

Lord Forsyth of Drumlean (Con): My Lords, can the Minister explain to me the difference between an internship and work experience? Will she go out of her way to praise those employers who give young people the opportunity to have work experience, which is so important in order to gain employment in the current market?

Baroness Vere of Norbiton: My noble friend gets to the heart of the matter because this is about social mobility. We have to ensure that placements are available; for example, people who are on work experience placements as part of a university degree are not liable to the minimum wage in those circumstances because those places would not exist if that requirement were not needed. We must pay tribute to all companies that take young people and give them the confidence to proceed in their career as they want to do.

Lord Watts (Lab): My Lords, just because the Minister says things are improving does not mean that they are. Can she provide to the House and put in the Library the information on which she is basing her claim?

Baroness Vere of Norbiton: I will certainly see what evidence I can find and put it in the Library. As I have already said to noble Lords, it is very difficult to give an accurate forecast or indeed any evidence as to how many people are in unpaid internships. What is important is the extra money that will mean that HMRC can be far more proactive about the work that it does. This is up to third parties as well. I encourage the noble Lord and indeed all noble Lords: if they see a person working and they should be getting paid, it is up to all of us to take responsibility and report that behaviour so that it can be dealt with.

Lord Mendelsohn (Lab): My Lords, the Minister made some important points about being able to identify the right level of evidence. Further to the letter sent by her noble friend the Minister to the noble Lord, Lord Holmes, where we are looking at the body of evidence, why does Her Majesty's Revenue and Customs have no records of prosecutions in relation to interns? If Her Majesty's Revenue and Customs has never measured it, how can she make such claims?

Baroness Vere of Norbiton: I think I said earlier that there have been 14 criminal prosecutions under national minimum wage legislation, and that none of them related to interns. However, there is much further activity going on in civil action, some of which will relate to interns, but we do not have centralised data.

Disaster and Emergencies Preparedness Programme

Question

2.45 pm

Asked by **Baroness Sheehan**

To ask Her Majesty's Government what assessment they have made of the Disaster and Emergencies Preparedness Programme.

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, DfID has monitored and assessed the disasters and emergencies preparedness programme through annual reviews, which are publicly available, and an external evaluation was conducted. Based on this information, the core part of the programme will run its course and end in March 2018, as planned, and the innovation window will run its course and end in March 2019, again, as planned.

Baroness Sheehan (LD): I thank the Minister for his response, but does he agree that the disasters and emergencies preparedness programme has shown that investing in preparing for humanitarian disasters is a lot more effective than responding in a hurry? I am glad that he has cleared up some of the confusion about when the programme will end. What might be replacing this very cost-effective programme?

Lord Bates: The noble Baroness is right: UNICEF and the World Food Programme have identified that every £1 spent in preparedness can save £2 in humanitarian assistance. It is absolutely right that we are spending approximately £175 million this year on resilience and prevention programmes. We looked at the specific DEPP programme she mentions. It was very complex in how it delivered. The overheads were quite high at about 25%. We have said that we would like to take a good look at it again to see whether we can deliver a more effective programme, but our commitment to preparedness and humanitarian intervention remains absolutely the same.

Lord Collins of Highbury (Lab): My Lords, the key feature is that the World Humanitarian Summit said that this a priority area. Irrespective of the outcomes of the specific programme, how will DfID approach this subject in its priorities? Will it comply with the World Humanitarian Summit and develop programmes? Tell us exactly how we will continue to make the savings that he described.

Lord Bates: We will certainly do that and comply with the Grand Bargain—we were a driving force behind it. That is why we have set out that preparedness and resilience ought to be a key part of the UN's mission. We have said that and withheld a proportion of its core funding to ensure that it lives up to it. That is also why we are the largest contributor to the UN Office for the Coordination of Humanitarian Affairs and the central emergency relief fund. We recognise the importance of that and will continue to live up to our obligations.

Baroness Falkner of Margravine (LD): My Lords, I think the Minister said that the programme will end in March 2018—in other words, in a few months. How

many of their 45 NGO partners in this programme have the Government consulted, and did they consult them in writing or orally? Finally, I understand that the external evaluation was conducted by the Harvard Humanitarian Initiative. Is that report available for public assessment? If not, when can we expect to see it?

Lord Bates: On the last point about the Harvard review, yes, we have it on DevTracker, which is a website for all contracts: all the reports are listed there. On the 45 NGOs that play an important part in delivery, DfID chairs that committee, so they were informed at the meeting in October or November. We underscored our commitment to this area and the significant amount of money we are putting in to humanitarian response, but also underlined to them our concern about some of the overhead costs that might be attributed to the complexity of the scheme as it currently stands.

Baroness McIntosh of Pickering (Con): My Lords, will my noble friend take back to his department and the whole DfID team that the loss of Rebecca Dykes in these circumstances is felt very deeply? Can we pay tribute to the work that she and all the DfID team do, often in very dangerous circumstances, particularly at this time of year, for humanitarian purposes?

Lord Bates: We can certainly do that. It is obviously a very distressing time for Becky's family but also for the people who worked with her. It reminds us of the sacrifice made by over 1,200 DfID personnel who work around the world, often in the most difficult and dangerous environments. The family have asked that we respect their privacy at this time and allow the facts to be established. We will of course recognise that wish.

Lord Berkeley (Lab): My Lords, as the Minister will know, disasters and emergencies happen in the UK as well. Has he looked at what would happen to the Isles of Scilly, which are served by one 40 year-old ferry half the year round, if something happened to that ferry? What might be the contingency plans?

Lord Bates: The noble Lord has caught me out. I did not have the Isles of Scilly in my brief. If he had gone for Antigua and Barbuda, I would have been able to answer him. I am happy to look into that and respond to his question.

Children: Mental Health Assessments *Question*

2.51 pm

Asked by Baroness Tyler of Enfield

To ask Her Majesty's Government, further to the remarks by Lord Nash on 23 November 2016 (HL Deb, col 1947), what progress they have made with testing new approaches to mental health assessments for looked-after children which were due to commence in April or May this year.

The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con): My Lords, the pilots were delayed by the general election but will start next year. Delay has enabled the design to effectively address the problems identified by the noble Baroness, Lady Tyler, and the Education Select Committee. In particular, we have taken forward recommendations of the expert working group on the mental health of children in care, which the Government commissioned to look at how to improve mental health and well-being support for looked-after children. We are currently identifying an organisation to support implementation.

Baroness Tyler of Enfield (LD): I thank the Minister for his Answer and will not dwell on my disappointment that it has taken so long to get the pilots off the ground. It will now be important to understand how these pilots will fit with the new trailblazers announced in the Green Paper to trial new mental health support teams working with schools. Does the Minister agree with me that it would make sense for at least one area to trial both the new children-in-care assessment pilots and the new mental health support teams to see how they best fit together?

Lord Agnew of Oulton: My Lords, we will work with our delivery partner to identify pilot sites, and there will be an up-front commitment to help meet any needs that are identified during the assessment process. One advantage of the delay is that we now have the mental health Green Paper, and we are trying to dovetail as much of the work from that into these pilots as we can.

Lord Dubs (Lab): Will the Minister join me in congratulating Hammersmith council, which on Thursday took in to look after a Syrian refugee boy from Greece who has serious mental health needs? Is it not a good sign that a local authority is doing that and showing what can be done for vulnerable refugees with mental health needs?

Lord Agnew of Oulton: My Lords, I certainly congratulate the local authority on that great work. A number of pilots are operating across the country—over 80—experimenting with different ways in which to help these vulnerable children. Only last week, Ealing had an open day to showcase some of the work that it has been doing for vulnerable children, and invited every other local authority in the country. It has been able to reduce the number of children going into care, and to save money as well. So there is a lot going on and, with the launch of the pilots that I have discussed with the noble Baroness, Lady Tyler, we will be doing a lot more on this.

The Earl of Listowel (CB): My Lords, I declare my interests in the register in children's mental health. Can the Minister assure the House that the recommendations of the expert working group will be fully funded by the Government? In particular, will recommendations around children's homes be fully funded? Children's homes have the most damaged young people, who are placed there as a last measure,

[THE EARL OF LISTOWEL]

yet their staff are still very poorly qualified. David Berridge, the eminent academic, commenting on the predation on children in homes in Rotherham, said that we must start moving towards having higher qualified staff in children's homes, given the complexity of their needs and their vulnerability to predation.

Lord Agnew of Oulton: My Lords, in answer to the first question, the expert working group made 16 recommendations and we will seek to include all of them in the construction of the pilot programme. In relation to secure children's homes, we all acknowledge that these are some of the most vulnerable children in our society. There are 14 secure children's homes in England, covering 133 welfare and 117 criminal justice placements. The mental health Green Paper underlined the need to increase the number of qualified staff working with vulnerable children and we will certainly look very carefully at that.

Lord Lexden (Con): My Lords, should we not welcome the determined efforts being made by charities and other bodies to secure more places for looked-after children suited to a state or independent boarding school, where good, externally inspected care is available for pupils with mental health problems?

Lord Agnew of Oulton: My Lords, I very much agree with the noble Lord. At the moment we have the Boarding School Partnerships, an initiative which works with a number of local authorities and boarding schools to increase the number of referrals for children who might be defined as on the edge of care. My own home county, Norfolk, is one of the largest users of this scheme. It is doing a longitudinal study, which we hope will be released next year, to show the impact of these children being prevented from going into care by going to a boarding school. If, as I hope, this shows very strong improvements in these children's lives, we will be showcasing it to other local authorities to encourage more of them to do it.

Lord Watson of Invergowrie (Lab): My Lords, it would be grossly unfair, particularly during this season of good will, to hold the Minister responsible for the sins—or at least the prevarication—of his predecessor, the general election notwithstanding. As has been mentioned, the expert working group on improving mental health support for young people in care reported last month. I hope the Minister can give an assurance that the Government will show rather more urgency in response to that report than they have in testing new approaches to mental health assessments for looked-after children. These children are five times more likely to develop a mental disorder than children living at home with their families, but only one-third of those diagnosed accessed children and adolescent mental health services—known as CAMHS. Will the Minister ask the DfE to ensure that areas where CAMHS access is low will be prioritised when selecting the local authorities and clinical commissioning groups for those pilot studies?

Lord Agnew of Oulton: I reassure the noble Lord that we will be looking at all the recommendations of the expert working group, some of which included the

points that he made. These include things such as establishing a virtual mental health lead, based on the success of the virtual school head process, and improving the strengths and difficulties questionnaires, which we discovered are not always being carried out as well as they should be. In the debate on 23 November last year, the noble Baroness made a point about the importance of assessing mental health at the same time as a young person's general health assessment is carried out, so reducing stigmatisation. I hope this offers some reassurance to the noble Lord. It is quite right that he holds us to account, even in the Christmas period.

Lord Storey (LD): My Lords, what happens if children are identified, through the pilot assessment, as having mental health needs but there is no capacity to meet those needs in the local area?

Lord Agnew of Oulton: My Lords, the pilots will be looking very much for the potential to join up with other government programmes that support the mental health and well-being of looked-after children. This will include the scope to link with the Green Paper proposals, which I have mentioned, and other related work such as NHS England's testing of personal mental health budgets for looked-after children. There will be an up-front commitment to try to meet any needs that are identified during this assessment process.

Baroness Meacher (CB): My Lords, is the Minister aware that although the Health and Social Care Act gave equal priority to mental and physical ill health, even today a very vulnerable mentally ill child suffering deep pain may wait 18 weeks or longer for any medical intervention while a vulnerable child with comparable physical pain can expect treatment within a day? Does the Minister find that acceptable?

Lord Agnew of Oulton: My Lords, I do not find that acceptable. As part of this process, we are looking at ways of ensuring that treatment for mental health issues identified in these vulnerable children is accelerated. We expect to have the invitation to tender for the pilot programme available in April next year, but, as I say, this is one of the issues that we are looking into.

UK Borders: Surveillance

Question

3 pm

Asked by **Lord Wallace of Saltire**

To ask Her Majesty's Government what steps they plan to take to improve surveillance of the United Kingdom's borders, including at smaller ports and harbours, coastal waters and private airstrips.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the Border Force works closely with other law enforcement agencies, security services and international partners on an intelligence-led approach to identify unlawful maritime and aviation

activity. It also uses a combination of cutters, radar, onshore assets and aerial surveillance to detect and stop small craft.

Lord Wallace of Saltaire (LD): I congratulate the Government on the announcement that they are going to double the number of cutters around our coast from two to four. I think that means that we will have one cutter for every 3,000 miles of coastline if they all operate at the same time—rather fewer than the Dutch have for a far shorter coastline. Has the Minister read the Public Accounts Committee's report of two weeks ago that points out that there are 21 departments and agencies in Whitehall concerned with the management of borders, not one of which is in overall control? Does she know of the report issued last March by the Independent Chief Inspector of Borders, which pointed out that nearly half the small ports on our east coast had not been visited by any member of Border Force in the preceding 15 months? The leave campaign talked about taking back control of Britain's borders. Is it not the case that we do not have effective control of British borders at present and that perhaps we ought to consider putting more effort into that?

Baroness Williams of Trafford: My Lords, I note what the noble Lord says but, of course, it is not a question simply of the number of cutters and RIBs that we have in the sea. We are heavily reliant on the most effective method of border control: namely, the multiagency, intelligence-led information that we have. We deploy on the back of that intelligence and risk assessment. That is the most effective way of manning certainly our maritime borders.

Lord Robathan (Con): My Lords, given what the noble Lord, Lord Wallace, has just said, would my noble friend the Minister confirm that it was a very good thing that we did not join the Schengen agreement when it came out, and that there were people in this country who wanted to join Schengen to show up their European credentials?

Baroness Williams of Trafford: I note what my noble friend says—but, as we move towards exiting the European Union, Border Force will make sure that its recruiting plans are flexible to ensure that its approach can be flexed as future requirements become clearer.

Lord West of Spithead (Lab): My Lords, the Minister makes rather light of the real problem. There is no doubt whatever that all the departments and assets looking after our territorial seas and exclusive economic zone are not being co-ordinated at the moment. I know that there are plans to move forward, but it is not being done. The intelligence from the NMIC, which was established some five years or so ago, is very good but we are not co-ordinating assets, and we do not have enough assets. However, my question relates to our British Overseas Territories, each of which has territorial seas and exclusive economic zones. Indeed, we have responsibility for the largest area of ocean of any country in the world. In that circumstance, does it not make sense not to get rid of the offshore patrol vessels, which are relatively new, when the new

ones come online, and to use those to look after these vast areas of ocean that at the moment are not being properly protected?

Baroness Williams of Trafford: The noble Lord makes a valid point about our offshore patrol vessels—and there are no plans to get rid of them. However, my point, which I hope I was not making lightly, was that the most effective work we can do at the border is intelligence-led work that is successful at pinpointing areas of high risk.

Lord Paddick (LD): My Lords—

Lord Kirkhope of Harrogate (Con): My Lords—

Lord Taylor of Holbeach (Con): It is the Lib Dems' turn, and then we will hear from the Conservatives.

Lord Paddick: My Lords, in April last year the then Home Secretary, Theresa May, confirmed in the other place that in 2016-17 the Border Force agency's revenue budget, which covers staffing, would be 0.4% less compared with 2015-16. However, the Government insist that Border Force spending has been protected because spending on technology such as electronic passport gates has increased. Can the Minister explain what happens at many of the ports of entry where there are no electronic passport gates in the light of the reduction in Border Force staff? Can she also confirm that most of the time, even where there are electronic passport gates, there are not enough staff to keep them open?

Baroness Williams of Trafford: On the first part of the noble Lord's question, he is absolutely right that we have invested in technology such as e-gates, and just before the Calais clearance, my right honourable friend Amber Rudd in the other place stated that £36 million would be committed to support France in the Calais camp clearance. However, on his main point, which is about people being at ports and borders at all times, if we lined this country wall to wall with people, it would still not be as effective as going after the intelligence-led risk, which operates so well.

Lord Kirkhope of Harrogate: My Lords, as someone who uses airstrips and small airfields in this country, perhaps I might ask the Minister to confirm that, as regards the operations of light aircraft and business aircraft, the regulations already in place are greatly enhanced to protect us and our borders from any illegal intrusions? Would she not agree that anything too onerous as extra requirements could harm our general aviation and business aviation unnecessarily?

Baroness Williams of Trafford: My noble friend is absolutely right that good measures and regulations are in place to ensure that our GA flights are notified to Border Force. We continue to assess 100% of them, aiming to meet all GA flights to ensure that flights are met by immigration staff and that all checks are completed.

CPS: Disclosure of Evidence

Private Notice Question

3.08 pm

Asked by Lord Morris of Aberavon

To ask Her Majesty's Government whether the Attorney General, in his statutory supervisory role over the Director of Public Prosecutions for England and Wales, will take steps to satisfy himself that, in carrying out their work, the Crown Prosecution Service have adequate resources to fully disclose all relevant evidence that might support a defendant's case, or undermine the prosecution's.

Lord Morris of Aberavon (Lab): My Lords, I beg leave to ask a Question of which I have given private notice.

The Advocate-General for Scotland (Lord Keen of Elie) (Con): My Lords, prosecutors are obliged to disclose relevant material that could assist the defence case. That obligation is not determined by issues of cost. The Crown Prosecution Service is considering with the police a recent independent review by Her Majesty's Chief Inspector of the CPS of disclosure policies and practice.

Lord Morris of Aberavon: My Lords, the then chairman of the Bar Council, Ms Heather Hallett QC, complained as far back as 1998 about non-disclosure. I believe I took steps to put matters right. Matters seem to have gone backwards since then. In the light of recent events, will the Attorney-General set up an independent inquiry, headed by a judge, to examine whether disclosure rules are being complied with, to ensure the timely delivery of justice?

Lord Keen of Elie: My Lords, disclosure in the context of criminal cases has not gone backwards since 1998. There is no present intention to set up an inquiry of the type referred to by the noble and learned Lord.

Baroness Chakrabarti (Lab): My Lords, I think we can all agree that early and adequate disclosure is at the heart of a fair criminal justice system. Given that the senior independent prosecutor at the Bar who averted a recent miscarriage of justice, in addition to being a senior and experienced prosecutor, is a former Conservative MP, who described a system "creaking" for lack of resources, will the Minister please consider my noble and learned friend's request and, in any event, return to this House with a Statement after more full and adequate consideration of what happened here?

Lord Keen of Elie: My Lords, the matter to which the noble Baroness, Lady Chakrabarti, alludes was a recent case in which the Crown withdrew and the matter did not proceed. There is to be a joint internal review by the CPS and the police to determine what occurred in that case. With regard to the case that she

alludes to, the CPS has acknowledged that its standards may have fallen below what is expected and it has apologised to all the parties involved.

Lord Faulks (Con): My Lords, one of the problems is that there is a great deal more to disclose than there once was in terms of the number of records that are kept. However, does not the obligation go both ways? Not only must the prosecution make sure that everything is available to the defence, but defence lawyers must make sure that every single piece of relevant information is disclosed to them and that it is analysed properly for the benefit of their client, which places a considerable burden on them. Is my noble and learned friend satisfied that adequate resources, by way of legal aid or otherwise, are made available to enable them to do this?

Lord Keen of Elie: I am obliged to my noble friend. It is of course important that the defence has the opportunity and the means to consider what requests should be made of the prosecution in the context of disclosure. Indeed, in the context of the case alluded to earlier, that point will be addressed.

Lord Judge (CB): Could the review also look into this simple question? It is reported that it took 14 months for this young man to be charged, which means that he was on bail uncharged for 14 months. What on earth is the reason for that?

Lord Keen of Elie: My Lords, I am not able to determine why the charge took as long as it did in that case. I appreciate that investigations take longer in some cases than they do in others, but I cannot—

Noble Lords: Oh!

Lord Keen of Elie: I wonder whether noble Lords wish me to continue. I am obliged to the Opposition Benches. To give an example, there are instances in which a considerable amount of digital data relevant to a particular complaint have to be considered.

Lord Paddick (LD): My Lords, in the case of Liam Allan, it was fairly obvious that this material should have been looked at, and what happened was either the result of lack of resources in the police service or in the Crown Prosecution Service or a deliberate attempt to pervert the course of justice. Can the Minister estimate how many people are unlawfully imprisoned as a result of similar mistakes having occurred in the past?

Lord Keen of Elie: I believe that the noble Lord probably knows the answer to his own question. Nevertheless, the alternatives that he advances do not exhaust the issue of why, if it occurred, disclosure was not made at an appropriate time, and that will be the subject of a joint high-level review by the CPS and the police. It is not for me, in this place, to anticipate the outcome of that review.

Lord Anderson of Swansea (Lab): My Lords, will the conclusions of the proposed internal review be published?

Lord Keen of Elie: I do not anticipate that the review itself will be published, but I am confident that its conclusions will be.

Lord Cormack (Con): My Lords, would not my noble and learned friend acknowledge that there is very widespread concern about this clear near miscarriage of justice? Could he at least say that he understands why people's confidence in the police service has been significantly undermined?

Lord Keen of Elie: My Lords, again, I am not going to anticipate the outcome of the review that will be undertaken jointly by the CPS and the police in respect of this case.

Lord Pannick (CB): My Lords, why is it that the full detail of the internal review should not be published, given the public interest in the matter?

Lord Keen of Elie: My Lords, at this stage it is anticipated that the conclusions of any review will be published, but it is not usual or normal for the full terms of an internal review to be put into the public domain.

Viscount Ridley (Con): My Lords, will the review look at the culture of "sales targets" within the police—as it was described by the person in this case—as an issue?

Lord Keen of Elie: My Lords, I am not familiar with the term "sales targets" in this context. Clearly, a balancing exercise has to be carried out to ensure that, particularly in cases of this kind, complainants are able to come forward uninhibitedly and, equally, that anyone complained against is given a full and fair opportunity to put forward their defence. However, I reiterate that I am not familiar with the term "sales targets" in this context.

Lord Dholakia (LD): My Lords, will the review take into account past cases in which injustice may have been done because of the failure to disclose information to the defence solicitors?

Lord Keen of Elie: My Lords, the terms of any review are yet to be determined, but it will be an internal review into the particulars of this case.

Lord Campbell-Savours (Lab): But that is where the problem lies. The noble Lord's question is relevant: what about all the other cases? I have handled a lot of cases over the years in which people have been accused of rape. What about those cases in which a mistake or error of judgment was made?

Lord Keen of Elie: My Lords, here is a criminal cases review board, which was set up to address the sorts of issue to which the noble Lord refers.

Baroness McIntosh of Hudnall (Lab): My Lords, would the Minister concede that the reason this case has much wider relevance than the particulars of the individual concerned, however dreadful his circumstances may have been, is that it allows credence to be attached to the notion that there are more examples of injustice against people who are accused of rape than against those who have suffered rape? The review really ought to take that into account.

Lord Keen of Elie: I note what the noble Baroness says on that matter. I reiterate that it is fundamental that justice is fair to both the accuser and the accused.

Baroness Berridge (Con): My Lords, as I understand it, a recent change in the Crown Prosecution Service is the demise of the disclosure offices, and those duties have been passed back to the police. Barristers are expressing concern about whether the police are adequately resourced or trained to do that. Will my noble and learned friend outline whether that is indeed the case and that there will be a time at which we will review whether that is also having an effect on disclosure?

Lord Keen of Elie: I am not in a position to say whether that is having an effect on disclosure, but that is why, at the highest levels, the CPS is looking at the outcome of the inspector's review of the CPS disclosure policies and practice. No doubt that is an aspect of the review that will be taken into account.

Procedure Committee

Motion to Agree

3.18 pm

Moved by The Senior Deputy Speaker

That the 2nd Report from the Select Committee *Revisions of Private Business Standing Orders* (HL Paper 34), and the proposed changes to those Standing Orders, be agreed to.

The Senior Deputy Speaker (Lord McFall of Alcluith): My Lords, the report proposes amendments to the private business Standing Orders. Most of them are the product of the first stage of the review of hybrid Bill petitioning procedure, which my predecessor the noble Lord, Lord Laming, commissioned in 2016 together with the Chairman of Ways and Means in the House of Commons. They are intended to remedy a number of issues which came to light during the passage of the High Speed Rail (London-West Midlands) Bill by modernising and clarifying some of the procedures for petitioning against a private or hybrid Bill, and by enabling a Select Committee charged with considering petitions against a Bill to group petitions. A small number of changes not arising from the review are also proposed. These are also intended to modernise procedures relating to private and hybrid Bills. Noble Lords may also wish to know that amendments with similar effect to those set out in this report were agreed by the House of Commons on Tuesday 7 November. The details of the changes proposed are set out in full in the report. I hope that noble Lords will support these amendments, and I beg to move.

Lord Stevenson of Balmacara (Lab): My Lords, I draw attention to the fact that I currently live near the agreed line of HS2 as it tunnels through part of the Chilterns and that I was a petitioner during consideration of the HS2 Bill in the House.

We owe a great debt of gratitude to those of our number who serve on Select Committees for hybrid Bills. I observed a number of sittings of the recent HS2 Bill and read all the transcripts of it. They did a heroic job. It is fair to say that they were heavily constrained by the Standing Orders in place at that time. I am very pleased that the House authorities have carried out a review of the Standing Orders currently used for hybrid Bills, and I support the changes recommended to the House this afternoon. I agree with all the points made by the Senior Deputy Speaker.

When a Select Committee of Parliament considers a hybrid Bill, it has an unusually direct engagement with thousands of individuals and organisations through the petitioning process. In that part of the hybrid Bill, Parliament is in effect acting as a planning authority for projects, with all that that implies. Since major infrastructure projects can have a devastating effect on individuals and businesses directly affected by them, it is very important for our reputation and for the trust that is placed in all of us that both Houses of Parliament do the best we can to allow those who wish to make representations to us to do so as simply and efficiently as possible. The changes in Standing Orders before us today try to make sure that the system and processes used for petitioning, whether in writing or in person, are not phrased, as they are at present, in archaic language or bedevilled by jargon and procedures from an earlier age. These procedures currently dissuade or even prevent people from participating to the full, and I therefore support the changes.

The decision to go ahead with this group of changes, which have, as has been noted, been agreed already in the other place, will of course greatly improve our procedures in relation to the next HS2 hybrid Bill, which is imminent. But there will be other Bills before too long and the papers before us represent merely the low-hanging fruit of the changes that might be required. I would be grateful if the House would consider at the appropriate time that other issues should be addressed. There should be separate Standing Orders for hybrid Bills that properly reflect 21st-century language, and they should be separate from those other Bills that currently share their procedures with us. Using and adapting the procedures set out for other Bills leaves far too many uncertainties and does not take the trick.

It is important that the House clarifies that, as with other Bills, the two Houses have co-equal powers in respect of hybrid Bills. The systems employed in hybrid Bills must be such that the public interest in the proposal is properly tested and Parliament must insist that there is full transparency. The systems must be permissive enough to allow those materially affected to be heard if they wish and to be represented and the physical conditions of these meetings must be greatly improved. Do they have to be held in Parliament?

It should be possible for a Select Committee to require issues to be grouped and marshalled and more can be done to deal with their outlier issues through

correspondence. Where a compromise position is identified between the promoter and petitioner, much more effort and resources should be devoted to getting these dealt with properly and for them to be formally registered and agreed. I look forward to progress on these issues in the months ahead and I fully support the present arrangements.

Lord Foulkes of Cumnock (Lab): My Lords, I have been known in the past to express some concerns about this issue and, on this occasion, I want to make it absolutely clear that the Senior Deputy Speaker should be commended for the work that he has done. It has been a long and detailed exercise carried out with great expertise and diplomacy. He deserves our thanks.

My second point is in relation to committees. The more ignorant observers of this House seem to think that getting up, asking questions and making speeches in this place, as I tend to do from time to time, is the only important work that this House carries out. That is as far from the truth as one can get. This House carries out a huge amount of detailed, painstaking and important work in committees. Incidentally, I tried to get the producer of the three documentaries on the Lords to film some of them. I was told that it was too boring. It may be boring, but it is very important—some of it is not boring, by the way.

We should try to get this message over, especially on these Bills. My noble friend Lord Elder and others served on the high-speed rail Bill. He spent hours, days and weeks on it for almost no public recognition or, even more importantly, awareness of what he was doing. We need to take every opportunity—I know the Senior Deputy Speaker and the Lord Speaker will do this—to shout from the rafters and explain, when we go to schools and other institutions, that a great deal of work by this House is done outside this Chamber and is not fully recognised.

Lord Berkeley (Lab): My Lords, my noble friends have made some very interesting comments on this report. I join in congratulating the Senior Deputy Speaker on what he has achieved. One other thing we possibly ought to look at, given the fact that there may be two or three more hybrid Bills coming on HS2 and maybe other projects in future, is whether in certain circumstances there should be Joint Committees of both Houses, which would save quite a lot of reading time for MPs and your Lordships. More radically, we should consider using the same procedure used for building motorways these days through the Infrastructure Planning Commission—I think it is called that—and build railways that way. Railways are built with hybrid Bills for historical reasons—there were no motorways when the railways started and everything had to go through both Houses. It is a bit ironical that a motorway can be built using one procedure and a railway can be built using another. Maybe it is time to start looking at them both to see whether there are benefits in doing them all one way or the other.

Lord Howell of Guildford (Con): My Lords, I take the opportunity to very strongly reinforce the words of the noble Lord, Lord Foulkes, who put very clearly the point that there are a vacuous and ignorant few outside the House for whom the only measure of activity is

what goes on in and is spoken in this Chamber. The noble Lord is entirely right. A vast amount of work goes on not merely in parliamentary and sessional committees but in all-party groups and less formal groups connected to the outside, such as charities. This aspect of what the House of Lords does has so far not reached most of the media. It is time that we reinforce this message powerfully to get over the truth of what we really do.

The Senior Deputy Speaker: I thank noble Lords for their comments on the report. I welcome the warm words of support from the noble Lord, Lord Stevenson, for the changes to the private business Standing Orders being considered. He has been vigilant in ensuring that the work that the Chairman of Ways and Means in the House of Commons and I do is scrutinised. We have had many meetings on that. I look forward to many more as we take this through because, as he mentioned, this is low-hanging fruit.

The noble Lord has taken a keen interest in HS2 legislation and the hybrid Bill procedure more generally. He has first-hand experience of the procedure. I know that the House officials involved in the hybrid Bill review have been grateful for those insightful contributions to their work. As he rightly said, there is a great deal of further work to do on the low-hanging fruit. During 2018 this further work will be undertaken in conjunction with the House of Commons with a view to developing clearer and more modern Standing Orders applicable to private and hybrid Bills.

The noble Lord has identified a number of examples of what needs to be done. I have a great deal of sympathy with many of them. However, one that he mentioned that could be more problematic is the one about the House clarifying that, as with other Bills, the two Houses have co-equal powers in respect of hybrid Bills. That is because the House of Commons has to agree to any changes that the House of Lords wishes to make in additional provisions or whatever, as he said. I assure him that, while the mountain may be quite high, I will take up that issue with the Chairman of Ways and Means. I will ensure that each of the points that he has raised will be addressed in the forthcoming review stages. Either I will report back to him personally or my officials will do so.

The comments from the noble Lord, Lord Foulkes, were very important—and very welcome. The Select Committee and scrutiny work done by the House of Lords is really important—we undersell ourselves in that area. For example, by the end of this week, the EU committees in the House of Lords will have produced 28 reports. The House of Commons has produced two or three. I know that the environment is different there, but the big issues being discussed at the moment in Brussels—for example, the Irish border—were identified very early on in this House in the summer. Joint press conferences were given by the noble Lord, Lord Jay, in Dublin and the noble Lord, Lord Boswell, in London when that report was produced. The relevance of that report is very much alive, but the House of Lords undertook it a long time ago.

The noble Lord, Lord Patel, is coming to see me in relation to the Science and Technology Committee. It has the greatest number of followers on Twitter—

some 60,000. He wants to enhance the footprint of the committee. That, too, will be very important in terms of Brexit. I do not know whether the noble Baroness, Lady Tyler, is in her place, but she produced a simple and easy-to-read ad hoc report on financial exclusion. She has come to me and said, “Look, Michael Sheen, the actor, is quite interested in this. Can we invite him into the House so that we can discuss this issue of financial exclusion?”. We do not sell ourselves enough in areas such as that. One of my tasks is to ensure that we do.

The noble Lord, Lord Berkeley, mentioned committees and speaking to groups. On behalf of the Liaison Committee, I am undertaking the first review of committees for 25 years. I have been around the groups—my last meeting this week will be with the Liberal Democrat group. I hope that there will be a call for evidence on that in the new year. We will look at issues such as Joint Committees. That issue will not be off the agenda. The point made by the noble Lord, Lord Howell, reinforced those made before. As chair of the International Relations Committee, he oversaw the report on the Middle East. I know how influential that report was, but we need more resonance.

Lord Cormack (Con): Can the Senior Deputy Speaker confirm that the way in which committees are appointed will also be subject to some examination?

The Senior Deputy Speaker: I do not think that I am breaking any confidence in telling the House that the noble Lord has both written to me on this issue and come in through the door of my office to discuss it. I therefore cannot deny that that will be on the agenda.

With the enlarged footprint of our debate today, I commend the Motion.

Motion agreed.

Environmental Protection (Microbeads) (England) Regulations 2017

Motion to Approve

3.33 pm

Moved by Lord Gardiner of Kimble

That the draft Regulations laid before the House on 27 November be approved.

Relevant document: 13th Report from the Secondary Legislation Scrutiny Committee

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Gardiner of Kimble) (Con): My Lords, it is a privilege to introduce these regulations. Microbeads are small plastic particles which have been added to many personal care products. One shower alone can send 100,000 microbeads into the water system and subsequently into our seas and the habitats of the marine animals that live there.

Most significantly, once released into the environment, it is impossible to recover microbeads or remedy the effects that could subsequently emerge. These regulations

[LORD GARDINER OF KIMBLE]

will ban the manufacture and sale of rinse-off personal care products containing plastic microbeads. The range of personal care products that can contain plastic microbeads is considerable, from products such as shower gels, face scrubs and toothpaste to hand-cleaning products such as Swarfega. Subject to your Lordships' consent and a positive outcome in the other place later today, these regulations will be signed tomorrow and 21 days from that point of signature the manufacture in England of any rinse-off personal care product which uses microbeads as an ingredient will be banned. Six months from that point, a further ban will come into place to prevent the sale of any rinse-off personal care product containing microbeads. Crucially, this means that those products will neither be able to be imported and sold here nor able to be exported.

We know that there are various sources of plastic entering our seas and oceans due to human behaviour. Recent estimates suggest that up to 12.2 million tonnes of plastic are entering the global ocean every year and 80% of the plastic that is in the ocean has come from land-based actions. Furthermore, it is estimated that personal care products containing microbeads contribute 35,000 tonnes of plastic into the global oceans each year. Put simply, this cannot go on and our generation must act. We have a responsibility as individuals and as a Government not to shirk the global challenge of marine pollution. We must act together to stop this pollution at source and there is no time to lose. Anyone who disputes this should be prescribed a course of "Blue Planet II".

The regulations before your Lordships help us take a step forward. This will reduce the unnecessary release of plastic into the marine environment and lessen harm to marine organisms caused by this form of microplastic. We have been working closely with the devolved Administrations. Very few cosmetics and personal products are manufactured in Scotland, Wales or Northern Ireland. The ban on both manufacture and sale of microbeads will come into effect on the same day there as the English ban, which is likely to be 9 July. I hope your Lordships will accept the need for these regulations and that the need is pressing. The approach here is another strong example of the continuing role that the UK has taken to protect the marine environment, not just not around our coastline but throughout the world, including our overseas territories. This legislation will deliver one of the strongest, if not the strongest, bans on microbeads in the world. There is clearly much more work to be done, both at home and internationally, on marine litter and pollution and the protection of our seas and oceans.

Evidence concerning microplastics has provided us with information about the potential environmental impacts of microbeads. Ingestion of microplastics by some marine organisms can reduce digestion of food and adversely affect reproduction. They can also be passed along marine food chains. In addition, we know from current evidence, some funded by Defra but also available from other sources, that chemical pollutants can leach from and attach to microplastics, with the potential that these could increase exposure

levels of toxins when ingested by marine organisms. Microplastics themselves may also contain potentially harmful chemicals.

I recognise the efforts that industry has taken to address the problem of microbeads. A number of manufacturers and retailers have already stopped using microbeads in their products or have committed to do so, but we have now reached a stage where we have to take more decisive action. Natural alternatives for microbeads do exist. These are readily available and, indeed, were used successfully in personal care products before plastic microbeads were introduced. The approach we have taken is based on clear evidence and as a result has the support of a wide range of stakeholders. Our action on microbeads is a further demonstration of our commitment to address marine litter and protect our seas and oceans. This is an important measure. Marine pollution is no respecter of boundaries and we must work collaboratively, but today we have a particular opportunity for our country to send out the strongest of signals. I beg to move.

Baroness Bakewell of Hardington Mandeville (LD):

My Lords, I am delighted to welcome these regulations to ban the production of microbeads in water-soluble cosmetics. I agree with absolutely everything that the Minister said. I declare an interest as a district councillor; it will become clear why later on.

As the Minister said, there are other suitable non-plastic alternatives available to the cosmetics industry. Around 72% of manufacturers have already switched from plastic microbeads to other, more sustainable alternatives, but this leaves 28% of UK cosmetics manufacturers to fall into line. At the end of 2016 and the beginning of 2017 there was an extensive public consultation, which supported the ban on microbeads. As the Minister said, currently that applies only in England but it is expected to be extended to Wales, Scotland and Northern Ireland in July next year. The cost of the ban is approximately £500,000. This is clearly a manageable sum for the largest cosmetics manufacturers. Smaller, local manufacturers do not use microbeads and so are unaffected by this legislation.

As the Minister said, these microbeads are small plastic particles which move through the sewage system and out into the sea, where they are consumed by marine life, sometimes adversely affecting digestive systems. The impact assessment states:

"There is little evidence of the impact to human health",

although the Department of Health is conducting a review. Fish digestive systems, where microplastics are likely to get caught, are usually removed when preparing fish for human consumption. This is a personal warning to me as I am a great fan of sprats, which I eat whole. Perhaps I will have to change my eating habits.

That apart, my only real concern relates to the enforcement of the regulations surrounding the ban. This is to be allocated to local authorities. As most noble Lords are aware, local authorities have had their budgets cut drastically and are finding it extremely difficult, if not impossible, to make their income stretch over the services they deliver. To add another burden to them could mean that the regulations are not properly enforced—not because local authorities would not

wish to do it but because they simply may not have the money to carry out the function effectively. I flag this up to the Minister and seek reassurance.

Regulation 2 relates to who will be enforcing the regulations. Sub-paragraph (d) states that this will be, “in relation to an area in the rest of England, the county council for that area or, where there is no county council for that area, the district council for that area”.

So is it only county and district councils which will be carrying out the enforcement in most of England? In sub-paragraphs (a), (b) and (c) there is no mention of metropolitan areas apart from London or of unitary authorities. Is this an unfortunate omission? Are these areas excluded? Have I missed something? I would be grateful to the Minister for some clarification.

That apart, I am absolutely delighted to support these regulations, and thank the Minister for his very helpful briefing. I very much look forward to further bans on the unnecessary use of plastics, which the Secretary of State announced this morning.

Baroness Jones of Whitchurch (Lab): My Lords, I am grateful to the Minister for his clarity in introducing this secondary legislation, and for discussing some of the issues arising from it in advance of today’s consideration. If I could take a small amount of credit for the fact that this SI is before us today, I think I was the first person to raise the issue of microbeads in your Lordships’ House several years ago. I can still remember the look of growing dismay on the faces of noble Lords in the Chamber, who realised for the first time that this plastic was not just an environmental issue, it was actually getting into the food chain and potentially contaminating their fish supper.

Since then, awareness of the dangers of microbeads has risen significantly and the more the public have become aware of them, the stronger the call for microbeads to be banned. The latest polling shows that some 85% of people want action to stop plastics polluting the oceans. As well as concerns being raised on a cross-party basis, both here and in the Commons, there have been some very effective campaigns by Greenpeace, the Marine Conservation Society and other NGOs. As has been said, the wonderful work of David Attenborough and the “Blue Planet” series has also helped to harden attitudes against the wider contamination of the sea by plastics.

3.45 pm

It is also clear that microbeads and microplastics represent a particular challenge because apart from the health implications in the food chain, which, as has been said, are still being analysed, once those microbeads are washed into our oceans that is irreversible. It is hard to imagine how they can be cleaned up in the future, so we welcome this initiative by the Government in taking a first step to clean up our oceans by banning microbeads in cosmetics and toiletries. The evidence and science are there to back the initiative up, while it can be delivered without human detriment and with considerable public and business support.

It is fairly obvious that microbeads are not an essential ingredient in personal care products. We clearly managed without them in the past and, as has been

said, many companies are already using natural alternatives such as ground almonds or apricot kernels to replace microbeads. As the Minister said, there has already been a voluntary ban by a number of cosmetics producers, so this proposal will create a level playing field and consistency across business. There have also been successful initiatives to take action on microbeads in other countries, notably the US and France. However, as he said, the framing of this proposal in the UK will potentially deliver the widest ban in the world, incorporating both the manufacture and sale of goods with microbeads. We obviously welcome that status.

Having said all this, I would like to put a few questions to the Minister. First, these proposals cover only rinse-off personal care products, not products which remain on the skin. Can the Minister explain the differentiation between those two categories of toiletries and what further consideration is being given to a wider ban? Secondly, it has been suggested that microbeads in personal care products represent only one-fifth of total use, with the remainder used in industrial cleaning products. Can he clarify what the actual proportions are and what steps are being taken to find alternatives to microbeads in other sectors, so that a complete ban can be introduced? Thirdly, as the noble Baroness, Lady Bakewell, has just pointed out, the ban will be only as good as the enforcement measures put in place. The legislation envisages local authorities, specifically trading standards officers, enforcing the ban. What training and guidance will be given to these officers? Does the Minister think that they will have the resources to police the microbead ban, given the pressures already on the service and the cuts they have endured?

It seems that the real challenge will be in policing not the household names, many of which are already taking action, but the small niche companies and cosmetics imported from overseas. In this regard, the Commons Environmental Audit Committee drew specific attention to the problem of labelling. It is currently impossible to tell from packaging whether a product contains microbeads. If the ban is to be upheld by enforcement bodies, they will need greater clarity on what cosmetic products contain without having to resort to chemical analysis. Can the Minister clarify whether any further thought is being given to product labelling, which would help consumers and enforcement agencies alike? Finally, as he acknowledged, plastics in the oceans do not respect borders. A ban in this country will have a marginal effect unless other countries follow suit. What steps are the Government taking to persuade the EU and other global nations to take this issue seriously and follow our lead?

These reforms are welcome but we have to be realistic about what they will achieve. Microbeads are a small proportion of the microplastic problem and, literally, a drop in the ocean compared to the wider plastic contamination of them. I hope the Minister can reassure the House that this small beginning is a symbol of a larger determination by this Government to take a global lead in preventing further plastic pollution and clean up our oceans for the next generation.

Lord Wigley (PC): My Lords, I intervene briefly to warmly welcome the statement by the Minister. This issue demands urgent attention, and I am glad to see the Government doing this. I have a couple of brief questions. First, with regard to the delay in implementing equivalent steps by the devolved regimes, will he confirm that this is not because of any lack of enthusiasm but is a question of process and that some other steps to this end are being considered by the devolved regimes? Secondly, will he confirm that there is no question of allowing the import of products containing microbeads, particularly from the United States, and that the Government will withstand this with all the means they can?

Lord Gardiner of Kimble: My Lords, I am most grateful for the contributions that have been made because they symbolise the fact that when there is an environmental imperative, very little else matters and unity of purpose is important. I am most grateful to the noble Baronesses, Lady Jones of Whitchurch and Lady Bakewell of Hardington Mandeville, for their endorsement of these proposals.

In response to the noble Lord, Lord Wigley, the reason for the slight difference is purely that, I understand, there are hardly any manufacturers of cosmetics in the three other countries of the United Kingdom. Therefore, it will be brought together with everything in July. I certainly do not want to suggest that there is any sense of delay. There is unity of purpose across the United Kingdom. These regulations are about manufacture, sale, import and export. We are going to have a very robust regime in this country. Potentially New Zealand might have the strongest regime—there is a slight argument about that—but we intend to have the strongest ban that we can.

A number of points were made. The noble Baroness, Lady Bakewell, raised the issue of local authorities. I am looking at the interpretation and I will want to look at it fully because there is no intention of leaving any body out of this. I note the references to the City of London, the rest of London, the council of the Isles of Scilly and, where there is no county council, the district council. I am very confident that this would be a shire county or a metropolitan district, but I will clarify that because there is no intention of being lax about any part of the country on this point.

The noble Baroness, Lady Jones of Whitchurch, made a number of points. At this stage we think that there is a distinction between run-off and leave-on products, because leave-on products tend to be removed in other ways and disposed of in bins and other receptacles which we believe lessens their chance of ending up in the marine environment. However, we have asked the Advisory Committee on Hazardous Substances to look at other sources of microplastic, including industrial cleaning products, with regard to their potential to harm the marine environment. As soon as we have had that, we will know more. Our assessments have indicated that industrial cleaning products used and manufactured in the UK contain a small number of microbeads, but I do not want to discount that. We will be asking the advisory committee to look at that thoroughly.

On the question of training and guidance for trading standards officers, which both noble Baronesses raised, it is essential that we ensure that people who will be asked to do this job are well trained. Officials in Defra have worked closely with local authority trading standards bodies to develop a guidance document for enforcement officers to use. This document contains information about likely products and ingredients that we have gathered from cosmetics associations and experienced trading standards officers to help surveillance.

The document also sets out a series of tests which officers may conduct to help them determine whether or not a product contains microbeads. Officials met a large number of trading standards officers who work at borders around the UK, who informed us that they will be able to inspect products for microbeads alongside the safety testing they already do. We have also committed initial funds of over £100,000 to support the potential increased burden on the Ministry of Justice.

The noble Baroness, Lady Jones of Whitchurch, also asked about labelling. These regulations will ban the manufacture, sale, import and export of all products in this category. We are confident that the ban will stop the use of microbeads in personal care products, and therefore that a new law on labelling will not be necessary. However, we will of course continue to consider these matters because, again, we genuinely want to make progress on ensuring that our oceans and seas are in a better condition.

As I and other noble Lords have mentioned, this whole area needs to be dealt with in collaboration internationally, with the EU and other nations. The importance of the environment is consistently discussed at the international fora in which this country participates—whether it is the G7, the G20 or the UN. We have ensured that at recent meetings, especially at the UN Environment Assembly, we were clear on the reasons for our ban and that we support action to improve our oceans. Fortunately, many other countries, including the United States, Canada, Australia, New Zealand and France are already working on similar bans. Although not all are as strong as ours, the majority of them will come into effect in July this year. The EU is currently considering its position, and other countries such as India are looking to make similar legislative changes. Of course, we will make sure that we use future events to get our message across and show leadership in this area.

I sense the importance to your Lordships of the global lead that we surely must take in terms of further plastic pollution and cleaning up our oceans for the next generation. This country has a long tradition of taking action regarding caring for the marine environment. More recently, this legislation has taken 15 months of hard work. I believe that the success on plastic bags is remarkable, with the reduction in the number of plastic bags found on beaches and the marine environment. We have just finished consultation on a potential deposit return scheme, and we are on track to establish more marine protected areas. We are also looking at how we can increase recycling and decrease the reliance on plastics in our everyday lives.

It is clear that there is much more to be done to tackle the issue of marine pollution. It is a problem that we must not and cannot shy away from. Reducing

marine litter at the source will be key to beginning the work towards improving ocean health. The action proposed through this legislation shows that the United Kingdom is determined to face the issue of marine litter head-on by reducing the flow of plastic litter into the oceans. For these reasons, I beg to move.

Motion agreed.

Sub-national Transport Body (Transport for the North) Regulations 2017

Motion to Approve

3.58 pm

Moved by Baroness Sugg

That the draft Regulations laid before the House on 16 November be approved.

Relevant documents: 11th Report from the Secondary Legislation Scrutiny Committee

The Parliamentary Under-Secretary of State, Department for Transport (Baroness Sugg) (Con): My Lords, these draft regulations establish Transport for the North as the first subnational transport body, making the north the first area in England with statutory influence over strategic transport investment decisions.

For a strong, prosperous and balanced UK economy, we need a northern powerhouse, and getting transport right is central to that idea. The aim is to improve transport to, from and within the north, boosting economic growth and rebalancing the economy. That is why we have set up Transport for the North, so the region can exercise real power and make its voice heard on how we can best invest in transport. Having such a body allows areas to combine their strengths and plan transport to grow their economy.

Establishing Transport for the North will formalise local input into strategic transport investment, allowing it to give advice on proposals that could boost growth and development to the north and improve the lives of millions of transport users. Creating Transport for the North permanently by statute will ensure that its impact and influence, and the transformational change that can result, will be felt for years to come.

4 pm

The north is a region with enormous potential: over 15 million people; over 1 million businesses; exports upwards of £50 billion; thriving and regenerated major cities; and world-renowned universities. If it were a country, in economic terms it would be the 10th largest in Europe. Its vast potential remains undiminished, but it has the potential to be so much more, and the best way to unlock that potential is to invest in a world-class transport system that connects the great cities of the north.

To achieve this, the Government are already spending record amounts on transformational projects such as HS2 and the Great North Rail Project, new trains and extra services through improved franchises, and £3 billion on roads to make journeys faster and more reliable. As

important as investment is, though, the north also needs a long-term strategy to drive economic growth—a strategy developed by the north, for the north. Such a strategy will be the core function of Transport for the North, giving it more influence in national transport planning and ensuring that links between transport and economic development are maximised.

Transport for the North is already making a difference in many areas: Northern Powerhouse Rail, the development of smart ticketing and the pan-northern strategic transport plan, to name but a few. However, in order to drive sustainable and transformative change and take a genuinely long-term strategic view, it must have permanence and statutory status. This status gives Transport for the North the credibility and authority to allow it to plan, recruit, enter into contracts and spend effectively the £260 million that it has been allocated to take forward its work.

Over the last three years, both civic and business leaders have come together to forge an ambitious vision for the north. The Secretary of State responded to Transport for the North's proposal setting out its role in March this year, and no fewer than 56 separate local authorities have provided official consent to this statutory instrument. The role for Transport for the North set out in these regulations strikes a balance between what is right for the north and right for the country. The Government and our agencies are already working closely with Transport for the North on national infrastructure decisions and, as a formal partner with statutory status, this role will be strengthened and made permanent.

Speaking with a strong, unified voice will be fundamental to bringing our cities closer together and creating a modern, reliable and improved transport system in the north. I beg to move.

Lord Shipley (LD): My Lords, I strongly welcome the regulations. I am glad that the Government are bringing them forward, and I echo the words of the Minister when she said that some excellent work had been done by Transport for the North since its inception.

I shall raise two issues. The first relates to the constituent authorities and the definition of them. There is a list of them on the second page of the regulations. What happens if the structures change? There could be different structures of combined authorities, for example. How easy might it be to change the regulations to reflect any structural changes to those constituent authorities? I am thinking in particular of the North East Combined Authority and North of Tyne, but also of the discussions going on in Yorkshire.

The Minister is absolutely right that the main function of Transport for the North is to prepare a transport strategy for its area. It is hugely welcome that there will be one; as the Minister said, it will be by the north for the north. However, I would like to ask the Minister about money. Does she accept that the north of England has not had its fair share of investment in recent years? Given that, does she accept that one of the key roles for Transport for the North will be to define and prioritise the resources needed across the north of England? In that event, do the Government accept

[LORD SHIPLEY]

that there would be little point in Transport for the North doing a lot of work and raising expectations if the Government do not meet the financial consequences of that work?

Lord Liddle (Lab): My Lords, I declare an interest as a member of Cumbria County Council and, more particularly, as a railwayman's son from Carlisle. I, too, welcome the establishment of Transport for the North. I think it is excellent that we will now have a planning and co-ordinating body that will bring some coherence and, we hope, a transport strategy for the north.

I follow up what the noble Lord, Lord Shipley, said about resources. In repeating the statement, the noble Baroness referred to a sum of £260 million for which Transport for the North would be responsible. What caught my eye in the recent Budget Statement was paragraph 4.53 on infrastructure delivery, which talks about the Infrastructure and Projects Authority setting out a 10-year projection of public and private investment in infrastructure in Britain of around £600 billion.

The interesting question is how much of this £600 billion will come under the purview of Transport for the North. I very much look forward to the noble Baroness being able to tell me in her reply. Mr Hammond promised some worthwhile things in the Budget. For instance, in the transforming cities fund, there was £243 million for Greater Manchester and £134 million for the Liverpool City Region. There was a £300 million fund for ensuring the links between HS2 and other infrastructure in both the north and the Midlands, but £300 million is not very much. Of course, there is the new rolling stock for the Metro—one of the finest achievements of my friend the noble Lord, Lord Rodgers, when he was Transport Secretary in the Callaghan Government.

We need more information. My county of Cumbria has vast unmet infrastructure needs. I have a letter here that I could read out about Cumbria's requirements for road investment. I am conscious of the requirement for rail investment. The west coast main line has been modernised, but the coastal railway, which goes through some of the most beautiful country in England, up to Sellafield and then on to Carlisle, is back in the 19th century in its infrastructure. Yet we are talking about a new nuclear power station being built in west Cumbria and how we try to relieve traffic congestion in the Lake District. These questions need to be addressed, and they will all cost money.

I say just three things on money. First, in my view, London and the south-east should make a bigger contribution. They constitute one of the richest parts of Europe, and I would like the Mayor of London given power to raise more money through property taxation in London for infrastructure investment. Secondly, as long as you stick to the traditional cost-benefit analyses of how transport schemes are assessed, you will always end up with London and south-east projects at the top of the list. That is because there is not a broad enough conception of public value in how transport projects are assessed.

Thirdly, I do not want the Secretary of State for Transport telling us that he has no money in his budget, because that has been exposed as a total fallacy by his decision on the east coast franchise in the last few weeks. He has basically allowed Virgin and Stagecoach to run away with hundreds of millions of pounds that they owed on their franchise payments—possibly as high as £1.5 billion, I am told. He has allowed them to run away with that, because he was not prepared to go along to the House of Commons and admit that their franchise had failed. That is money that could have been spent on transport projects in the north of England; it has not been spent—and what is the explanation?

Lord Berkeley (Lab): My Lords, I welcome the fact that so many local authorities have got together and persuaded the Government to form this new organisation. As the Minister said, in geographical terms it is probably the 10th-largest area of its kind in Europe. It goes from Newcastle down to Lincolnshire, right across to Cheshire and Liverpool and up to Cumbria; it is an enormous area, and it is a real success that they have managed to do this.

The Minister said that it would be useful for the Department for Transport—I hope that I have got this right—to give advice. From Regulation 5, “General Functions”, it seems to me that Transport for the North will be giving advice to the Secretary of State. It says that among its general functions is,

“to prepare a transport strategy”—

yes. Then it refers to providing advice to the Secretary of State about how he should exercise his transport functions. Thirdly, it has the function,

“to co-ordinate the carrying out of transport functions”.

Fourthly, it says that it must tell the Secretary of State if it thinks that TfN can do it better. To me, that is very much the Secretary of State retaining control. Perhaps the Minister could explain where the devolution is in all this. It is nice having lots of advice, and everything, but the devolution does not seem to be there; it is still going to be the Secretary of State who has the control.

Other noble Lords have mentioned money. The £250 million that the Minister mentioned is really pretty derisory, compared with Crossrail 2, which I believe will cost £30 billion and HS2, which I think will cost £100 billion, which, of course, connects to the north. But I suspect that many people in that enormous area, as other noble Lords have said, would like to be better connected within the area rather than getting to London 10 minutes quicker. So there is a real mismatch between what London is getting and what the north needs to get. I hope that the Minister can put me right on both those issues. Is it real devolution? Can Transport for the North really make decisions and have the money to spend it as it wants?

Last week, in a local newspaper in Bolton, Lancashire, a comment was made that the Secretary of State had refused the Mayor of Manchester—and this may also be the case regarding other big stations in the north—control of the station so that they can do it up and make it more attractive, getting more passengers and more retail. Why does London have to control the colour of the paint, or what is done locally in these

stations, if the local people want to do it and can make some money? We really have to let go of London having control of everything and let this new organisation have real powers. If it fails, the Government know what to do, but I think that it will be a great success.

4.15 pm

Lord Beith (LD): My Lords, I welcome the authority that is being given to Transport for the North by these regulations and, indeed, welcome the work that Transport for the North has done so far, even without the status that the regulations give it. It is my hope that the strategic planning that it does will lead to some of its advice being taken by the department and some correction of a very serious imbalance to which other noble Lords have referred in levels of transport infrastructure investment in the north as compared with the south-east of England. That area has recognisable problems that require some fairly expensive solutions—but not at the expense of ensuring that we have the kind of transport system that encourages prosperity, business and innovation in the north of England.

When I say the north of England, I think particularly of the north of the north, not simply of the Hull-Manchester-Leeds-Liverpool corridor, important though that also is. As I have done previously, I want to encourage Transport for the North—given the powers that it now has—to address some of the issues that are important to us in the far north. That includes, of course, the franchise problems to which the noble Lord, Lord Liddle, referred. I say “problems”, but the reality is that every single commercial operator that has taken on the east coast franchise has been unable to deliver the terms of the contract and has left it—in the most recent case—on terms that are extraordinarily favourable to the contractor. In earlier cases, the terms were not so favourable to the contractor. This is the most important transport link for the north-east of England, as well as Scotland, and that issue will clearly require further attention.

Among the issues that I hope Transport for the North will be able to give the department strong advice on are issues which it has worked on for some time but which we want to see come to fruition. These include the extension of the trans-Pennine route through to Edinburgh, up the east coast main line; the reopening of services such as the Ashington rail link; and the development of commuter services into Newcastle, such as the one from Chathill, which is a small, Cinderella service. Newcastle has its own requirements for transporting people into the city centre and problems with excessive use of cars for that purpose. There is a lot of work to be done and I am glad that Transport for the North has been given the authority to get on with it.

Lord Beecham (Lab): My Lords, I declare an interest as a resident of Newcastle and a member of the local authority. I also have the misfortune of being a regular traveller on Virgin Trains East Coast. I had the pleasure of sitting in a train outside Spalding for four hours recently while the train ahead of us had broken down. The relief train that was sent to deal with the problem also broke down. That is only one of the more dramatic

examples of Virgin’s failure. As my noble friend Lord Liddle and the noble Lord, Lord Beith, have referred to, Virgin is now withdrawing, five to six years ahead of the date by which the contract should have ended. It is known that it had pledged £3.3 billion. I do not know whether the Minister is in a position to say how much it has benefited—or will benefit—from its decision to withdraw. Looking to the future, I join other noble Lords in welcoming the new organisation. Will it have a role in deciding—along with others, of course, because the train service runs from Scotland down to London—who will obtain the next franchise and on what terms? That is really important.

I mentioned Scotland. The north does not only look south; it also looks north. We need better road connections. A certain amount was done shortly before the general election, which was some time ago. That no doubt assisted on a political level, but it has not yet provided the improvements required. I trust that TfN will have the opportunity to press the Government on that.

Another aspect of the relationship with Scotland, to which I have referred from time to time in your Lordships’ House, is the question that still hangs over the future of air passenger duty. It is thought that, given the opportunity, Scotland may well exercise its right to abandon that duty. That would have a very adverse effect, certainly on Newcastle Airport and, I suspect, on other airports across the northern region. I have yet to get an indication from the Government of what their attitude would be if Scotland exercised its apparent right to abandon the duty. I would hope that, in the interests of the whole of the north, they would be able to follow that decision and apply it to the north of England. It may be that the Government would wish to see the whole thing gone, nationally. One way or the other, it would be extremely disadvantageous to the north if Scotland was able to do away with APD and the north was stuck with it. I am sure that TfN will have views about that, and I hope the Minister and her colleagues will take note of them, should the situation arise.

Lord Rosser (Lab): I thank the Minister for her explanation of the purpose and content of these regulations. I note that the Chamber is fairly full, but I am not sure it is because noble Lords have come to listen to either myself or, I am afraid, the Minister; I suspect that they are here for the next item.

Transport for the North was established in 2014 as a partnership of northern authorities and local enterprise partnerships to formalise co-operation on transport issues in the north, working with Highways England, Network Rail, HS2 Ltd and the Department for Transport. TfN will, under these regulations, become the first subnational transport body in England. Transport for the North’s responsibility is to set out the requirements of the transport network through a strategic transport plan for the north, and it has a remit to focus on movement between cities and key economic centres to support a more productive and integrated northern economy. Indeed, the *Northern Powerhouse Independent Economic Review* found that, if the north receives the right level of investment to improve connectivity across the region, it will create over 850,000 jobs and add

[LORD ROSSER]

almost £100 billion gross value added to the economy by 2050. Transport for the North also has a role to play in supporting local and national government to ensure that local investment in public transport and national transport infrastructure projects form a coherent investment programme.

We support putting Transport for the North on a statutory footing from April next year, but we doubt whether what is now being put forward is adequate in addressing underinvestment and the significant disparities in transport spending between the north and the south. Following the debacle over the cancellation or postponement of rail electrification on the trans-Pennine route, the Secretary of State asserted that the future of transport in the north was in the hands of the north because he would give it the powers necessary to address its own transport needs. What the Government are now proposing for Transport for the North would not appear to deliver what they said would be delivered.

All the regions of the north combined receive less in transport investment than London, despite the north having twice the population. If the Government will not address poor transport infrastructure in the region, they should at least give the regions of the north the power to do so themselves. However, the regulations we are discussing today would appear to give the north neither the necessary investment nor the necessary power in this area. It would appear that, instead of receiving “client status”, Transport for the North will instead be a “statutory influencer”. Although the Secretary of State will have to have regard to the views and recommendations of Transport for the North and its statutory transport strategy, it will, as I understand it, be a matter for him to decide what improvements to the transport infrastructure will get the go-ahead, and when, since Transport for the North has no decision-making powers in that regard and neither will it have either its own, or access to, financial resources to be able to finance and deliver significant infrastructure schemes.

There is a real danger that Transport for the North will spend a lot of time, enthusiasm and energy drawing up a strong economic case for significant transport infrastructure improvements, with the support and backing of local authorities, business and community organisations and representatives across the region, and then find that the Secretary of State just kicks them into the long grass, perhaps because this Secretary of State, the most politically partisan we have had for a long time, is reluctant to give money or additional decision-making powers to areas that do not share his political outlook—as opposed to effectively giving money to failing east coast main line franchise operators.

Perhaps that is why he has not delivered on his earlier statements that the future of transport in the north was in the north’s hands and that he would give it the powers necessary to address its own transport needs. If Transport for the North does not get the support of the Secretary of State for implementing and overseeing the delivery of its transport recommendations, it will lead to frustration all round rather than progress, since people have had enough of talking shops and want to see imaginative and well-thought-through plans see the light of day.

Could the Minister say what amount of money is available for implementing and delivering Transport for the North’s strategic transport plan—and whether, if TfN had already been in existence as a statutory body and had included the electrification of the trans-Pennine route in its strategic plan, the Secretary of State could nevertheless have disregarded the plan and not agreed to electrification of the route? Hence our view, if I am correct, that Transport for the North does not have any great power; the power remains firmly in the grip of the Secretary of State.

Could the Minister also say what it means in reality for the Secretary of State to “have regard to” TfN’s statutory transport strategy when developing national transport strategies and plans? How does the Secretary of State prove that he has had regard to that strategy—and, alternatively, how does anyone prove that he has not? Would it be open to Transport for the North to take legal proceedings against the Secretary of State if it considered that he had not had regard to its transport strategy—and, if so, will TfN have the statutory power and the financial resources to initiate such legal proceedings?

As I understand it, Transport for the North will also have a role in the co-ordination of regional transport activities, such as, for example, smart ticketing and co-management of the TransPennine Express and northern rail franchises through the acquisition of Rail North Ltd. What exactly will that co-management involve as far as Transport for the North is concerned, what exactly will co-ordination of regional transport activities involve, and what statutory powers is Transport for the North being given in respect of each role?

What will be Transport for the North’s budget for its administration over each of the first three years from 1 April 2018, how many staff will it employ, how much will it receive in grants—the Minister mentioned £260 million—and from what sources and what purposes over that same three-year period? In how many years’ time do the Government anticipate reviewing the role of Transport for the North as a statutory body, including the effectiveness with which it is able to carry out its role under the powers that it is being given through this instrument, and whether there is a need to either reduce or increase the powers and the role that Transport for the North is being given under these regulations?

I believe that the Minister, when she introduced the regulations, referred to Transport for the North achieving “transformational change”. What goals are the Government seeking to achieve over the next 10 years that will represent the transformational change referred to by the Minister?

On the resources made available to Transport for the North, I repeat that I think the Minister mentioned £260 million. To most of us that sounds like an awful lot of money, but can the Minister say how that compares with the cost of Crossrail for London, for example, so that we can see how significant a part of the cost of Crossrail that £260 million represents?

We hope that Transport for the North will be able to exert a positive influence on transport in the north and that it does not become a largely toothless, penniless, powerless talking shop, drawing up persuasive and compelling strategic plans which are then largely ignored by the Secretary of State.

4.30 pm

Baroness Sugg: My Lords, I thank all noble Lords for their contributions and for their broad support for this measure. I will do my best to answer as many of the points raised as I can but, if I do not manage to answer them all, I will write to noble Lords.

The noble Lord, Lord Shipley, asked how the change to constituent authorities will work. It would require a further affirmative statutory instrument once it had been proposed and approved by the existing members of Transport for the North.

There was some discussion about the powers for Transport for the North. These powers have been agreed after extensive engagement with TfN and the northern leaders over the last 12 months. Both the Government and TfN agree that the role outlined in this statutory instrument allows TfN to build its capability and capacity over time, and we think that it strikes the right balance between national and regional priorities. Of course, Transport for the North can seek approval from the Secretary of State for additional functions and take on more responsibility to improve transport planning or make provision to enhance economic development in the area.

The noble Lords, Lord Shipley, Lord Liddle and Lord Berkeley, raised the question of regional disparity. This Government are reversing decades of underinvestment in the north, with the biggest investment for a generation. Including all projects, the Government are spending more per head on transport in the north-west than they are in the south-east. This is backed up by the recent publication of the *National Infrastructure and Construction Pipeline* by the Infrastructure and Projects Authority, which shows that per head spending in the north is expected to be £10 higher than in the south. Indeed, just today we have published our rebalancing toolkit, which is designed to help authors of strategic cases assess how a programme fits with the objective of spreading growth across the country.

On funding, raised by probably every noble Lord, the initial funding settlement of £260 million reflects TfN's initial role. There are also the resources needed to deliver the programme set out in the *Northern Transport Strategy*. I am afraid that I am not able to give a specific figure as requested by the noble Lord, Lord Liddle. TfN is aiming to publish its draft strategic transport plan in the new year, and a 12-week consultation will follow. It should be finalised in the summer of 2018 and, from there, we will look forward to working with TfN, as it becomes a statutory body, on how best to move that forward. We are already spending £13 billion on transport in the north and, as I said, we must wait to see what TfN's strategy comes up with.

On the question of who makes the decisions, TfN will, through its strategic transport plan, make decisions on the transport priorities for the north. It will provide the evidence to make the case but Ministers here, who are ultimately accountable to Parliament, will make the funding decision, so that will sit with the Secretary of State.

The noble Lord, Lord Beecham, asked about future franchises. TfN will be a statutory consultee on all future franchises.

The noble Lord, Lord Liddle, mentioned Cumbria. I understand that the LEP there is developing a strategic outline business case and we look forward to considering it. We are working with the LEP and the county council to help them develop that business case.

The noble Lord, Lord Berkeley, asked about Manchester rail stations. The Secretary of State has recently written to the Mayor of Greater Manchester to propose a further discussion on how we best answer that.

We see the establishment of Transport for the North as a significant step for the north and for the country. It will work with the region's transport authorities and elected mayors to build a long-term vision for transport across the north of England. As the voice of the north on transport, TfN will have unprecedented influence over government funding and decision-making.

This Government are clearly demonstrating that, in setting up Transport for the North and backing the election of metro mayors, we are giving the north greater autonomy and control, and a powerful voice to articulate the case for new transport projects.

Lord Beecham: Perhaps I could remind the noble Baroness that I raised the question of air passenger duty. Could she make some comment on that?

Baroness Sugg: My apologies for missing that. We are aware of the potential issue of the different rates of APD in Scotland and the north of England and indeed in the rest of the UK. In the Budget last week, that change was not made, but we keep a close eye on it.

Lord Rosser: The Minister is confirming that Transport for the North is about "articulating the case", to use her words, and that decisions on how much will be spent and where will continue to rest in Whitehall with the Secretary of State. Transport for the North is purely about articulating the case, and I use the Minister's own words.

Baroness Sugg: As I hope I made clear, Transport for the North will articulate the strategic decisions, setting out how it wants to develop transport for the north, but the ultimate decisions on funding will remain with the Secretary of State.

Motion agreed.

European Council *Statement*

4.34 pm

The Lord Privy Seal (Baroness Evans of Bowes Park) (Con): My Lords, with the leave of the House, I will now repeat a Statement made in another place by my right honourable friend the Prime Minister. The Statement is as follows:

"With permission, Mr Speaker, I would like to make a Statement on last week's European Council. Before turning to the progress on our negotiations to

[BARONESS EVANS OF BOWES PARK]

leave the EU, let me briefly cover the discussions on Russia, Jerusalem, migration and education. In each case the UK made a substantive contribution, both as a current member of the EU and in the spirit of the new, deep and special partnership we want to build with our European neighbours.

Russia's illegal annexation of Crimea was the first time since the Second World War that one sovereign nation has forcibly taken territory from another in Europe. Since then, human rights have worsened: Russia has fomented conflict in the Donbass and the peace process in Ukraine has stalled. As I said at the Lord Mayor's Banquet, the UK will do what is necessary to protect ourselves and work with our allies to do likewise, both now and after we have left the EU. We were at the forefront of the original call for EU sanctions, and at this Council we agreed to extend those sanctions for a further six months.

On Jerusalem, I made it clear that we disagree with the United States' decision to move its embassy and recognise Jerusalem as the Israeli capital before a final status agreement. Like our EU partners, we will not be following suit. But it is vital that we continue to work with the United States to encourage it to bring forward proposals that will re-energise the peace process. This must be based around support for a two-state solution and an acknowledgement that the final status of Jerusalem must be subject to negotiations between the Israelis and Palestinians.

On migration, when we leave the European Union we will be taking back control of our borders and laws, so we will be free to decide our own approach independently of the EU. But as part of the new partnership we want to build, I made it clear at this Council that we will continue to play our full part in working with the EU on this shared challenge. We will retain our maritime presence in the Mediterranean for as long as necessary; we will work with Libyan law enforcement to enhance its capability to tackle people-smuggling networks; and we will continue to address the root causes of the problem by investing for the long term in education, jobs and services, both in countries of origin and transit.

When it comes to education, our world-leading universities remain a highly attractive destination for students from across the EU, while UK students also benefit from studying overseas. UK and EU universities will still want to work together after we leave the EU and to co-operate with other universities from around the world. We will discuss how to achieve this in the long term as part of the negotiations on our future deep and special partnership. In the meantime, I was pleased to confirm at this Council that UK students will be able to continue to participate in the Erasmus student exchange programme for at least another three years, until the end of this budget period.

Turning to Brexit, the European Council formally agreed on Friday that sufficient progress has been made to move on to the second stage of the negotiations. This is an important step on the road to delivering the smooth and orderly Brexit that people voted for in June last year. I want to thank Jean-Claude Juncker for his personal efforts, and Donald Tusk and my

fellow leaders for the constructive way they have approached this process. With Friday's Council we have now achieved my first priority of a reciprocal agreement on citizens' rights. EU citizens living in the UK will have their rights enshrined in UK law and enforced by British courts, and UK citizens living in the EU will also have their rights protected. We needed both, and that is what we have got, providing vital reassurance to all these citizens and their families in the run-up to Christmas.

On the financial settlement, I set out the principles for the House last week and the negotiations have brought this settlement down by a substantial amount. Based on reasonable assumptions the settlement is estimated to stand at between £35 billion and £39 billion in current terms. This is the equivalent of around four years of our current budget contribution, around two of which we expect will be covered by the implementation period. It is far removed from some of the figures that have been bandied around.

On Northern Ireland, as I set out in detail for the House last week, we have committed to maintain the common travel area with Ireland; to uphold the Belfast agreement in full; and to avoid a hard border between Northern Ireland and Ireland while upholding the constitutional and economic integrity of the whole United Kingdom, and we will work closer than ever with all Northern Irish parties and the Irish Government as we now enter the second phase of the negotiations.

The guidelines published by President Tusk on Friday point to the shared desire of the EU and the UK to make rapid progress on an implementation period, with formal talks beginning very soon. This will help give certainty to employers and families that we are going to deliver a smooth Brexit. As I proposed in Florence, during this strictly time-limited implementation period, which we will now begin to negotiate, we would not be in the single market or the customs union, as we will have left the European Union. But we would propose that our access to one another's markets would continue as now, while we prepare and implement the new processes and new systems that will underpin our future partnership.

During this period, we intend to register new arrivals from the EU as preparation for our future immigration system, and we will prepare for our future independent trade policy by negotiating and where possible signing trade deals with third countries, which could come into force after the conclusion of the implementation period. Finally, the Council also confirmed on Friday that discussions will now begin on trade and the future security partnership. I set out the framework for our approach to these discussions in my speeches at Lancaster House and in Florence. We will now work with our European partners with ambition and creativity to develop the details of a partnership that I firmly believe will be in the best interests of both the UK and the EU.

Since my Lancaster House speech in January we have triggered Article 50 and begun and closed negotiations on the first phase. We have done what many said could not be done—demonstrating what can be achieved with commitment and perseverance on both sides—and I will not be derailed from delivering

the democratic will of the British people. We are well on our way to delivering a smooth and orderly Brexit. That is good news for those who voted to leave, who were worried the negotiations were so complicated it was never going to happen, and it is good news for those who voted remain, who were worried that we might leave without being able to reach an agreement.

We will now move on with building a bold new economic relationship, which, together with the new trade deals we strike across the world, can support generations of new jobs for our people, open up new markets for our exporters and drive new growth for our economy. We will build a new security relationship that promotes our values in the world and keeps our families safe from threats that increasingly do not recognise geographical boundaries. And we will bring our country together—stronger, fairer, and once again back in control of our borders, our money and our laws.

Finally, let me say this. We are dealing with questions of great significance to our country's future, so it is natural that there are many strongly held views on all sides of this Chamber, and it is right and proper that we should debate them, and do so with all the passion and conviction that makes our democracy what it is. But there can never be a place for the threats of violence and intimidation against some Members that we have seen in recent days. Our politics must be better than that. On that note, I commend this Statement to the House”.

4.43 pm

Baroness Smith of Basildon (Lab): My Lords, I thank the noble Baroness for repeating the Statement. The past couple of weeks have been very eventful for the Government. The Prime Minister has travelled to Brussels three times. On the first occasion, she returned empty-handed because of her partners in the DUP. The second was a last-minute dash across the channel for breakfast with Barnier to save the deal that allowed for progress to phase 2. Now, on the third occasion, she returns home early as the UK once again has to sit out the second day of a major EU summit.

When the Prime Minister returned last week to make her Statement to Parliament, for one, brief, shining moment, her Cabinet was united. Some on the Tory Benches even found themselves echoing the warm words of EU figures such as Donald Tusk and Jean-Claude Juncker. We all paid tribute, quite rightly, to the Prime Minister's tenacity in securing a sufficient-progress decision, first from the Commission and then from the European Council.

Unfortunately, the Cabinet unity was short lived and gave way to a weekend of unsanctioned briefings and policy proposals. Yet again, the Foreign Secretary used a newspaper interview to engage in an open conversation with the Prime Minister, with a warning that she should not seek to maintain full regulatory alignment with the EU to avoid the UK becoming what he described as “a vassal state”. The Environment Secretary suggested that the Tories should abandon their manifesto commitment to keep EU-derived employment and workers' rights and scrap the vital protections contained in the working time directive.

Such briefings from Cabinet members are not only unhelpful and undermine the Prime Minister and her Government, but could damage the UK's wider interests.

Despite the positive news that EU leaders gave formal approval for the launch of phase 2 talks, the summit served as a reminder that, while we focus on our withdrawal from the EU, the EU is focusing on its own challenges and shaping its own future. Important discussions took place on co-ordinated efforts to stem illegal migration; the need to increase the resilience of the economic and monetary union; education and culture; and climate change. While Theresa May confirmed the UK's intention to remain a part of Erasmus+ until 2020, the EU27 took decisions on the longer-term future of that programme and many others. The conclusions also feature important commitments to the implementation of the Paris agreement, the continuation of sanctions against Russia, and restating the agreed position on Jerusalem and a two-state solution. To give the Prime Minister credit, she has spoken out on these issues, but will the Leader tell the House whether President Trump has returned the Prime Minister's call from last week? If he has, what discussions took place regarding Israel?

It is quite an irony that while Michael Gove prepared to launch his broadside on EU-derived workers' rights, EU members committed to implementing the European pillar of social rights, accelerating important social initiatives already in progress at national and EU levels, and taking renewed action to tackle the gender pay gap. I suspect that the Prime Minister might have a particular interest in the last area, given last week's revelations of a significant gender pay gap among special advisers at No. 10.

Returning to the Brexit negotiations, it is clear that the second phase will be challenging and needs good will and trust on all sides. In that respect, I repeat my comment from last week, to which I have already alluded: the Cabinet must stop freelancing and the Prime Minister must insist that her Ministers back her. David Davis's mixed and contradictory messages last week were unhelpful. I hope that at the next Cabinet meeting, which I think is tomorrow, the Prime Minister will be able to ensure that all Cabinet members are prepared to accept the principle of collective responsibility and accountability, even during the upcoming Christmas Recess.

Tomorrow, the Cabinet discusses our future relationship with the EU. Perhaps because of deep divisions, it has taken 18 months for that discussion to take place. The clock is ticking down. It is clear that a transitional period will be possible only if there is high-level agreement on a future relationship that can be struck in the EU's original timescale, but with phase 2 talks beginning shortly it is essential that these discussions are productive and that the Government can set out their end goal, engage with the public to explain it, urgently communicate it to the EU and remain committed to securing that outcome.

Assuming that consensus is achieved at tomorrow's Cabinet meeting—that might be a big “if”—will the Minister confirm when the UK expects to communicate its detailed wish list to Parliament and to Michel Barnier's team? The noble Baroness will understand

[BARONESS SMITH OF BASILDON]

why I raise this key point again: businesses are making decisions now about their future regarding location and employment issues. Will she confirm the terms that the UK is seeking for the transition period? In the light of the comments made from the EU side that it would not extend transitional arrangements to Gibraltar, will she confirm that the Government will challenge that position?

The noble Baroness referred to Northern Ireland in the Statement. What we have heard on Northern Ireland so far has been nothing beyond the aspirational. Will she tell us what practical considerations have been made and what decisions are being taken to ensure there is not a hard border, given the Government's commitment to saying it cannot remain in the single market and the customs union? Some of us are struggling to understand how that can be achieved.

The Prime Minister's very welcome commitment on Erasmus+ was in the context of only the current Budget. When can universities and students expect certainty on their ability to participate in the programme post-2020?

Last week, the noble Baroness disappointingly confirmed that the joint report does not cover onward movement of UK citizens living elsewhere in the EU but said that this would be revisited in phase 2 of the negotiations, yet today's Statement refers to UK citizens' rights being "protected". Can she reflect on that? "Reciprocal agreement" implies equal status between citizens of the EU and citizens of the UK. However, a Commission memo published on 12 December suggests that UK citizens will have to rely on limited rights under the Blue Card directive or the ICT/students and researchers directives to settle in another member state. I would be grateful if the noble Baroness could comment on this and give a definitive answer on whether the Government expect to maintain and secure full onward movement rights for UK citizens in the EU. If not, the Statement is possibly not being entirely accurate in saying that UK citizens' rights will be fully protected.

The Prime Minister said in her Statement that until the UK withdraws from the EU, it continues to play a full role in meetings. Can the noble Baroness therefore say whether the Fisheries Minister, George Eustice, last week left the Agriculture and Fisheries Council early to attend votes in the Commons? If so, has there been any detrimental impact on the UK fishing fleet or has it lost out on access to any EU quotas as a result? Or did it really not make any difference?

Lord Newby (LD): My Lords, it is the time for end-of-term reports, and this Statement represents that of the Government in respect of Brexit. Like the assiduous student that she was, the Prime Minister has carefully presented her course work. She has one agreement to show for almost nine months of negotiations since the triggering of Article 50. It is in three parts. The Government have agreed to honour their financial commitments—good, but this was merely bowing to the inevitable. They have agreed to allow EU migrants to stay in the UK—good, but this principle was never seriously in contention. They have kicked the Northern

Ireland problem down the road—bad, but given the fundamental incompatibility contained in the Government's position, this is an inevitable delay until or unless the Government work out what they want their trading relationship with the EU to be.

In terms of legislation, we are to have at least eight Brexit Bills and 1,000 statutory instruments before March 2019, and in reality many of these will be needed well before then. Yet not a single piece of primary legislation, far less a single statutory instrument, has been enacted and no Brexit-related Bill has even completed its passage through a single House. It is extremely difficult to see how the Government plan to get all this legislation through in a timely manner, but given the importance of the subject matter, can the Leader of the House give us an assurance that the Government will produce their proposals in time for both Houses to deal with them properly and within the normal conventions on timetabling?

As far as the future trading relationship is concerned, and indeed on a host of other issues, including the Government's attitude to ongoing migration to and from the EU, it is pointless pressing the Leader on the Government's attitude because they literally have no policy. Can she, however, confirm that last week's agreement means that Northern Ireland citizens who retain their EU citizenship will have more rights than other UK citizens? If, as I believe, this is so, it will be deeply offensive to many people. Given that the noble Lord, Lord Callanan, said to your Lordships' House last Monday that,

"we are not ruling out"—[*Official Report*, 11/12/17; col. 1368.]

UK nationals retaining EU citizenship, will the Government now positively propose to the EU that UK citizens will be able to retain their EU citizenship so that the majority of us are not reduced to second-class status in comparison with our Northern Ireland compatriots? Given that when the Government do eventually adopt a policy on our future trading relationship with the EU this will be of fundamental importance to the Brexit negotiations, and indeed the country's position going forward, will the Leader of the House give an assurance that both Houses of Parliament will be able to have a full debate and vote on the Government's proposals before they are transmitted to the EU? Would not anything less be inconsistent with Parliament taking back control?

In order that people at large might have a clearer understanding of the consequences of Brexit for the economy, will the Leader now seek to persuade the Prime Minister and the Brexit Secretary to publish the infamous sectoral reports? They contain nothing which is commercially sensitive or could jeopardise our negotiating position and there is no reason why everyone should not be able to see them. The current arrangements for parliamentarians to see them are disproportionately restrictive and should in any event be relaxed, but the documents should simply become publicly available. The only conclusion one can draw from the Government's current approach is that they do not want people to see how complicated Brexit will be in practice or to understand the depth and beneficial nature of our current economic relationships with the EU.

Finally, will the noble Baroness confirm the estimate in today's *Financial Times* that Brexit is already costing, not benefiting, the UK some £340 million a week, as a result of lower growth which has flowed from the referendum result? It is very tempting at this stage of the term to give the Government an overall mark for their term's work, but I fear that that would be embarrassing. I simply pose the question asked by many a frustrated and disappointed supervisor: "Don't you think it would be better if you took another course?"

Baroness Evans of Bowes Park: My Lords, I am grateful to the noble Baroness and the noble Lord for their comments, but I am somewhat disappointed that they do not seem to have fully welcomed the fact that we have made sufficient progress and that we can now move to talk about the future. They have been saying that this is what they want for months, yet now we achieve it, unfortunately it seems that they are not as keen as perhaps they said they were originally.

To answer the noble Baroness's question, we will start talking to the EU 27 about the shape of the future relationship and the details of the implementation period straightaway and the EU will be producing guidelines in March to further aid those discussions. The noble Baroness also asked about Gibraltar. I can confirm that the UK Government are committed to engage with the Crown dependencies and overseas territories, including Gibraltar, of course, as we prepare to exit the EU, to ensure that their interests and priorities are taken into account. We will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of any other state against their wishes. We had the fifth meeting of the UK-Gibraltar ministerial forum on 11 December with DExEU and Treasury Ministers taking part alongside the Chief Minister, Deputy Chief Minister, Financial Secretary and Attorney-General of Gibraltar, so I can assure her that we have Gibraltar's interests at the centre of our thoughts and will continue to do so.

The noble Baroness asked about Erasmus. As she rightly acknowledged, the Prime Minister announced our intention to continue to participate in the Erasmus programme for at least another three years, until the end of the current budget period. Anything further than that is for the future negotiations, but that commitment shows how much we value the Erasmus programme and understand its importance. In relation to onward movement, I fear that I can say no more than I said last week: this was an issue we were hoping to resolve, it has not yet been resolved but we have been very clear that we want to come back to it at the next stage of the negotiations. On her question about the Fisheries Minister, he certainly managed to balance his responsibilities in representing the UK in the recent discussions with taking his role as a parliamentarian extremely seriously.

The noble Lord, Lord Newby, asked about citizens' rights. As we have said all along, we wanted a reciprocal agreement on citizens' rights and that is what we have agreed. We now want to make sure that we turn the agreement into the legal agreement we will see in the withdrawal and implementation Bill. He asked about

the sectoral reports. Everyone can see them, they are available for anyone to see and I certainly encourage all noble Lords to do so.

5 pm

Lord Spicer (Con): Was there any agreement, either in the margins of the meeting or in the meeting itself, as to what would happen if the full terms of Article 50 were applied in the event of there being no agreement in the discussions?

Baroness Evans of Bowes Park: The discussions in relation to us leaving the EU were very constructive. We have now agreed to move on to phase 2 and to start to talk about our future relationship, which is extremely welcome.

Lord Hain (Lab): My Lords, given that the Northern Ireland question was responsible for rescuing the Prime Minister in the first stage of negotiations when she agreed a regulatory alignment on standards and the adjudication of those standards, not just physical controls on the Irish border, within the whole of the UK—that is, the customs union and the single market have to be aligned in order to keep the border open—and now that has been accepted for the transitional talks, what is the point of leaving the single market and the customs union? Does she think that the EU is magically going to give us a better deal by being exactly aligned with the customs union and the single market outside it?

Baroness Evans of Bowes Park: We have always said that the details of how we maintain an open border will be settled in phase 2 of the negotiations, when we agree our future relationship, and that is what we will do. We have also been very clear that alignment is about pursuing the same objectives, but achieving this could be done through different means. It does not require regulatory harmonisation.

The Lord Bishop of Leeds: My Lords, the Leader seems disappointed that the Statement has not been welcomed as it might have been. I do welcome it but I do not think it is as it has been portrayed; that is, the progress that has been made thus far is simply the opening gambit and the real hard work is going to come in the next phase. It seems to me that so far not a great deal has been achieved, except that we can go on to talk about the next phase. I will make a quick observation and then put a question.

I have some knowledge of Russia. It seems that Russia does not need to defeat the West because it gets the West to defeat itself; the Russian policy seems to be to destabilise, and Brexit and the way it is being conducted actually feed that agenda. We do not talk about that enough. If you look at the rise of the far right, such as what has gone on in Austria, the very strong links with Russia are there. This is not simply about Ukraine.

I would be much happier if I heard the word "might" rather than "will". We talk about how we "will" get the best deal. By definition, we will get the

[THE LORD BISHOP OF LEEDS]

best deal because it will be the only one that we come up with so it will be the best, but that is not the same as saying that it will be the best deal that we could have got or the best for this nation. Would it not be better for the Government to get away from thinking that if you make assertions, that creates reality, and to be more honest with the British people by saying we “might” get, rather than we “will”, when it might not be in our power to achieve the “will”?

Baroness Evans of Bowes Park: I am afraid I do not agree with the right reverend Prelate that progress has not been made. We have made a lot of progress in phase 1, not least in giving clarity to UK citizens living abroad and EU citizens here about their status. We have discussed a financial settlement. We have discussed the very important issue of Northern Ireland and have all agreed that we do not want a hard border and have thought about how we might achieve that. In terms of where we go next, I think we are in a good position. The EU Council conclusions state:

“The European Council reconfirms its desire to establish a close partnership between the Union and the United Kingdom ... The European Council reconfirms its readiness to establish partnerships in areas unrelated to trade, in particular the fight against terrorism and international crime, as well as security, defence and foreign policy”.

These things are the basis for a good deal.

Baroness Smith of Newnham (LD): My Lords, I am sure we welcome the good news brought by the noble Baroness from the Prime Minister, but I think many in your Lordships’ House share the confusion about how we are to get to the Panglossian outcome in Ireland without remaining part of the single market. Is the noble Baroness able to explain that, and how having the Government,

“work closer than ever with all Northern Irish parties”, fits with the Prime Minister’s confidence and supply measures with the DUP? Has she asked Arlene Foster?

Baroness Evans of Bowes Park: My Lords, I am afraid I can say only what I have said already today and several times last week. Everyone has pledged that there will be no hard border between Northern Ireland and Ireland. We have always said that details of how to maintain an open border will be settled in phase 2 of the negotiations. If we do not achieve that outcome, which we believe we will, we will look to negotiate specific solutions for the Northern Ireland border.

Lord Maude of Horsham (Con): My Lords, does my noble friend agree that it is unhelpful for negotiators on the EU side to say, as I understand Michel Barnier is reported to have said, that no bespoke agreement can be reached with the UK? Every single trade agreement that the EU has reached with third countries has been a bespoke agreement, and it is manifestly absurd to argue that ours cannot be one. This will be about trade but also about co-operation on security and intelligence. Does my noble friend agree that effective collaboration, particularly on intelligence, depends at least as much on trust in relationships as it does on the legal framework,

and that evidence of serious good will in wanting this to be genuinely a deep and special relationship will be of huge importance in ensuring that security and intelligence collaboration can be as effective in future as it certainly is now?

Baroness Evans of Bowes Park: My noble friend speaks with great experience, and I could not say it better than he did.

Lord Wigley (PC): My Lords, if the Minister is saying, as I believe she is, that the UK will have left the European Union on 31 March 2019 and the single market and the customs union on the same date, but that over the transitional period virtually identical rules to those of the single market and the customs union will persist, on what basis cannot those rules persist indefinitely?

Baroness Evans of Bowes Park: As we have said, we are looking for a time-limited implementation period to ensure that businesses and individuals have to make only one set of changes. We want a swift agreement on the implementation period. Our objective is for access to each other’s markets to continue on current terms, based on the existing structures of EU rules and regulations but for a time-limited period.

Lord Cormack (Con): My Lords, last week my noble friend told the House that the Cabinet was united. It really is not helpful when articles and interviews are given by members of the Cabinet, particularly those intimately involved with these negotiations, which in effect undermine the Prime Minister’s excellent work, which we should all be applauding. If the Prime Minister cannot bring herself to give the sack to some of them, can she at least put gags in their crackers?

Baroness Evans of Bowes Park: I can only repeat what I said last week: the Cabinet is united and we are looking forward to a very constructive discussion tomorrow.

Lord Pearson of Rannoch (UKIP): My Lords—

Lord Liddle (Lab): My Lords—

Lord Taylor of Holbeach (Con): My Lords, I suggest that we hear from the Labour Party and it may then be the turn of the noble Lord, Lord Pearson, and the Lib Dems.

Lord Liddle: My Lords, to try to keep her party united the Prime Minister makes a lot in her Statement of preparing,

“for our future independent trade policy by negotiating and where possible signing trade deals with third countries”,

in the implementation period. Does the Leader of the House accept that, once you have gone for signing trade deals with third countries, you require a hard border, because in order to enforce rules of origin and ensure that as a result of trade deals which bring in agricultural produce from other parts of the world

that do not meet EU standards, you have to have a border that enforces those standards? Does she therefore accept that that statement is incompatible with her assurance that there will be no hard border in Ireland?

Baroness Evans of Bowes Park: No, I am afraid I do not, because we have all pledged that there will be no hard border between Northern Ireland and Ireland.

Lord Pearson of Rannoch: My Lords—

Lord Lamont of Lerwick (Con): My Lords—

Lord Taylor of Holbeach: My Lords, I am sorry, but I did give the noble Lord, Lord Pearson, the next go and the Lib Dems after that. We will then hear from the Conservative Benches.

Lord Pearson of Rannoch: My Lords, the Statement says that the Government will propose that our free trade with the EU should continue as now. Do the Government fear that the Eurocrats will be arrogant enough to refuse this offer which, as I have mentioned before, would be much more in EU exporters' collective interest than it would be in ours because, if we are all forced back to the WTO, they will pay us some £13 billion in extra tariffs and our exporters will pay them about £5 billion? Can the Government assure your Lordships that they will hold firm on this offer, enlisting, if necessary, the support of EU exporters? Going further, why should our free trade together not continue indefinitely? Would that not also be quite helpful with the Irish border problem?

Baroness Evans of Bowes Park: I am afraid I do not agree with the noble Lord. The fact that we have got to where we are shows that there is willingness on both sides to work together to make sure that we have a good outcome for both the EU and the UK. I look forward and expect that we will continue the phase 2 negotiations, including around the details of the implementation period, in the constructive manner we have seen so far.

Lord Wallace of Saltaire (LD): My Lords, the Statement starts and ends with references to the foreign and security relationship we hope to build with the European Union after we leave. The Council conclusions of the 28 member Governments, of which we remain, for the moment, one, talk about a new initiative in closer security co-operation among Europeans, which will presumably exclude the United Kingdom. Given that some members of the Conservative Party may be deeply unhappy at any special relationship with the European Union on foreign policy and security after we leave, would it not be a good idea for the Government to begin to set out publicly, for their own public as well as for those with whom they are negotiating, what sort of foreign policy and security relationship we wish to have? I also draw attention to the last sentence, which has some fine words on violent language and threats of violence. Given that the *Daily Telegraph* and the *Daily Mail* have led in using violent language against people who have been "traitorous" to the Conservative

Party, as they put it, is the Prime Minister planning to call in the editors of those two newspapers by any chance?

Baroness Evans of Bowes Park: I think the Prime Minister is quite clear in the Statement about the fact that we do not agree with or tolerate such language. In relation to defence, the noble Lord may have been referring to the launch of PESCO, which is an important initiative to encourage collaboration across the European defence industry and has the potential to drive up defence investment across Europe. Although we do not plan to join the PESCO framework, we want to keep open the option to participate at a project level, including after we have left the EU, so we were pleased with the Council conclusions that allow that. In terms of our future relationship, the noble Lord will be aware that we have published a future partnership paper on *Foreign Policy, Defence and Development* and indicated, for instance, our interest in future partnerships, including a capability collaboration through the European Defence Agency and the Commission's European defence fund.

Lord Hannay of Chiswick: My Lords—

Lord Lamont of Lerwick: My Lords—

Lord Taylor of Holbeach: My Lords, I made it clear that the Conservative Benches were going to come first and then the Cross Benches.

Lord Lamont of Lerwick: Has my noble friend noticed the statement of the Italian Prime Minister, who believes that the outcome of the talks ought to be not a CETA-type agreement, not an off-shelf agreement, but one specifically designed for and tailored to Britain's needs? Is that not extremely encouraging? Are not some of the comments we have heard from the Opposition completely inappropriate when we know that the shadow Chancellor wants to be outside the customs union, the shadow Home Secretary wants to be inside the internal market and the noble Lord, Lord Adonis, says that the whole point of their tactics is to reverse Brexit completely?

Baroness Evans of Bowes Park: On my noble friend's first point, which picks up on the point that my noble friend made earlier, we are indeed looking to negotiate a bespoke trade agreement. All these agreements are in fact bespoke to the countries involved in them. I also agree with the comments he made at the end of his remarks.

Lord Hannay of Chiswick: My Lords, the Minister might perhaps help us parse two very short words which relate to the time-limited stand-still period. The words are "as now". Can she confirm that they cover trade in goods and services, including agricultural and fish products, the jurisdiction of the European Court of Justice and all other aspects of the single market?

Baroness Evans of Bowes Park: As I have said, our objective is for access to each other's markets to continue on current terms, based on the existing structure of

[BARONESS EVANS OF BOWES PARK]

EU rules and regulations. The framework will mean that we will start off under the CJEU and will be under it for part of the period. But the Prime Minister has always said that if we can agree provisions that will be part of the future relationship, such as a dispute resolution mechanism, we will aim to bring them forward at an earlier stage.

Lord Forsyth of Drumlean (Con): My Lords, I understand that quantum mechanics says that it is possible for an electron to be in two places at the same time. Does this explain the behaviour of the Benches opposite? In the other place, an amendment to allow us to remain in the single market and the customs union proposed by Ian Murray, who used to be the shadow spokesman on Scottish affairs, was whipped against by the Labour Party and defeated by 311 votes to 76. What are we to make of the Leader of the Opposition attacking the Government for being divided when they do not know which part of their anatomy differs from the other?

Baroness Evans of Bowes Park: What is most important is that we are now moving into phase 2 of the negotiations, with a united Government looking for the best deal that we will achieve for the UK and the EU.

Lord Bridges of Headley (Con): My Lords, to pick up on the point that my noble friend has just made about phase 2, last week Monsieur Barnier said that the treaty that is likely to emerge from the end of this process,

“will be accompanied by a political declaration ... which will describe the framework for our future relationship. A political declaration. But it cannot be anything else. In technical, legal terms it simply is not possible to do anything else”.

Does my noble friend agree with what Monsieur Barnier says?

Baroness Evans of Bowes Park: What I can do is read to my noble friend from the EU Council conclusions, which say:

“While an agreement on a future relationship can only be finalised and concluded once the United Kingdom has become a third country, the Union will be ready to engage in preliminary and preparatory discussions with the aim of identifying an overall understanding of the framework for the future relationship ... Such an understanding should be elaborated in a political declaration accompanying and referred to in the Withdrawal Agreement”.

Lord Judd (Lab): My Lords, meanwhile in the world as a whole, with all the challenges of climate change and the new political pressures that are at work, a gigantic migration problem is building up, which will make the challenges which we face at the moment seem small by comparison. In the midst of all our tactical preoccupations, what work is being done with our European allies to formulate a strategic policy towards how this issue of migration in the world is to be handled? How are we going to ensure that this is done effectively when we are deliberately moving to an arm’s-length relationship with those who share the burden in Europe?

Baroness Evans of Bowes Park: We certainly are working closely with our European partners and are committed to playing our full part in tackling the shared challenges posed by the global migration crisis. As the Statement said, we are committed to maintaining a maritime presence in the Mediterranean. The Royal Navy has intercepted 172 smuggling boats and saved more than 12,000 lives since Operation Sophia began. We are continuing the deployment of the Border Force cutter to the central Mediterranean to support the search and rescue activities under Operation Triton. To date, cutters have rescued more than 13,000 migrants across the central Mediterranean and Aegean. We are taking our responsibilities extremely seriously and are working with the EU in terms of looking at where these migrants are coming from and trying to help stabilise states. We take this extremely seriously and will continue to work with the EU, the UN and international partners to make sure that we work together to tackle this problem, because together is the only way we will achieve it.

Lord Wallace of Tankerness (LD): My Lords, in her Statement on 23 October, the Prime Minister referred to,

“a time-limited implementation period based on current terms”.—
[*Official Report*, Commons, 23/10/17; col. 25.]

Of course, today she has said that if we Brexit in March 2019, we would not be members of the European Union after that. To pick up on the question asked by the noble Baroness, Lady Smith of Basildon, if we fast forward two years from now to the annual Fisheries Council to determine total allowable catches, will there be a British Minister at the table to defend British fishing interests? How does the noble Baroness see this working?

Baroness Evans of Bowes Park: As the Prime Minister says, it will depend on the next phase of negotiations, but currently we expect the implementation period to be two years.

Tackling Financial Exclusion (Financial Exclusion Report) *Motion to Take Note*

5.20 pm

Moved by **Baroness Tyler of Enfield**

That this House takes note of the Report from the Select Committee on Financial Exclusion *Tackling Financial Exclusion: A country that works for everyone?* (Session 2016-17, HL Paper 132).

Baroness Tyler of Enfield (LD): My Lords, it is a pleasure and a privilege to lead this debate, as it was to chair the Lords Select Committee on Financial Exclusion, a committee proposed initially by my noble friend Lord Kirkwood. The committee published its report just before Easter with a raft of recommendations calling on the Government, the Financial Conduct Authority and the banks to give much greater priority to tackling financial exclusion and ensuring that vulnerable

customers were getting a fairer deal. It has felt like a long wait for a government response to the report and for this debate, but I hope it has given all concerned a chance to think seriously about what needs to be done.

I place on record my thanks to my fellow committee members for all their hard work. I consider myself very fortunate to have worked with such a highly committed, engaged, constructive and knowledgeable group of Peers from all Benches. Our discussions were marked by a strong sense of social justice and shared endeavour. We were hugely assisted by all those who provided written and oral evidence—we had 101 submissions of written evidence and 52 witnesses giving oral evidence—and by the very high-quality advice that we received from Professor Karen Rowlingson of the University of Birmingham, who served as a specialist adviser to the committee.

We benefited greatly from two excellent visits, one to Coventry and one to Toynbee Hall. On both occasions we met individuals with first-hand experience of financial exclusion and a range of agencies that provide help and support in this field. I particularly thank the staff of Toynbee Hall, Coventry City Council and Coventry Citizens Advice, who made this possible. Of course none of this could have happened without the truly outstanding support that we receive from the committee secretariat. I want to mention by name our committee clerk, Matt Smith, our policy analyst, Nathan Lechler, and our committee assistant, James Thomas. We in this House are fortunate indeed to have such talented and committed staff who work so hard.

I am proud of the report that we produced. I pay particular tribute to those who produced the easy-read version, which I gather is now considered a model of its type. I was also very pleased by the reception that the report received from both the sector and the media. The extensive media coverage was entirely positive and there was no criticism of the report or any of its recommendations. That suggests that we tapped into a wellspring of support, and I place on record my thanks to Owen Williams, the head of press and media, for his support here.

So what exactly is financial exclusion and why does it matter? Simply put, it is when people, particularly the poorest, cannot get access to fairly priced basic financial services that most people—certainly in this Chamber—take for granted, and are forced to rely on extortionately priced and often substandard financial products. The committee felt that it was deeply ironic that, while the UK is considered a world leader in financial services, some 1.7 million people do not have a bank account, some 8 million people are experiencing problem debt and 40% of the working-age population has less than £100 in savings—that is, no buffer to help deal with any unexpected emergencies.

Uppermost in the committee's thoughts was the unpalatable fact that the poor pay more, which is often called the poverty premium. Currently the poor pay more for a range of services, from heating their homes to accessing credit, contributing to a vicious circle that can drive people ever deeper into debt. The situation is made worse by the growing number of bank closures, with 53% of UK bank branches closing between 1989 and 2016, a far steeper decline than in many parts of Europe, and the growing number of people who say

they are having real difficulty managing their personal finances daily as the cost of living rises while wages stagnate.

So the problem was clear to see. I shall outline briefly some of the report's recommendations in four key areas and then comment on the Government's response. I know other committee members will pick up on the other critical areas that I do not have time to cover, particularly financial education, welfare reform, debt advice and financial technology.

The first area I shall focus on is leadership from government and proactive regulation. The evidence that the Select Committee received made it abundantly clear that the lack of a strong lead from government and a coherent strategy to tackle financial exclusion had been at the heart of the problem. Witnesses, including from the Financial Inclusion Commission, consistently lamented the winding up of the Financial Inclusion Taskforce in 2011 as leading to a lack of central government leadership, co-ordination and momentum. Thus, the committee recommended that the Government should appoint a clearly designated Minister for financial inclusion, who should publish a government strategy addressing financial exclusion and make an annual progress report to Parliament, including reporting on high street bank closures and the take-up of basic bank accounts.

We felt that this emphasis needed to be matched by the Financial Conduct Authority, which, in recent years, has introduced a much-needed and successful cap on payday lending. This is why we recommended that the Government should expand the remit of the FCA to include a statutory duty to promote financial inclusion. We also recommended that the FCA be obliged to establish new rules requiring banks and other financial services providers to have a duty of care towards their customers. Taken together, we felt that these measures could transform the delivery of financial services for vulnerable customers.

The second area is financial exclusion and vulnerable groups. It became clear to us that some groups, particularly the elderly, those living with a disability and those suffering from mental health problems, were particularly ill served by the current system. We heard that one-third of people over the age of 80 had either never used a cash machine or preferred to avoid using one and that 93% of those over 80 did not use internet banking. For these people, the ever-increasing rate of closure of physical bank branches is a major cause for concern.

We recognised the two-way relationship between financial exclusion and mental health, and received some compelling evidence on what could be done about it. We recommended that the Government, the FCA and financial services sector should work together to develop and introduce a wider range of control options for those customers experiencing mental health problems—for example, allowing potentially vulnerable consumers voluntarily to opt in to features such as 24-hour delays before processing large transactions, bank accounts with partial third-party control or nudge-type notifications of changes in spending patterns.

It is more than 20 years since the Disability Discrimination Act was passed, introducing the concept of reasonable adjustment into UK law. Banks have

[BARONESS TYLER OF ENFIELD]

had a long time to get it right when it comes to making reasonable adjustments to serve disabled customers. Sadly, we heard far too many examples of failure on the part of banks to tailor their services effectively and appropriately. These included repeatedly contacting deaf customers by telephone and sending written PIN numbers to blind customers instead of using Braille.

As a committee, we considered that to be totally unacceptable, and recommended that the Government, the FCA and the British Banking Association carry out a review of reasonable adjustment practices for disabled customers. I must say that I found the Government's response particularly disappointing in this regard. I ask the Minister—indeed, I plead with him—to think again.

Thirdly, on access to financial services, in recent years, the number of unbanked people has started to increase again. Too often, we heard that banks were not being proactive in offering basic bank accounts to those customers who were suited to them, or that these accounts were not advertised or promoted properly. Some banks working hard in this area clearly felt that other banks were not pulling their weight. Thus, we recommended that the Government require banks to promote basic bank accounts effectively and take steps to ensure that the burden of providing such accounts, which are clearly loss-making to the banks, is shared more equally.

Barely a week seems to pass without further news of bank branches being closed, and now, also, of ATM closures. This trend is of real concern for those people and groups who rely on physical access to banks or prefer the reassurance of face-to-face communication and dealing directly with bank staff to online banking. The elderly and some of those living with disabilities are at high risk here: we were told that 42% of disabled people are not online, while 37% of retired people are not regular internet users.

Indeed, many of the letters I received immediately after the report was published were from older people or people in rural communities who felt simply abandoned by their bank and were asking why more collaborative measures could not be taken to ensure that there was at least one physical banking presence—perhaps located at a shop, a post office or a community centre—in each town. This would of course involve banks working together to ensure that there was at least one physical banking presence, perhaps located in a shop, post office or community centre, in each town. This would of course involve banks working together, but surely this should not be beyond the wit of man—or, indeed, woman. We were also struck by the sheer scale of the Post Office network which, at 11,600 branches, has more outlets than all the high street banks combined. What is more, the Post Office can offer banking services to 99% of UK current account customers. That is not well known, and we believe that the Government, banks and post offices need to do more to raise public awareness of these services. I was very pleased to have a very constructive meeting with the chief executive of the Post Office in the summer.

Fourthly, an area of particular concern to the committee was the high-cost credit market. In 2015, the FCA introduced new regulations to tackle some of

the most egregious practices by placing a cap on both daily interest rates and total interest charges and fees for payday lenders, which were a marked success. But the committee felt strongly that these new rules were too limited in scope and should equally apply to other forms of high-cost credit. In particular, the committee called for urgent action to introduce new controls on rent-to-own products and unauthorised bank overdraft fees. In both instances, the committee received evidence of quite eye-wateringly high interest rates being charged to vulnerable people, forcing them further into financial difficulty. In some cases, it was nothing short of extortionate.

I am pleased that, since the report was published, the FCA, through its own review of high-cost credit, as well as maintaining the payday cap at its current level, is now looking at fundamental reform of unauthorised overdrafts and has the rent-to-own sector very clearly in its sights. I strongly commend the action taken by the FCA on 1 November to order BrightHouse, Britain's biggest rent-to-own retailer, to repay £14.8 million to nearly 250,000 of its customers. It was extraordinary that there was no mention of this strong action, of which I thoroughly approve, in the Government's response, which was published a week later. I also commend the stronger focus that the FCA has placed recently on consumer vulnerability and its occasional paper on the ageing population. I was extremely grateful for the very constructive meeting that I had with the chief executive in November.

I now wish to turn to the government response more generally. After a long wait, I cannot pretend that I was anything other than rather disappointed by the tone of the Government's response. To me, it lacked a sense of urgency and ambition. It contained a longish list of things that the Government were doing anyway and failed to engage directly with a significant number of the issues raised and recommendations in the report. I have done a quick tally and, of the report's 22 recommendations, four have been implemented, four partially implemented, and 14 not implemented. Perhaps I should be satisfied by that but, given the cross-party consensus achieved in the committee and favourable reception that the report received externally for being reasonable, insightful but largely uncontroversial, I had hoped that the Government would have taken the recommendations a bit more seriously.

I welcome, of course, the creation of a new DWP Minister with financial inclusion in the title, but I was slightly perplexed by how that Minister could take on the stronger leadership and co-ordination role that the Select Committee argued for, particularly when the government response makes it clear that the Treasury Select Committee will take the lead on co-ordination of government-wide policy in this area. Perhaps the Minister will be able to clarify on that point. That said, I look forward to meeting one or both of them, if they can spare the time to see me.

Secondly, I very much welcome the new financial inclusion policy forum, which will, “enable ministers to take a strategic, cross-government approach on action to improve financial inclusion”.

Could the Minister please say when the body will first meet, how often it will meet, what its membership will be, how the voice of financially excluded people

will be heard and whether its agenda and minutes will be published? Most crucially of all, will the policy forum be responsible for producing a cross-government strategy document and an annual report to Parliament, as we recommended?

Finally, I was disappointed that the two recommendations relating specifically to the remit and regulatory powers of the FCA were not greeted more enthusiastically. With the Government's recent very welcome decision during the passage of the Financial Guidance and Claims Bill to include vulnerability within the stated objectives of the new single financial guidance body, would they consider rethinking whether it would not now make sense to include similar words specifically within the remit of the FCA to bring the two in line? That would be a most welcome step, as would introducing a duty of care, which would make a real difference to the support that vulnerable consumers receive from their banks, particularly, for example, those with cancer.

In conclusion, there is much to do to build a financial services system that works fairly for everyone and helps to tackle rather than exacerbate inequalities. On many occasions, this Government have said that they want a country and system that works for all, not just the well off. So do I, and despite the government response I still hope that the Government share our view that the current level of financial exclusion is unacceptable and our sense of urgency to do something about it. The victims of the current system are often the most vulnerable—the elderly, the poor and those living with a disability. At this time of good will, let us demonstrate in this debate and by the actions that we take that we truly care. I beg to move.

5.35 pm

Lord Patten (Con): I pick up the point made by the noble Baroness about this time of goodwill. At this time of the year—Christmas, Hanukkah, Winter Veil or whatever one wants to call it—a lot of people try to help those who are excluded in society from all sorts of activities. So I congratulate the committee on the clarity of the in-depth analysis that it has carried out.

I do not know how many noble Lords were in the Chamber earlier when the noble Lord, Lord McFall, as Senior Deputy Speaker, talked about the need for much greater understanding of the work of the Select Committees. A lot of people stood up and said that that was absolutely right, and there needed to be more missioning—going out and telling people about the excellent work that the Select Committees do. I say “hear, hear” to that, and there are some satisfied nods around the Chamber from committee members. But I sometimes wonder whether a bit of missioning within your Lordships' House might not also be a good idea from the Select Committee. On the speakers list there are 10 speakers who are members of the committee, who will doubtless tell us all what an excellent report they have contributed to—and only four as-it-were immigrant Back-Bench people who are not on the committee. So there is a lot to be said for that, just as there is a lot to be said for the vision of my right honourable friend the Prime Minister for a shared society, which I strongly support.

Having said all that, may I get in my retaliation first? It is always much easier to define than to solve—and, with respect, to find practical tools for change. I say that as someone who works in the financial world, in the City of London, as declared. Whenever there is a problem, whether it is financial exclusion or anything else, in your Lordships' House two ideas always pop up—let us have a Minister for it, to stop it or extend it or change it, and, secondly, let us put better education about it in the national curriculum. Those are absolutely standard suggestions from most Select Committees about their proposals.

On the first, only last week there was a call for a new Minister for Loneliness in a report by a commission following the tragic death of the late Jo Cox, to deal with that sometimes devastating problem for too many people. And so on, up the headwaters of recent political times, to calls in the past under both parties to have Ministers for Children's Play or whatever. I do not think that having a Minister designated to do stuff necessarily always sorts stuff out. I well remember the noble Lord, Lord Giddens, making a plea in your Lordships' House for greater attention to happiness. I think that he may have called for a Minister for Happiness—and perhaps indeed he was the Minister for Happiness, or at least the tsar in charge of happiness. I cannot remember. But I do not think that it is an easy solution.

On the second point that always pops up—the need for better education—of course financial education is a good thing and it would be daft not to have it. But I think that there would be a collective groan in the staffrooms of our schools, which already have a difficult enough task in dealing with a crowded curriculum, if there was another ad hoc, sudden insertion into the work that they have to do. I do not think that jamming stuff into the curriculum solves anything very much.

I congratulate the committee on the depth of its analysis, and also on not calling for large sums of new money to be spent. That is a very important point: many problems can be solved without new budgetary extensions. People such as us, in positions of responsibility, have to recognise that we have a role—whether large or small—in improving financial inclusion. Her Majesty's Government are, for sure, extremely important in this—but so are local authorities, NGOs, the charitable sector, in which my daughter works, churches and the rest, including local communities. Last Thursday, I was discussing this with someone with whom I work in the City and whose opinions I value. She told me of the problems facing her parents in Worcestershire who have a very long journey to a bank. They are fortunate, however, to have a sub-post office still in their village—but most sub-post offices cannot provide the sort of financial services that the excluded or those on the margins find so difficult to reach.

In our nearest market town, in the West Country, it is not to a sub-post office but to the local Crown post office that we turn. Three years ago there were three small bank branches: Lloyds, HSBC and NatWest. They have all gone, but the local post office has stepped into the breach, providing excellent banking services and foreign exchange facilities to trade in euros and dollars. When people go in to make a transaction it also has the commodity which is vital in all rural areas: the latest gossip.

[LORD PATTEN]

Not so far away from us there has been a bit of a fight-back. Four banks in Glastonbury shut within a two-year period, but Nationwide was lured to go back. It is an exciting place to be for all sorts of reasons, but perhaps not for banking. The leader of the local campaigners who got Nationwide back—and well done to them—said:

“There are many customers, particularly the elderly and those on low incomes, who do not and often cannot bank online”.

Not every town is so lucky, nor big enough, like the village in Worcestershire where my colleague’s parents live. They cannot get financial help in their local sub-post office.

One Minister might be able to help in this area, particularly one in the Department for Business, Energy, and Industrial Strategy who has in her portfolio both small businesses and post offices. Can more be done with imagination and encouragement by central government to get more internet facilities to provide better banking-like services in these smaller sub-post offices? That would do so much to help with financial inclusion.

However, financial exclusion is not going to be solved by having more bank branches. It was there all those years ago in the golden age when we seemed to have bank branches everywhere. Why is that? Some geographers, cleverly mapping the characteristics, find some correlation with geographical exclusion founded on relative remoteness. People in some rural areas near us are not only without the luxury of a bus a day; they only get a bus chugging into the local town one day a week. If you overlay a map of that sort of isolation onto a map of the areas Ofcom has just identified as having an 80% failure to get 4G services, the correlation is there all over again.

It is particularly important that rural people are not forgotten in the issue of financial inclusion. They are more likely to be isolated and to suffer from financial exclusion. There are a number of ministries, and no end of interministerial and cabinet committees, as well as the Cabinet Office, which are full of talented young civil servants who can help to bring these different strands together. That is a better way forward than having a Minister devoted to the task—because, unless you have a budget and power, you cannot do much.

5.44 pm

Lord McKenzie of Luton (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Patten, and to participate in this debate. I offer my congratulations to the noble Baroness, Lady Tyler of Enfield, for her skilful chairing of the committee and to the formidable committee staff that she drew around her. They produced the comprehensive report before us today. If my copy of it appears a little dog-eared, it is because it became a useful reference document for our recent deliberations on the Financial Guidance and Claims Bill, now heading for the other place. That Bill responds very much to issues of financial exclusion, financial guidance and capability and advice services, as well as debt advice. It was significantly changed, and improved, on a cross-party basis during its passage through the Lords, so we can claim some authorship of its outturn.

Rather than being a measure which just stitches together three existing advice operations, TPAS, MAS, and Pension Wise—I will refer to it as SFGB—it has objectives to improve the ability of members of the public to make informed financial decisions, and to support the provision of information, guidance and advice. It has a consumer protection function, which includes the obligation of SFGB to pass consumer casework to the FCA where there is a suspicion of unprofessional conduct, harassment or misleading approaches. It also requires the monitoring of cold calling on consumer protection as a prelude to a ban. We know that most financial scams, particularly for pensions, start with a cold call, so this is very important.

Of particular significance in the debt space is the inclusion in the Bill of provisions which should lead to a debt respite scheme. Both the Government and ourselves had proposals on this as manifesto commitments at the last election. The purpose is to help individuals in debt and their creditors devise a realistic plan for the repayment of debt and offer protection from charges and enforcement action in the meantime. Given soaring levels of household debt, this should be introduced as soon as possible. We know that the rise of some types of debt can be strongly associated with changes in government legislation and this is not limited to universal credit. The localisation of the Social Fund, now local welfare assistance, was a matter on which our committee expressed particular concern. In its former guise, this provided a vital safety net, facilitating grants and interest-free loans to people on very low incomes who were living through particular financial pinch points. The development of diverse eligibility criteria, some with residence criteria—a problem for those fleeing domestic violence—has created a postcode lottery. The consequences are predictable: increased use of food banks; increased reliance on unaffordable short-term credit. Our report expressed concern about future funding for this area but beyond that went no further than recommending that government disseminate best practice. On reflection we might have done more.

Council tax support schemes have followed a similar pattern of being localised and having local authority funding cut, so more and more councils have had to restrict their schemes. Hence council tax arrears have moved up the debt league. Evidence suggests varying practice in collection arrangements, made worse by the demise of local debt advice. A select committee report highlighted consistent evidence about the negative impact of reforms to the social security system, especially the introduction of universal credit as a replacement for a bundle of other income-related benefits, together with the tightening of the conditionality and sanctions regime. Hardship and debt were being exacerbated in particular by the payment of universal credit monthly in arrears, by a waiting period for new claimants, by bundling rent support and by making this generally available to tenants.

Noble Lords will doubtless be aware that the Government have announced the abolition of waiting days, increased advances to 100% now repayable over 12 months, and introduced transitional payments for those previously receiving housing benefit. It was a committee recommendation that the seven-day waiting period be scrapped. This is, of course, to be welcomed

but it does not solve the problem. Its year one cost of some £300 million should be seen in the context of billions of cuts past and ongoing to the social security system. We called in our report for greater flexibility around universal credit payments and a faster rollout of trusted partner arrangements.

The report also addresses issues arising from the application of sanctions, and evidence as to their effectiveness. We heard harrowing evidence about the contribution they make to financial exclusion, where individuals sanctioned look to all options to survive, including reducing payments for priority expenditure such as rent, gas and council tax. A number of witnesses drew our attention to their impact on vulnerable individuals, including those with mental health problems. Our report has not elicited any government response to justify the effectiveness of sanctions, which will doubtless continue to cause misery and hardship to hundreds of thousands of fellow citizens.

The report records that we have seen no comprehensive research on the cumulative impact of the Welfare Reform Act 2012, and what flowed from it, and recommended that the Government conduct a detailed comprehensive cumulative impact study on how changes to social security policy might have affected financial well-being and inclusion, and how they may have contributed to debt, arrears and growth of high-cost lending. The government response prays in aid the assessments produced at Budget time and the *Improving Lives: Helping Workless Families* recent publication, but this was part of the Government's moving away from the use of income data—relative or absolute—and does not really meet the analysis the committee was seeking.

Financial exclusion is, as our report makes clear, multifaceted, but we heard views about its relationship with poverty and the poverty premium, of which we have just heard. That is the additional cost incurred by individuals who have to transact in the most expensive way—high-cost credit, pay-as-you-go mobile phones et cetera. If we look at these matters through the poverty lens, we should be alarmed at what is happening. After declines in poverty—child poverty—over 20 years, we now see it rising and the reasons are very clear: cuts in benefit, tax credit and universal credit, for those both in and out of work, inflation on the rise and employment now falling. There is much still coming down the track: freezing of working-age benefits, the two-child policy and more. As CPAG demonstrates, by 2020 we expect some £27 billion less on social security spending than a decade earlier. That is a difficult backdrop against which to combat financial exclusion and is a challenge to the Minister with his new responsibilities. However, I think this report should remain a significant contribution to that endeavour. The process has produced a wealth of information and experience from those whose daily lives involve operating at the sharp end.

5.53 pm

Lord Fellowes (CB): My Lords, I rise very briefly on two counts. First, as a member, I must thank the noble Baroness, Lady Tyler, for chairing and guiding the Select Committee so excellently. Secondly, I want to underline what I see as three particularly important issues with which the committee grappled.

My first issue is the decline in the number of branch banks available in the United Kingdom. Since 1988, over half the branch banks have closed. For obvious reasons, bank closures have a greater effect in rural areas than elsewhere, but the recently announced axing of a large number of branches across the board will have an immediate and destructive effect on financial exclusion. The banks—here I must declare an interest as an ex-employee of Barclays—seem sometimes so submerged in their own problems that they forget that they are a service industry, and that online banking is not a substitute for the human factor. There is no proper substitute, especially for those with limited technical skills, for the helpful human voice, or, if possible, the human face, with whom to converse, to discuss difficulties and, if necessary, to cry for help.

Secondly, I mention the lack of financial education in schools. While in Scotland, Wales and Northern Ireland, financial exclusion has been in the curriculum for some time, in England there is still no requirement for primary schools to include financial education as part of their teaching. Furthermore, nearly two-thirds of state secondary schools, being non-maintained, are under no obligation at all to teach financial education. These omissions should surely be corrected as soon as possible.

Thirdly, I mention universal credit. Time and again, the committee was struck by the frustrations experienced by potential users of the system. I realise, of course, that recently some adjustments have been made which should improve matters, but the users of this scheme to whom I spoke were frequently frustrated by the difficulty, or even impossibility, of discussing their problems with a human being rather than a computer. Again I say, there is no substitute for human contact in matters financial. I very much hope that these and other suggestions made by the committee will be acted upon without undue delay, and that the many diverse organisations, including the Government, trying to bring about improvement are united and successful in their efforts.

5.55 pm

Lord Holmes of Richmond (Con): My Lords, it was a pleasure to be a member of the Select Committee so excellently chaired by the noble Baroness, Lady Tyler of Enfield. I must also thank all the staff, advisers and clerks who enabled us to pursue such a positive route through the committee's inquiry. Most of the 22 recommendations are still to be considered and taken on by the Government. What are the Minister's thoughts on the 14 recommendations still to be covered in the government response?

I shall limit my comments to the three Ds of duty of care, data and digital and technology. It seemed pretty clear throughout our inquiry that duty of care would be an eminently good thing for all financial services and financial institutions to adopt. We received significant evidence on this, not least from Macmillan Cancer Support. Even if people consider a duty of care only for purely selfish reasons—given that one in two of us is likely to face a cancer diagnosis in our lives, there is a 50:50 chance that we will act just in our self-interest—obviously, we should go far beyond that. It makes sense for both customer and service provider to understand

[LORD HOLMES OF RICHMOND]

how this duty of care should work. I pay tribute to Macmillan Cancer Support for the brief it gave to the committee. I also pay tribute to those who discussed this point on the Financial Guidance and Claims Bill, which has just gone through the House. Macmillan Cancer Support clearly demonstrates how a modern, lean, effective charity should operate, not just in giving sensational care to people at some of the most delicate, painful times in their lives but in understanding the total life experience of people who receive a cancer diagnosis.

I tabled an amendment on duty of care to the Financial Guidance and Claims Bill in Committee and on Report. However, the Government were not minded to accept it. In the light of that, I ask the Minister: if nothing is to be done on this point until after Brexit, particularly from the FCA's point of view, what do the Government intend to do in the interim to address this fundamental point of duty of care to all customers? This takes financial institutions back to the purpose for which they were established. That purpose was based on a relationship. We need to bring that into how financial services will operate in the future. We have an opportunity to do so through the data now available and what it is now possible to do with data. We should use it not just to enable policymakers and institutions to understand people's predicament when they find themselves at the sharp end of financial exclusion and assist them, but use it in a predictive and granular way to enable individuals themselves to grip their own data and understand on a minute-by-minute, second-by-second basis, if they wish, how their actions impact on that data. That takes us to the digital opportunity. In this situation, finance technology—fintech—is all predicated on that data. What could that do in terms of the issues of the unbanked?

We know that if people are enabled to get online and have an online bank account, they can save £500 to £700 a year, which is not an insubstantial sum. There are significant products and businesses out there, such as MyCard, dopay and Pockit, to name but three involved in this space. Other noble Lords have already alluded to how the connection between financial and digital exclusion is key to understanding this. It is all well and good to have potential solutions online, but if people are not online, see no reason to be, and have understandable care and concern about going online, no solution will ever come from that, even though huge cost savings are to be made from those online solutions.

Financial literacy is incredibly important. On the point made by my noble friend Lord Patten, he is quite right that there should not be an inexorable dumping of more and more responsibilities on our fantastic teachers. However—I am prepared to get into a discussion—for financial literacy at all levels to go into the curriculum I would be prepared to look at what we could take out in a nightclub-style one-in, one-out approach. Without financial literacy, you can teach a heck of a lot to young people which will never have any positive impact because of the detrimental effects of finding yourself at the wrong end of financial exclusion.

As has already been mentioned, bank branches are gone. We need to consider what more can be done in the community. With the Open Banking initiative,

there is the potential to have clusters of fintech businesses based in the community so that people cannot only interact online but can have that physical presence and, on the point made by the noble Lord, Lord Fellowes, they can meet people face-to-face to discuss financial matters. If the right encouragement is given and it is made possible for chatbots to be put in place, people may be able to have conversations with them which may be more comfortable, and it may be possible for more questions to be asked through that means than through more traditional approaches.

Fintech is not the totality of the solution but it contains many of the solutions. What is phenomenally encouraging—we see it through the Tech City initiative—is that so many of the young people who are founding fintech companies are doing so to address so many elements of financial exclusion. They do so not as charity, as CSR or as a “nice to have”, but because it is in their DNA and they can drive fantastic business models of these issues, which, all too often, traditional financial institutions have just been able to not engage with and ignore.

A potential golden thread runs through fintech, where cost can be taken out, customer experience and service can be put in and, crucially, financial inclusion can flow through that route. Probably the most pernicious of all elements in all our work on the committee and beyond is: how can it be that in the fifth-richest economy on the planet, those who all too often have the least are forced to pay the most for their financial services?

I spare a fourth D—a slight detour, which I must take in this discussion. It is impossible to consider these issues without taking some time to talk about gambling and the impact that that currently has on our community and society. Just look at the number of gambling institutions on high streets in lower socio-economic areas compared to the leafy suburbs. I ask the Minister a specific question: when will the Government take clear, definitive action on FOBTs? I know that we have a consultation, but with fixed-odds betting terminals you can lose £100 every 20 seconds—£300 in a minute. Spin number one: there goes the rent; spin number two: there goes your food; spin number three: there goes your hope.

That and more was the purpose of undertaking the Select Committee report on financial exclusion. It was a joy to serve alongside noble Lords and, as I say, to have the excellent chairmanship of the noble Baroness, Lady Tyler of Enfield. To conclude on a specific point, I encourage all fintechs to look at—as they already do—every possible way to get involved, to come up with innovative, cost-effective, empowering, enabling solutions to financial exclusion. Can the Minister ensure that the Government do everything in their power to enable that flourishing fintech sector to continue to boom, not just now but through and beyond Brexit?

6.05 pm

Lord Empey (UUP): My Lords, I join other colleagues in thanking our chair, the noble Baroness, Lady Tyler, for her consistent and enthusiastic chairmanship over many months. It was a pleasure to work with her

and other members of the committee. We were also exceptionally well serviced by our clerks and special advisers, who were exceptional before, during and after the publication of our report.

When the noble Baroness referred in her introduction to the Government's response, she was diplomatic. I am exceptionally disappointed by the Government's response on a number of issues. I understand entirely and fully accept the point the noble Lord, Lord Patten, made; you cannot have a Minister for everything. However, given the statistics provided to the committee, which show that 40% of the population do not have £100 and 1.7 million do not have a bank account, and all the other statistics, it is not particularly unreasonable to have a person watching. We rural-proof policies and proof policies for a whole range of things, and I cannot see any reason why we do not look at this particular aspect. It is one of the most fundamental things in front of us.

I will refer to a few specific points which I raised with the committee. However, before I go on to that, the comments that have just been made on gambling need to be taken exceptionally seriously. During the committee's deliberations, we were provided with evidence about advertising for gambling being shown at 2 or 3 am. We know from evidence provided to us that the companies have a clear mathematical process of identifying who is watching and what their vulnerabilities will be. I had an ad hoc conversation with a friend who knew somebody who worked in the industry, who said that they had it down to a fine art. They knew who was watching, at precisely what time, and what buttons they needed to press. It baffles me that we allow these people to have free rein. I am not in favour of a nanny state, but we control things on television and have a watershed, and we know that a lot of people who are watching at these ungodly hours may have mental health issues. All this evidence was provided to us, and it is time that the Government took this seriously.

Recommendation 21 deals with the question of where people's rent is paid. I believe that, in theory, universal credit is a great thing. However, as we know, the implementation is not going terribly well. We have had some improvements over the last period, since the committee reported, but it is important that, if housing benefit is for rent—to keep a roof over people's heads—it should be paid directly to the person who owns the property. What is the point? Are we saying, "We'll make people learn and we'll teach them to be responsible with their own money"? I get all that, but the reality is that a percentage of people are vulnerable and not responsible, and so we have to go through this whole process of appointing people to chase after them—a whole industry of people going around, banging on doors and pestering people for money. Why are we doing this? What is gained by any of it? The rent should be paid to the person to whom it is due and then it is done. We do not have to have all these bailiffs and heavies.

We also know that many people living on estates suffer from various addictions, which leads to the roof over their heads being taken away. People gather like vultures because they know the day and the hour when the money will be sent to a person and they are

on the doorstep to collect it. Why are we doing this? It would be far simpler to pay the rent to the landlord, as we do in Northern Ireland, and then we would not have any of these issues.

Perhaps I may deal with one other thing, which I mention quite often, and that is credit unions. In Northern Ireland we have considerable experience of credit unions. The Government's response to our recommendation on that is puzzling. We simply said:

"Government funding provided to the sector should take the form of repayable, long-term investment capital rather than grant funding for ongoing expenses".

The Government's response is that,

"the government does not intend to provide revenue support to credit unions".

We do not want them to provide revenue support to credit unions; our recommendation is not to do that. The recommendation is to supply repayable long-term investment capital. It is a kind of Aunt Sally argument to say in response to a proposal that we have made, "We're not going to do this and it's against government policy". We are not asking people to provide revenue support for credit unions—quite the reverse—but we believe that credit unions should be able to offer a greater array of products to people. People's experience is that credit unions are responsible lenders.

I wish to make an overarching point in conclusion. With London allegedly being the financial capital of the world, I am baffled that we cannot produce products to minimise the poverty premium that people have to pay—and there are clear examples of that. Surely it makes sense for some time and effort to be expended by the brains in the square mile on seeing what can be done to encourage others to make it easier and less expensive for people on those levels of income to live. I am quite sure that if effort were put into this, it would be found that the brains are there to provide the products, without forcing or shaming people into doing so. That is why a duty of care has been referred to. We all have a duty of care to our staff, the NHS has a duty of care to its patients and education providers have a duty of care to their pupils. Why should the financial sector not have a duty of care to its customers?

Grenfell Tower and Building Safety

Statement

6.12 pm

The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, with the permission of the House, I would like to repeat the Statement made by the Secretary of State, my right honourable friend Sajid Javid, in the House of Commons earlier today.

"With permission, Mr Speaker, I would like to update the House on the ongoing response to June's tragic fire at Grenfell Tower and our wider review of building safety.

It is now six months since the disaster. Last week, a number of events were held to mark this sad milestone, including the national memorial service at St Paul's. I had the privilege of attending the extremely moving

[LORD BOURNE OF ABERYSTWYTH]
service, alongside the Prime Minister, the Minister for Grenfell Victims and of course the right honourable Gentleman opposite, among others.

The scale and impact of this disaster are unprecedented in recent times, and I could not hope to cover all aspects of the response in one Statement, so today I will concentrate on areas where I have new information to share. However, I am very happy to take questions on any aspect of the tragedy and the response to it.

I will start with an issue that I know is particularly important to Members and honourable Members, as it is to me: finding new places to live for those who lost their homes. Responsibility for rehousing lies with the local authority, the Royal Borough of Kensington and Chelsea. However, I have been closely involved with the process to ensure that everyone is rehoused as quickly as possible, and my department has been providing the council with support to help bring that about.

The council has been tasked with finding places to live for 207 households from Grenfell Tower and Grenfell Walk. To date, 144 households—almost 70%—have accepted an offer of temporary or permanent accommodation. According to the latest figures from the council, 102 of those households have now moved in. For those who remain in other accommodation, the council has offered the opportunity to move into private rented accommodation while a permanent home is found. Some have taken up this offer; others have made it clear that they do not want to move twice—something I completely understand.

The council was undoubtedly slow off the mark in starting the rehousing process but, with its own change of leadership, the help of the Independent Recovery Taskforce, and pressure and support from the DCLG, consistent progress is now being made. But I am far from complacent. I have always been very clear that we should move at the pace of the families involved and that nobody should be rushed or pushed into making a decision about where to live. But to have so many families, including some children, still living in hotels and other emergency accommodation six months after the tragedy is simply not good enough.

The situation is undoubtedly complicated but I have been very clear with the council that I expect it to do whatever is necessary to help people into suitable homes as swiftly as possible. I am confident that the council is capable of doing that but, along with the task force, I will continue to monitor the situation and work with the council to ensure that it happens.

The issue of rehousing has an added poignancy with Christmas just around the corner. Whatever your faith, this is a time for family and friends, and that makes it a difficult time for anyone who has suffered a loss or trauma. Nothing anyone can do will make this a normal Christmas for the bereaved and the survivors, but we are doing all we can to offer extra support over the coming weeks.

A range of activities and events is being staged for local children, particularly those still living in hotels. Social spaces have been booked in four of the hotels where families are staying, so there is room for people

to spend time together, and NHS outreach workers are visiting residents in the local area to offer specialist mental health support. This builds on the excellent work the NHS has already done on mental well-being. Specialists have screened almost 1,000 adults for signs of post-traumatic stress disorder. Four hundred and twenty-six are currently in treatment for PTSD, while a further 62 have completed their treatment. One hundred and ten children have also received or are receiving specialist help. The dedicated NHS Grenfell helpline remains available 24 hours a day, seven days a week.

Local organisations are also providing health and well-being support on the ground, including culturally sensitive support that reflects the diverse make-up of the borough. Last month's Budget made available a further £28 million to pay for mental health and emotional support, a community space for those affected and investment in the Lancaster West estate over the next three years.

Of course, it is not only government that has been providing funds; in the aftermath of the tragedy, the British people responded with incredible generosity, donating more than £26 million to various charities. The majority of that money—more than three-quarters of it—has already been paid out to survivors and to the next of kin of those who died. Of the remaining £6 million, around £2 million is being held back for people who are entitled to a payment but have not yet claimed it and for some whose applications are still being processed. Payments for those who have not yet claimed will be looked after by the charities until the individuals are ready to engage. The remaining £4 million will go towards providing long-term support and community projects.

As people are rehoused and take the time to grieve, the distributing charities will work with them, identifying their changing needs and ensuring that money goes where it can best meet the needs of the community. The House can rest assured that every penny that was donated will be spent on the people it was intended for. The generosity of the British public demands no less.

Another issue where the views and wishes of the local community must be paramount is the future of Grenfell Tower itself. The tower is currently being wrapped in white sheeting—a process that will be completed early next year. This is not being done, as some have claimed, to make people forget about what happened; it is being done because many members of the community—people directly affected by the fire—have said that covering the tower will help them to begin the healing process.

I acknowledge the current anxieties about the long-term future of the site among those who have been most affected. I can categorically state that no decision has been taken about the long-term future of the site on which the tower sits. These decisions will not be led by me, the Government, this House or the Royal Borough of Kensington and Chelsea. It is the bereaved, the survivors and the wider community who will lead and be at the heart of the decision-making process. My colleague the Minister for Grenfell Victims is working

directly with them to agree a set of written principles that will guide the way forward for the future of the site.

When decisions are taken, we want them to have the broadest possible support from those affected, particularly those who lost loved ones, and not just to follow the views of those with the loudest voices. The principles we are drawing up will help us to make sure that that happens and will include a firm commitment from the council that if the bereaved, survivors and the wider community do not want the site to be redeveloped for housing, the site will not be redeveloped for housing.

As well as dealing with the aftermath of the tragedy, we are determined to do everything possible to prevent such a disaster happening again. A crucial element of that is the public inquiry, which recently held its first procedural hearings under the chairmanship of Sir Martin Moore-Bick. I know that some members of the community are concerned about the inquiry's remit, structure and personnel. Some have called for Sir Martin to be supported by an extended panel that reflects the diverse population of the tower. The decision on that rests with the Prime Minister. She gave a commitment to consider the composition of the panel once Sir Martin had determined what further expertise he needed, and she is now giving active consideration to the issue. Meanwhile, Sir Martin has said he is actively considering plans for a consultative panel of local people who could talk to and receive information from the inquiry. Such a panel has been established successfully by the inquiry into child sexual abuse as a way of closely involving victims and survivors in the work of the inquiry. Sir Martin has said that any decision on the establishment of such a panel for the Grenfell Tower inquiry will be taken in consultation with tower residents and bereaved families.

Whatever happens next, I can reassure the House that legal representatives of core participants will have access to relevant documents. They will be able to offer opening and closing statements at certain hearings and they will be able to suggest lines of questioning for witnesses. The needs of the community have been at the heart of the inquiry since it was first announced, and that is not going to change.

Learning lessons for the future will be a crucial part of Sir Martin Moore-Bick's inquiry, but it is not the only piece of work looking at how building safety can be improved. Earlier this year, the Home Secretary and I asked Dame Judith Hackitt to carry out an independent review of building regulations and fire safety. The current system is complex and confusing, a situation that has developed over many years and under successive Governments. Today, Dame Judith has published her interim findings, which show that there is a need for significant reform. I can confirm that we have accepted all of Dame Judith's recommendations for government. We agree with her call for a change in culture and a more effective system that will encourage people to do the right thing and hold to account those who try to cut corners. Everyone who is part of that system—including government—has an important role to play in delivering this change in culture and mindset. We fully support the direction of travel signalled in Dame Judith's report.

Achieving cultural change will, inevitably, take time. But while Dame Judith explores these issues further she has also identified a number of areas where we can start making changes today. These include work on restructuring guidance and tightening restrictions on the use of desktop studies. On desktop studies, we will revise the approved documents on fire safety and commission work to produce a new British standard on when and how such assessments should be used. On guidance, we will work quickly with industry experts to complete work on clarifying the approved documents on fire safety. More widely, we will consider how the entire suite of guidance on compliance with building regulations could be restructured and reordered to make it more user-friendly. We will work with experts across the sector to explore how this can be done. Dame Judith recommends that consultation with fire and rescue services be carried out early in the design process and then acted on, and that fire safety information on a building should be handed over at the right moment. We will write to building control bodies to highlight these recommendations.

The Government will play their part in making the system work better and fixing the problems. I urge the construction industry, building control bodies, fire and rescue services, landlords and others to play their part, too. In January, Dame Judith will host a summit on building regulations and fire safety. It will form the springboard for the next phase of her review, and I encourage leaders from across the sector to take part and help design a better system.

While Dame Judith continues her vital work, we are continuing to support wider work to make existing buildings safer. In the past six months we have overseen a comprehensive set of fire safety tests on cladding components and systems. Fire and rescue services have visited and checked fire safety in every residential tower that has been identified as having cladding likely to constitute a fire hazard or which they consider a priority for other reasons. Across the country we have seen swift action taken to improve fire safety systems and to put in place interim measures where risks are identified. We have provided detailed advice to local authorities, housing associations and private landlords on how to ensure that their buildings are safe. DCLG's expert panel has issued advice to building owners about carrying out the necessary work to address the fire risks of certain cladding systems. There is undoubtedly room for improvement in the way that the building regulations system works and is managed in the future. However, Dame Judith makes clear that her report should not be interpreted as meaning that buildings constructed under the existing system are unsafe. The system needs to be made stronger for the future, but the action taken since June is helping building owners make homes safer today.

Six months ago, 71 people lost their lives and hundreds more lost friends, loved ones, homes and possessions. Six months on, progress is being made. The situation is moving in the right direction but there is still a long, long way to go. As long as that is the case, I will not stop working with and fighting for the people who have suffered more than any of us could bear. They must not be forgotten and they will not be forgotten".

My Lords, that concludes the Statement.

6.26 pm

Lord Kennedy of Southwark (Lab Co-op): My Lords, I first draw the attention of the House to my register of interests as a councillor in the London Borough of Lewisham and a vice-president of the Local Government Association.

Secondly, I thank the noble Lord, Lord Bourne of Aberystwyth, for repeating the Statement made earlier today by his right honourable friend the Secretary of State for Communities and Local Government.

Thirdly, as I have done on previous occasions, I pay tribute to all those involved on the night in question, from the fire brigade and other emergency services, the public sector staff from both local and national government who have been working with the survivors and the local community, to the voluntary sector and faith communities that are there today and have been there every day since that awful night. I thank them for all they have done and continue to do.

As I do every time I respond to a Statement on Grenfell, I want to point out that the offensive attacks on firefighters by Boris Johnson when he was Mayor of London are unfair and hurtful. I live in hope that one day he will apologise for his ill-thought-out words. He is not a man known for keeping quiet or hiding from the limelight, but strangely he is silent on this issue.

Last Thursday, six months on from the tragedy, I asked a Question expressing my concern that a significant number of people will spend Christmas and New Year in either hotels or temporary accommodation. Despite any caveats that people need to be given space to move on in their own time, it is disappointing that so few of the families have moved into permanent accommodation. I agree with the noble Lord's comment that the council has undoubtedly been slow off the mark in starting the rehousing process. What specific action has the department taken to speed up this process, because at every stage since the tragedy the council has been slow off the mark? Can the noble Lord give me specific examples of the pressure and support from the department, to which he made reference in the Statement?

I have also raised the question of how the leadership of the authority is engaging with the opposition on the council. For example, is the leader of the opposition being properly briefed and invited to meetings? If the noble Lord is unable to answer that today, perhaps he will agree to write to me with details of the specific actions being taken in this respect.

The noble Lord made reference to the sums of money donated by the public and broke down how much has been allocated from these funds and what is being held back to allocate later. Can he update us on where we have got to with the allocation of the funds provided by the Government to the families concerned?

I note the noble Lord's comments about the wrapping of the tower. There are mixed views on that locally. As he said, it is paramount that whatever happens to the site, it is led by the bereaved, the survivors and the local residents. I welcome his comments in that respect, although the actions and reputation of Kensington and Chelsea Council on community engagement are not as good as they should be. The local community will expect the Government to hold true to their words

in that respect, and to take whatever action is necessary to ensure that Kensington and Chelsea Council does so as well.

In respect of the inquiry, I and noble Lords on these Benches give our full support to Sir Martin Moore-Bick. I hope that the Prime Minister will listen carefully and agree to any requests by Sir Martin to be supported by an extended panel. In addition, I welcome the suggestion of a consultative panel of local people. It is important that this inquiry is thorough and answers the questions that need to be answered, and that it has the confidence of the survivors and the local community. Looking back at other inquiries that have dealt with difficult issues, an extended panel can often help in that process. Lessons must be learned and be seen to be learned.

I am pleased that the Government have accepted all of Dame Judith Hackitt's recommendations in full. That is an important first step, but it is only a first step along a very long road. In accepting these recommendations, will the Minister confirm that the Government accept that this will result in increased costs and that the Government will meet their fair share of these costs and not leave it to local government, business and others to fund any new safety measures or changes brought about by the revision of regulations and procedures?

Many in local government and elsewhere have been disappointed at the attitude shown by the Government since the fire towards the funding of replacement cladding. If the Government are truly signalling a sea-change in respect of their attitude and how we approach building regulation in regard to these matters, significant costs will be involved. Will the Minister update the House on how much they have paid out to local authorities in respect of works needed to make buildings safe since the fire at Grenfell Tower?

In conclusion, what we need to do can be expressed in the concluding sentences of page 10 of Dame Judith's report summary:

"In summary, this is a call to action for an entire industry and those parts of government that oversee it. True and lasting change will require a universal shift in culture. The industry has shown this is possible in the way the health and safety of construction workers has seen a positive transformation in culture and practice over the last decade. This change needs to start now".

If the Government are committed to that real change, they will have the full support of myself, these Benches, the whole House and the country. It is time to get on with the job.

Lord Stunell (LD): My Lords, I remind noble Lords that I was a Minister in the Department for Communities and Local Government with responsibilities for building regulations between 2010 and 2012.

I thank the Minister for repeating the Statement, which is comprehensive and reflects the seriousness of the necessary response to the worst fire disaster in this country for 70 years. From this side, we reiterate our sympathy and support for the families of the victims and the wider local community, who were traumatised by the events that they had in fact predicted, but where no one would listen to their concerns. We have praise for their dignity, too, which was shown very clearly at the service at St Paul's this weekend.

We also need to recognise, as did both the Minister and the noble Lord, Lord Kennedy, the valuable work done by local churches, mosques and community groups. They have worked tirelessly for the past six months supporting survivors and families, often when the authorities were missing or ineffective. We should extend our thanks to them for the help they have given and continue to give.

So it is all the more disappointing to find that things are, in fact, going at a snail's pace in north Kensington, with families left stranded in hotels at Christmas. I look forward to the Minister's response to the questions posed by the noble Lord, Lord Kennedy, in respect of that. We still have the grotesque, burnt hulk of Grenfell Tower dominating the area. A clear majority of residents believe that it should be wrapped and hidden from view. It is disappointing to me, and I am sure very dispiriting to them, that it is still not, even though the Minister himself in a previous Q&A said that it would be completed before the end of the year. He may be able to update us on the cause of the delay and what is being done to accelerate matters.

I strongly welcome the Hackitt review and the fact that the Government are accepting its recommendations. I will pick up on two or three of those recommendations and press the Minister somewhat on what that acceptance really means. One relates to having a nominated responsible person to certify compliance with building regulations on each project. That provision could be done quite simply by regulation as a result of modifications to the Building Act that were introduced in 2004 by my Private Member's Bill. I look forward to hearing that that will happen very quickly indeed.

I also want to pick out the point that was made about approved documents. The report says that it is not just a question of getting the fire approved documents right, but that various approved documents for different parts of the building process are not well co-ordinated and there needs to be a holistic redrawing of the whole framework. I hope that the Minister will be able to say that that is exactly what he intends to do.

The third and important point that comes out of the Hackitt review is that all of this will impose what the Treasury would describe as burdens on industry. I therefore want to ask the Minister whether the Government are prepared to say that they will suspend the operation of their one-in, three-out rules in respect of this particular disaster and what needs to be done as far as the regulations are concerned.

One recommendation, which is still to be confirmed in the final report, says that a whole set of trades and professions should have a licensing system. The Federation of Master Builders has been pressing for that for a long time and others in the industry see it as essential. But the Treasury, again, will say that it is a burden. It will be perverse indeed if, in complying with one-in, three-out—or one-in, anything-out—in respect of this, there was a diminution or lessening of standards elsewhere to reduce burdens as they are seen in the Treasury. Will the Minister respond to that?

Finally, I am sure that the Minister recognises that, right across the country, residents are living in tower blocks that have had their cladding removed. They face a winter of worry, not just about fire risks and

safety precautions, but because they are in flats that are more exposed to rain and are colder, and that are more costly to run because the cladding has been stripped off. When will the Minister's department tell landlords what they can do that is safe and approved and will restore the standards that they need in those flats? Of course, linked to that, as the noble Lord, Lord Kennedy, said, we need to hear where the money is and when it will be available as well.

I welcome the Statement and the report and look forward to the Minister's response.

Lord Bourne of Aberystwyth: I thank the noble Lords, Lord Kennedy and Lord Stunell, for their response and their general support for moving things forward. I will try to deal with the detailed points that they raised. First, I join with them in saying, as I have on previous occasions, that we owe a massive debt to members of the public sector, particularly the emergency services. We also owe a massive debt to charities, the faith sector and to the great British public, who have, as has been said, responded with incredible generosity to this dreadful tragedy.

In relation to rehousing, as I made clear in the Statement, we have felt that the local authority was slow off the mark. That said, it would be ungenerous to say that progress has not been made. There is still a massive amount to do: we must be clear about that. We cannot be complacent. But we are in the position now of having more houses than there are families needing to be rehoused, so the issue now is that not every family is happy with the house or property they have been offered. We have always said—and we have had support from other parties and others—that this is the right approach and that we should not be forcing people to move where they are not happy to go. We do not want to do that. There may be many understandable reasons why people will not want to move into a tower block or, possibly, even into third or fourth-floor accommodation. They may not want to be in the area concerned. Some people have changed their minds. There are many factors here. Progress is being made, but there is more to do. I readily accept that.

On the point raised by the noble Lord, Lord Kennedy, on charities, the distribution of charitable funds is a matter for the charities concerned. Obviously, we will provide scrutiny and guardianship to ensure the proper processes are being followed, as we always do. No doubt the final allocation will follow, but that is a matter for the charities, unless they seek help and guidance. That would then be given as a matter of due process.

Both noble Lords referred to the memorial event held here, in addition to the service at St Paul's, and the views of survivors. Many survivors made the point about the site and how it should be developed. We have made clear—I think the Statement makes it clear again—that that is a matter for the survivors. They are in the driving seat on this. They may well seek advice and guidance from us, but they have a veto on that. The right honourable Member for, I think, Ruislip, who is the Minister for Grenfell survivors, is working with the community on the principles that will be applied, but, as we made clear, they are in the driving seat.

[LORD BOURNE OF ABERYSTWYTH]

The noble Lord, Lord Kennedy, referred to Sir Martin Moore-Bick and offered his support and that of his party, for which we are very grateful. I think that is the position of the Liberal Democrats as well. Sir Martin is considering whether to have a consultative panel. That is a matter for him. It will no doubt be a matter that the Prime Minister will wish to take into account on whether she has somebody else sitting alongside Sir Martin Moore-Bick. It is a question of balancing those considerations.

The noble Lord then referred to—I think this was a matter on which the noble Lord, Lord Stunell, homed in—the interim report from Dame Judith Hackitt. Again, I thank both noble Lords for their support for this process. We thought it very important that we set this up alongside the inquiry. We have had a very detailed interim report, which we will want to respond to and look at in detail. As I said in the Statement, the Government accept all the recommendations directed to them. We will certainly be carrying those out. Above all, we will be putting safety first. That is something the British public, the people of Grenfell, obviously, the wider community, the Government and all noble Lords would expect us to do. Again, safety first applies in relation to regulation. There is nothing to stop us proceeding as necessary with any regulations and whatever is necessary coming from the interim report and, later, the full report, which we anticipate in the spring.

Both noble Lords raised issues about cladding. The noble Lord, Lord Kennedy, asked about the financial position, as did the noble Lord, Lord Stunell. We are in discussions with 26 local authorities that have sought help. We have asked for further information from 10, from memory; I will confirm these figures, but I think it is 10. We are having detailed discussions with two further—maybe two of 10. I will confirm that in writing to the noble Lord—I will leave a copy in the Library and copy it to other noble Lords who have participated in the debate—making it very clear that we will not let financial means stop what is necessary to move this forward. That is, I think, widely accepted.

Once again, we have received an excellent report from Dame Judith Hackitt. There are many facets to it, not just directed to government, although a lot of it was. We encourage all relevant parties to look at this excellent report, study it and respond in a positive way to it.

6.44 pm

Baroness Lister of Burtersett (Lab): My Lords, there was an emphasis in the Statement on the involvement of Grenfell residents in future decision-making. As the noble Lord, Lord Stunell, pointed out, part of the problem lies in the fact that the residents were not listened to in the past when they raised concerns about problems with the building. I was at the memorial meeting here last week, where I got the sense that many felt they were still not being listened to by local officials. Thinking about lessons for the future, what are the Government going to do to ensure that residents of social housing are listened to?

Lord Bourne of Aberystwyth: I thank the noble Baroness, Lady Lister, for her question and for her attendance at the meeting. It was a very moving meeting

indeed. As she said, there were understandably some raw feelings about the way residents had been dealt with. Looking to the future, in the aftermath of the Grenfell tragedy we have established there a victim support unit. Ministers are there on a regular basis—to be fair, so is the royal borough. We have responded very positively by ensuring the NHS is there to look to the health needs, not least the mental health needs, of the people there. On her wider point about ensuring that lessons are learned, they will be learned. We are looking to the future for a Green Paper on the social housing sector. We can expect some of these points on the obvious questions raised by the Grenfell tragedy to be taken up in it and some of the answers we have learned.

Lord Patten (Con): On lessons learned and building safety, is the policy of Her Majesty's Government now that all refurbished, repaired or newly built high-rise buildings in the royal borough and elsewhere should always contain properly integrated sprinkling systems?

Lord Bourne of Aberystwyth: My noble friend raises an issue that obviously will be considered by the public inquiry. It is being considered by Dame Judith Hackitt, who has made some point about it in the interim report, although she stops short of recommending that they should be compulsory. The Government will look at this in the light of recommendations made and the wider question of the safety of high-rise buildings following the reports and reviews that are under way.

Lord Lea of Crondall (Lab): My Lords, I am a little concerned that we have not heard much about the relationship between this and the whole framework of the legal process. Given the “us and them” aspect of feelings in north Kensington, will the Minister give some thought to the fact that it has been reported that 25 legal teams are involved in all this? Do the Government have any locus in how the handling of all these legal processes will be treated by the public? If not, how will the Government be able to comment on them if they have no locus in this matter? We know that some of these inquiries take a lot longer than expected and there are some culpability questions involved, but if a note could be prepared on any of this it might be helpful. We do not want to be wise after the event.

Lord Bourne of Aberystwyth: My Lords, the noble Lord raises an interesting and fair point—that does seem a lot of legal teams. I accept that. Some of them are helping the Grenfell victims, which is something that the Government have ensured—that there is proper legal representation for the Grenfell victims and survivors. Noble Lords would accept that that is important. The inquiry has only just started. It will be far-reaching. It is right that it should be. It obviously has to follow due process. On the Government's role, I have mentioned that the Prime Minister is looking at the way the inquiry should take proper account of local opinion. We will no doubt discuss that with Sir Martin Moore-Bick in the light of how he responds and what his thinking is on a consultative panel.

Lord Shipley (LD): My Lords, I remind the House of my registered interests. In the interim report, Dame Judith Hackitt says that,

“I am aware that some building owners and landlords are waiting for direction from this review on what materials should be used to replace cladding that has been identified as inadequate. I would urge them not to wait but to consider what materials have already been identified and tested as safe”.

Given that the Government have accepted all the recommendations of the interim report, is it the case that all such works undertaken by all local housing authorities with high-rise blocks will be deemed by the Government to be essential works and therefore will be funded by them? There is a problem in that the Government have offered to pay for essential works, as I understand it, but not for additional works. As a consequence, a lot of bilateral discussions are going on with local housing authorities. Would it not be better for the Government to define what are essential works and what might be deemed additional works so that there can be a public debate about this? As of now, the interim report of Dame Judith Hackitt has indicated that people should get on with the job of making their buildings safe using materials which have been deemed, after testing, to be safe.

Lord Bourne of Aberystwyth: My Lords, I thank the noble Lord, Lord Shipley, for that question. The Government accept all the recommendations of Dame Judith Hackitt’s interim report that were directed towards the Government; of course, many recommendations are directed elsewhere, and we cannot accept those on behalf of other bodies. Obviously, we urge local authorities to be pre-emptive and respond in relation to the recommendations made to them. We have been very clear that finance should not stand in the way of necessary work, which remains our position. We are open to looking at any reasonable application in relation to that—as I have indicated, we are indeed doing so.

Baroness Young of Old Scone (Lab): My Lords, I declare an interest as a resident of a Westminster City Council block that suffers from all the deficiencies that Dame Judith Hackitt’s report has outlined so well. In paragraph 1.86, Dame Judith quite rightly focuses on the inadequacy of compartmentation as a fire risk control measure. On many occasions, the multiple responsibilities for adaptations and changes in such blocks result in all sorts of people, including homeowners, undertaking changes which compromise compartmentation. By the time inspections happen, if they happen adequately at all, floor coverings, wall coverings and all manner of other adaptations are hiding a multitude of changes to the integrity of the compartmentation. I was pleased to see in Dame Judith’s report a comment on compartmentation but, so far, there has been no recommendation. Is this a matter on which the Government expect a recommendation in Dame Judith’s final report? I firmly believe that compartmentation—which is a dreadfully difficult word to say at this time of the day—is a policy doomed to failure. It is a fail-unsafe, rather than a fail-safe, policy.

Lord Bourne of Aberystwyth: The noble Baroness makes a perfectly fair point. Obviously, there is a lot even in the interim report—it is not a short report; it has many important recommendations and constitutes

important reading not just for the Government but, as I have indicated, for all relevant partners in relation to delivery of housing and those concerned with building regulations and fire safety. Perhaps I may come back to the noble Baroness on the particular point she raised; I have not read the report from end to end—I have to be candid about that—but we are expecting a fuller report in the spring, where no doubt some points that perhaps have not been fully investigated as yet will be covered.

Lord Northbrook (Con): My Lords, does the Minister believe that there have been different standards of building safety for public and private sector projects, or does he believe that the terrible Grenfell Tower disaster could happen to any high-rise building?

Lord Bourne of Aberystwyth: My Lords, I feel sure that what happened at Grenfell Tower could happen in relation to any building which was similarly clad. That would certainly apply to some buildings not in the public sector that, as we know, have been subject to the same review. The approach of Dame Judith Hackitt is to come forward with a uniform building standard, which I think we would all recognise as necessary. It should be a very tight standard and fire safety should be put front, back and centre of it—that is the prime lesson that we learnt from the review.

Lord Beecham (Lab): My Lords, in addition to the issue of sprinklers, to which the noble Lord, Lord Patten, referred, another issue to arise from the disaster was the lack of more than one exit from the premises. I have not read Dame Judith’s report and do not know whether she has dealt with it—she may well have done—but it would be helpful if the Minister could indicate whether there is any intention to move on that front, so that there is an option for people rather than their having to rely on only one exit being safe.

Might the Government also consider insisting on a supply of small fire extinguishers—I have to confess that I have only recently acquired one myself—for the sort of event that might happen in a kitchen or with an electrical appliance? Again, it may be a matter that Dame Judith has covered; if she has not, perhaps the Minister could consider including that in any review. Some relatively modest expenditure may be involved—they are not very costly items—but it would potentially enhance safety quite considerably.

I notice that the Minister did not quite find time in his reply to deal with a number of the questions raised by my noble friend from the Front Bench. No doubt he will undertake to respond to those in writing subsequently.

Finally, I join others in expressing our deep sympathy—on behalf of the whole House, not only those who are here tonight—for what terrible strain and tragedy have done to that community. We are glad that there is all-party agreement that we have to tackle this issue substantially right across the sector and across the country. I hope that the Government will provide the necessary funding, which would be quite considerable, to deal not only with the capital side but with the beefing-up of building regulation.

Lord Bourne of Aberystwyth: My Lords, I thank the noble Lord, Lord Beecham, for the very sensitive way in which he made that last point in terms of support for the Government and recognising that we should come together in tackling these issues—indeed, it is a problem that has been neglected by Governments of all three parties here and they must share some of the blame. However, that is not the most important thing now; the most important thing is to move forward.

The noble Lord raised some very valid points about fire exits. Of course, there is sometimes an issue about enforcement even in relation to a single exit where it has not been properly monitored or has been blocked; that is another issue that needs to be looked at. He also referred to the supply of fire extinguishers. We know that in the aftermath of Grenfell some local authorities—including Camden, I seem to remember—recognised that they needed to do more on that front. I am sure that that is true across authorities of all political parties. They are very fair points. I do not think that they are dealt with specifically in the interim report, but we will make sure that Dame Judith sees them. I am sure that, being very adept in these matters, she will look at what has been discussed in relation to this Statement today in both Houses.

As the noble Lord alluded to, I will of course deal in a letter with points that I have missed, of which I am sure there are many. I will make sure that the letter goes round. I will also correct any errors that I have made.

Baroness Donaghy (Lab): Will the Minister further clarify on the points raised by the noble Lord, Lord Shipley, on the potential difficulty of defining necessary cost? I hope that he can assure us that local authorities will not be batting backwards and forwards trying to identify what work they can go ahead with which the Government will support and what work they should not go ahead with unless they have their own necessary funds to do it. I think that there is potential here, particularly as Dame Judith's report has said how muddled it all is, for local authorities and other private sector organisations and housing associations not to be absolutely sure about what they will get government support for.

Lord Bourne of Aberystwyth: My Lords, I thank the noble Baroness, Lady Donaghy. As we have indicated all along, it is important that any relevant organisation or local authority that is concerned about their funding position should contact the Government. As I say, 24 have done so; we are looking in detail at the position of 10 of those and we have asked for further information from two. That remains the situation. It would be very dangerous for me to say that it will cover this and it will not cover that. It has to be a bit more flexible, because the sort of work that is necessary will vary enormously from block to block and from authority to authority. Of course, there will be an established position of the sorts of area we will look at and the sorts of financial assistance that may be necessary, but I repeat that we are certainly open to looking at those bodies that need assistance and discussing it with them. That is what is happening and I urge

local authorities, through Members here, as well as other housing associations and so on, to contact us if they need clarity. We will be very happy to provide that.

Tackling Financial Exclusion (Financial Exclusion Report)

Motion to Take Note (Continued)

7 pm

The Lord Bishop of Birmingham: My Lords, as we resume the debate on *Tackling Financial Exclusion: A Country that Works for Everyone?*, there can be no more poignant reminder of the issues raised in the committee's report and the seriousness with which we need to take its challenge. As the Bishop of Kensington said in the service just mentioned by the noble Lord, Lord Bourne, we can be too wrapped up in our own interests and prosperity, but we might just now turn outwards towards each other—a society known for listening, compassion and love.

As noble Lords have heard, the Select Committee did a lot of listening and we know that finance affects every person in the land, from the poorest to the richest. Our knowledge and appreciation of the many interventions, whether the basic bank account promotion, the control of payday lending or the encouragement of education in personal and household budgeting, has increased. Our imagination has also been stimulated and sometimes appalled by the testimony of those not included in the ordinary money transactions most of the population take for granted. In her introductory remarks, the noble Baroness, Lady Tyler, mentioned some of the statistics that back that up.

We are on a journey. There have been some achievements, going back as far as the government strategy of 2004, the taskforce of 2005 and the commission that reported in 2015. The present Government's response to the committee's findings is also welcome, if, as the Minister will have already realised, some of us think it has been a bit too mild. There is a long way to go towards full financial inclusion, the lack of which, in a mature economy, illustrates starkly the relationship between poverty and power, between the person and the policy, between the micro and the macro, and the breathtaking inequalities in income, housing, health and education already mentioned by several speakers this evening.

I draw noble Lords' attention to just a few of the many recommendations in this complex subject that have already been referred to in the debate so far, from chapter 7, "Credit and Borrowing" and chapter 8, "Welfare Reform". The sharp reduction in payday lending by regulatory action made us face up to the ease with which it is possible to fall into unmanageable debt. Other reasons have also been mentioned tonight, including gambling. Other high-cost credit areas, again referred to by the noble Baroness, Lady Tyler, being reviewed by the Financial Conduct Authority, should also be considered for regulation, as in recommendation 16. What is the timetable for the Financial Conduct Authority policy review on further interventions, mentioned in the government response

at paragraph 5.41? At the same time, further support for the affordable credit industry should be provided, with, as we have heard, investment capital rather than grant or revenue funding. This, if supported, could be directed especially at credit unions such as the effective but underfunded Advance Credit Union at Erdington in my own diocese. What specific targets would the Government support for this ambition, as in paragraph 5.50? Alongside the well-needed, well-designed support there also need to be light-touch fees and regulatory regimes appropriate for these small and medium-sized financial enterprises.

The fruit of these recommendations, if we needed any incentive, will be seen in the removal or reduction of the poverty premium and, beyond that, the possibility of people beginning to save for the first time in their lives. Chapter 8, "Welfare Reform" deals with how the ordinary ambitions of people trying to participate responsibly in the economy have been hindered by the implementation of the worthy ideals of universal credit. Here, we recommended the abolition of the seven-day waiting period and flexibility in the frequency of payments. I note the Government's optimism in paragraphs 5.51 to 5.55, but we have to realise that the tragic consequences of the failure of tightly managed household budgets are seen at food banks and places of welcome all over the country. Those applying for universal credit are being given impressive support by the Just Finance Foundation and Just Finance Black Country, by the Good Things Foundation, supported by Lloyds Banking Group, by Christians Against Poverty with its debt centres, four of which are in Birmingham, and by other money advice centres.

These actions and most of the issues raised in the committee's report are well documented close to the people; for example, in my own area by the Birmingham Financial Inclusion Partnership, which I commend to the Minister. By way of general requests, in addition to the challenge to the Government to attend to the 14 other recommendations that have not so far been tackled, will the Minister recognise and commit to the need for the continuous, top-level leadership from government mentioned by the noble Baroness, Lady Tyler, in focusing on the multiple remedies to reduce financial exclusion? I know various people have been named tonight as being responsible, but this matter is so complex and serious for the welfare and inclusion of the whole population in our successful economy that it needs the very highest level of attention and a report back to this House.

Will the Minister give further support to those local authorities that have well worked out but underresourced strategies for reducing financial exclusion? Thirdly, will he recognise and give vigorous support to the role of the NGO, charity and faith sectors in meeting personal needs, both for practical, life-saving assistance and sustainable money advice? In the minute left to me, I express the hope that in future we may take time to reflect at the macro level on the bigger question of the meaning and uses of money and to examine our own assumptions about the systems we operate. In a city where Winterval, if I may mention this to the noble Lord, Lord Patten, has been abolished in favour of religious traditions from all backgrounds, perhaps we might, at this end of term, look to the vulnerable

baby with an unmarried, teenage mother and a compassionate foster father, who had the attention of rich philosophers, poor shepherds, powerful governors, a reluctant innkeeper and even joyful angels; a baby who grew up to teach that crumbs from the table were not enough and that nothing less than a much larger table, at which all could share the feast, would do.

7.08 pm

Lord Northbrook (Con): My Lords, I add my thanks to the noble Baroness, Lady Tyler of Enfield, for her excellent and skilful chairing of our committee. I also thank our clerk, Matthew Smith, and committee assistant, James Thomas, together with our policy analysts, Cathryn Auplish and Nathan Lechler, for their sterling assistance. As the committee's report covers such a wide area, it is sensible in the time available to restrict my detailed comments to two chapters of the report that, having worked in the City, I found particularly interesting; namely those on access to financial services and financial exclusion, credit and borrowing.

Before that, I want to highlight a few successes where, following our report, the Government have taken action. The first, recommendation 1, has seen the appointment of a Minister for Pensions and Financial Inclusion, Guy Opperman, based in the DWP. Recommendation 2 has been also partly implemented, "that the Government should set out a clear strategy for improving financial inclusion in the UK".

I welcome the fact that the Government have committed to setting up a new financial inclusion policy forum. This will be chaired by the new Minister for Financial Inclusion and the Economic Secretary to the Treasury and include other Ministers and representatives of financial service regulators. It will meet twice a year.

Recommendation 8 has also been implemented. This recommended that,

"the Government and regulators should work together to develop an approach to promote further innovations in the provision of online and mobile banking services to older people".

In response, the Government referred to the institution of the FCA's weekend events, bringing financial services firms and technology firms together to work on and find innovative solutions to these problems.

Recommendation 9 has also been implemented. This recommended that,

"the Government should work with the financial services industry and the FCA to develop and introduce a wider range of 'control options' for those customers who may experience mental health problems".

This has been moved forward by the FCA, which held a weekend seminar in March, in tandem with the Money and Mental Health Policy Institute, to address ways in which fintech could create tools to help people with fluctuating mental health conditions.

A major recommendation, number 19, has been implemented. As other noble Lords have said, we criticised the seven-day waiting period at the start of a universal credit claim. In the November Budget I was glad to see the Chancellor commit to removing the seven-day waiting period. However, I am disappointed that the Government have not implemented recommendation 20, which asked for,

[LORD NORTHBROOK]

“greater flexibility in the frequency of Universal Credit payments in England and Wales so that ... payments can be made twice-monthly, as will be possible in Scotland and Northern Ireland”.

I was first made conscious of the problems with universal credit implementation, having being unaware of them when the legislation went through this House, when our committee visited Toynbee Hall in the East End of London. We met claimants who made all too clear their distress and suffering caused by the delays in payment, and it was a very moving experience.

Overall, like other noble Lords, I feel disappointed about how few of our recommendations have been accepted by the Government, particularly with regard to financial education at primary school stage, bank account charges and the Post Office, the last two of which I shall come on to.

In the rest of my speech, I will focus first on access to financial services, covered in chapter 6 of our report. A major theme of the evidence we received was that many people are financially excluded because they are unable to access the standard banking system. An alarming figure stands out that there are 1.5 million unbanked adults in the UK. A very helpful solution to this could be the basic bank account. Noble Lords may not be aware that banks are obliged to offer this to customers. It is a simplified form of current account, providing direct debit facilities, a debit card, access to cash machines and over-the-counter banking. It is impossible to go overdrawn on a basic bank account and therefore impossible to receive overdraft charges. Hence—surprise, surprise—banks do not publicise them well as they do not make as much money out of them as normal current accounts.

Opening a basic bank account can prove surprisingly difficult. Citizens Advice York highlighted,

“a number of examples which suggested that branch staff were sometimes misinterpreting rules and eligibility criteria for the accounts”.

I can back this up with an example from Hampshire, where I live, where two Hungarian employees wanted to open bank accounts. Despite the fact that they both had national insurance numbers and a P60 each for their wages with their address on it, they were turned down by my bank, Barclays, in Petersfield because they did not have a utility bill in their name for the house where they live. This was not surprising as they are living with us. Another excuse Barclays used was that they had not been living here for three years and did not have a credit history in the UK. Of course, credit history is irrelevant with a basic bank account as overdrafts are not allowed. Finally, Barclays said that because one of the couple could not speak English—the other is quite fluent—she would not be able to fill in the customer satisfaction survey. At that point they gave up with Barclays, went down the road, and finally got a basic bank account with Santander, but even that took two and a half hours to set up.

All of this does not quite square with Barclays’ evidence to the committee. It said:

“The basic bank account is a key component of financial inclusion ... Ensuring that all banking participants are party to that ... is important; otherwise you have people going into the branch of a bank that they think would be great for them and

they are told, ‘Sorry, you’re not someone we want to bank. Can you go down the road and be supported by someone else?’ That is not a good outcome”.

As can be seen from the example I gave, identification remains a key problem. In the banks’ defence, the tension between the need to prevent money laundering and the needs of the financially excluded was highlighted repeatedly by bank witnesses. More creativity needs to be allowed with regard to identification. In paragraph 214 of our report, we say:

“The Committee welcomes and encourages the use of Universal Credit letters as identity verification for bank accounts. We are encouraged by the announcement from the Economic Secretary to the Treasury that banks are to accept these as standard procedure”.

Therefore, I fully support the committee’s recommendation 12 of an annual report, which,

“should contain updates on the rollout of electronic identification for bank accounts—particularly in regard to the success of bringing previously unbanked people into the banking system. The annual report should also provide an update on the level of acceptance by banks of Universal Credit and other non-standard but legally sufficient identity documentation”.

Another very important section of this chapter sets out a greater role for the Post Office. Our recommendation, which I believe is important, was that,

“the Government work proactively with the Post Office and banks to fund and launch an extensive public information campaign on the banking services that are available through Post Office branches. The Government—as sole shareholder in Post Office Ltd—should also ensure that the Post Office provides adequate training for staff at branches within retail outlets, so that they can carry out banking services for customers with confidence and competence”.

In the chapter on financial exclusion, credit and borrowing, four parts of the sector were considered by our inquiry: unarranged current account overdrafts; high-cost short-term credit, which includes payday loans and short-term high street loans; home credit, which involves providing relatively small short-term loans to consumers on lower-than-average incomes; and, finally, rent to own, where a company sells consumer goods and provides the credit products that enable people to buy them.

First, on unarranged overdrafts, we recommended that,

“regulations to limit and manage the negative impact of unarranged overdraft charges should be introduced. The potential for such regulations should be assessed as part of the ongoing FCA review into high-cost credit”.

The Government’s response—to refer the matter to the FCA—is only partially satisfactory. Action needs to be taken now. A bank charge of £30 a time for going into overdraft is far too high, as for someone on the minimum wage it takes four hours to earn back the money.

The next two parts, we broadly concluded, have been more successfully controlled through recent FCA regulation. It is the final part, the rent-to-buy sector, where further controls are necessary. As other noble Lords have said, the store chain BrightHouse is one of the major culprits in this regard. According to a *Guardian* article of August 2017, it was charging customers up to £1,560 for a washing machine when exactly the same model could be bought elsewhere for £599. BrightHouse is the dominant player in the sector, together with PerfectHome and the online retailer, Buy As You View. Our recommendation 16 states:

“We recommend that the Government provide all necessary assistance, including legislation where needed, to further combat financial exclusion caused or exacerbated by high-cost credit ... Regulations should be put in place in other parts of the high-cost credit sector, particularly the rent-to-own sector”.

I am sure this recommendation helped encourage the FCA when in October this year it ordered BrightHouse to repay nearly £15 million to 249,000 customers, stating that it had not behaved as a responsible lender. This is after Buy As You View went into liquidation in September, after repaying nearly £1 million to 59,000 customers who had been unfairly treated. Recent results from PerfectHome show the company making a major loss. Clearly, the sector is not having things its own way so much any more, but regulation is still needed.

Overall, I am pleased that the Government have accepted some of our recommendations—but not enough. Their response to our report, considering it came out in March, has been far too slow. We need to keep pressure up on the FCA in particular to provide further active responses to our report.

7.19 pm

Baroness Lister of Burtersett (Lab): My Lords, as an “immigrant” contributor to the debate I congratulate the committee on its report and its recognition of the link between financial exclusion and poverty. Echoing a number of committee members, I will focus my remarks on issues raised by the chapter on so-called welfare reform, starting with universal credit. In opening the Budget Statement debate, the Minister acknowledged “genuine concerns” about UC’s “operational delivery”—but I am afraid that the problems with UC point to more fundamental design flaws that need to be solved if UC is to work for claimants, many of whom are likely to be among the sizeable minority considered by the FCA to have low financial resilience.

The abolition of the waiting days and introduction of a housing benefit run-on period is of course welcome, but it still leaves a five-week waiting period for the main UC, mitigated only partially by repayable advance payments. The version of the Budget speech circulated to the media stated that reducing the delay at the end of the first-month assessment period,

“would mean compromising the principle of payments ... made on the same day of the month ... which is very important for claimants in managing their budgets”.

But do we know from claimants themselves whether that is more important than, say, a shorter wait or having a more flexible payment system than the very inflexible one created by monthly payments and assessments, in which a whole month’s entitlement is based on the claimant’s non-financial circumstances on a single day each month? Damien Hinds claimed that,

“monthly is the more sensible pattern”.—[*Official Report*, Commons, 5/12/17; col. 1001.]

But I am not sure how much sense it makes to claimants or how it is conducive to smooth budgeting.

In her UC debate, my noble friend Lady Hollis of Heigham observed that the aim is,

“to moralise some of the most marginal in society into behaving like middle-class salaried professionals resilient with savings”.—[*Official Report*, 16/11/17; col. 2129.]

In arguing that monthly payments mirror work, Ministers refuse to acknowledge that this is not the world of work typically experienced by claimants. Nearly three-fifths of those who moved from paid work onto UC had been paid fortnightly or weekly, according to the Resolution Foundation. The foundation criticised “unnecessarily poor policy choices”, flowing in part,

“from misguided attempts at concentrating on altering human behaviour rather than supporting people in need”.

In the past, I think Conservatives might have denounced such misguided attempts as social engineering.

As we have heard, the Northern Irish and Scottish Administrations have listened to the concerns about monthly payments. Also in Scotland, couples may opt for split payments without fuss. The payment of UC into one account could undermine the financial resilience and capability of some women, especially those subjected to domestic violence, even where payment is into a joint account, as research shows that joint accounts provide no guarantee that the money reaches individual partners. It is disappointing that the Government rejected the recommendation of the Joint Committee on Human Rights—I was a member at the time—that the DWP should use UC rollout to test different payment arrangements to protect women’s financial autonomy. It is also disappointing that they appear to have rejected proposals, including for a safe interim payment, submitted by Policy in Practice—run by one of UC’s architects. This would have speeded up the first payment and enabled fortnightly payments without the potential difficulties raised by Ministers. Even if the majority of claimants prove to be comfortable with monthly payments, as the Minister argued in a recent debate on debt, what about the minority who are not?

The Government’s response to the committee lays great emphasis on alternative payment arrangements, but these are at the discretion of the UC agent or work coach. I do not find very convincing the argument that this is more effective than giving claimants the right to more frequent payments because it strengthens the relationship with work coaches. As it is, those who struggle will be labelled poor budgeters even if they were previously very efficient budgeters. They will be offered help with budgeting, requiring a whole new edifice of support.

This brings me to universal support, which was mentioned in the committee’s report. In its evidence to the Work and Pensions Committee, Citizens Advice listed a catalogue of problems. They included: variable delivery because of a lack of published minimum standards, often resulting in over-restrictive scope; ineffective referral mechanisms; and a lack of co-ordination. An updated framework was promised for autumn 2014 but has still not appeared. A local authority source advised me of fears that DWP is drawing conclusions about the level of support needs based largely on the experience of UC Live, which has involved the claimant cohort least likely to have such needs. In the debt debate, I asked the Minister to ask DWP to provide us with a report on how universal support was working—but answer came there none. May I now repeat the request, noting that similar questions in the UC debate also went unanswered?

[BARONESS LISTER OF BURTERSETT]

Not only does universal support appear inadequate to the task but, as predicted in your Lordships' House, the replacement of the Social Fund by discretionary local welfare assistance schemes, without any ring-fenced funding, has meant that in many areas it is no longer an alternative source of support because many authorities have closed or significantly cut back their schemes. According to the Centre for Responsible Credit, this is leaving some people facing destitution for lengthy periods of time.

While acknowledging examples of good practice, the committee rightly expressed concern about the funding outlook. Shelter and the Longleigh Foundation point out that since specific central funding for the schemes was ended last year, councils,

"have to find the necessary funding from within their existing, and shrinking, budgets".

They warn that,

"there is absolutely no other emergency fund that is flexible enough to help people in financial crisis and prevent, or relieve, homelessness".

Yet when I and others voiced such concerns in Oral Questions last Monday, there was an absolute refusal to acknowledge the seriousness of what was happening and to respond to requests for an evaluation of the impact of the changes. How can a Government who extol the importance of responsibility be so irresponsible as to wash their hands of all responsibility for the outcome of this reform?

Finally, the Government's response to the committee's call for,

"a detailed, comprehensive cumulative impact study",

of how social security changes,

"might have adversely affected financial wellbeing and inclusion", is woefully inadequate. If the Women's Budget Group and the Equality and Human Rights Commission can carry out such analyses, why cannot the Government, who have the ultimate responsibility for the impact of their legislation on the well-being of their citizens?

Perhaps the answer lies in the sobering picture painted by these independent studies, which show the negative impacts analysed by gender, disability and ethnicity as well as income. This was summed up by the EHRC, which said:

"Poorest hit hardest by tax, social security and public spending reforms".

With a cumulative total of £27 billion or more in social security cuts due to have taken effect by the end of the decade, I fear that the outlook is an endless bleak midwinter, marked by more financial exclusion, hardship and debt.

7.27 pm

Viscount Brookeborough (CB): My Lords, I add my thanks to the noble Baroness, Lady Tyler, for her excellent leadership of our committee, and to the staff who supported her.

We sometimes think that financial exclusion is important but that it is a subject like many others. It is not. It is really important, as important as the security of our population or their health and education. Why? Because it concerns every individual in the country—not that they are all excluded but because of their financial capability.

Perhaps it is easier to define financial capability, which is what we are trying to get. The MFO, the Microfinance Opportunities, defined it thus:

"Financial capability is the combination of attitude, knowledge, skills, and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment".

Not everybody needs to know how to invest in the City of London; we all have our own worlds that we need to know more about.

The Government have made some minor advances and were in a constructive mood during debate on the Financial Guidance and Claims Bill. I am sorry that they were perhaps not so constructive in their response to us, which has not been very positive. They sometimes seem to support our view but do not quite go the whole way into implementing recommendations.

I turn to financial education or, better put, the teaching of financial capability. The MFO defines it as:

"Financial education equips people with knowledge and skills, and strengthens their attitudes and belief in themselves to make and exercise informed, confident and timely money management decisions",

in their own lives. So it is a lot more than just facts and figures; it is about people's social belief and their belief in themselves that they can do things.

When we look at the statistics, one or two of which we have heard, we see that one in six struggle to read a simple bank statement, 17 million cannot manage their own budget and only 26% of postgraduates are happy that they can manage their own money. To put it another way, that means that 74% of our most highly educated people in this country do not believe that they are capable of managing their own budget or that they have had the training to do so. It is not surprising that we have a problem.

The FCA's Financial Lives Survey 2017 backs up everything we say. It is all there. In the past few days, the Education Policy Institute has indicated that in mathematics,

"England has one of the largest gaps between the highest and lowest performing",

out of all developed nations. I am very glad to say that England does not include Northern Ireland because we come out higher than that.

If you look at the *Daily Mail*—which I do because it is in the Library, although some may say you should not—its headline today is "Middle Class Pension Crisis". Three paragraphs down it says:

"The Department for Work and Pensions says"—

so it is not me and it is not even the *Daily Mail*—

"12 million people are not saving enough – despite more than half of them earning at least £34,500 a year".

So we are not talking just about those on the minimum wage; we are talking about graduates, well-educated people who have gone into jobs, and there they are.

At the bottom of all this must be financial education, or lack of it. It has to be. We recommended more financial education in school. The noble Lord, Lord Patten, who sat next to me, said that he was not sure that schools could actually do all that. However, it is not me who is saying it; it is the Government who, in

response to our questions, are going to justify what they are doing. They will, we can be sure, be quite good at batting it away.

However, the Government had every chance in the Financial Guidance and Claims Bill to put in schools. In relation to the single financial guidance body, Clause 3(9) sets out:

“The strategic function is to develop and co-ordinate a national strategy to improve ... the provision of financial education to children and young people”.

There was an amendment to put schools into that. First, I must ask the Minister why they did not allow schools to go into that. Secondly, as they did not allow schools to go into it, where does he believe that financial education is going to take place? Is it going to take place over the weekend when people are going to cinemas? Is it going to take place after hours when they are doing other things? Who is going to do this financial education that they talk about, and where? Therefore, why did they not allow schools to go into it?

On one or two of the recommendations and on recommendation 6, which is all about education, the Government tell us that there is a new mathematics curriculum. As I have just said, the institute of whatever it was definitely does not believe that has had much result and, after all, mathematics must be at the very bottom of financial capability—if you cannot add two and two, you are not going to be able to do any of the rest.

The Minister may go to paragraph 5.13 of the Government’s response and say:

“In 2014, for the first time, financial literacy was made statutory”.

We have heard that only 35% of schools come under this curriculum guidance. The response then goes on to justify the Government’s position:

“A number of schools also include the teaching of financial education in their Personal, Social, Health and Economic Education ... provision”.

In my speech during the debate on this during the passage of the Bill, I said:

“Financial education lies within PSHE subjects but they are not statutory ... Time devoted to PSHE has been reduced by 32% since 2011 because it is non-statutory”.

When people were asked why there was so little time for it, the answer was:

“We only have 20 minutes, and if we don’t do something on sexual exploitation or online safety”,—[*Official Report*, 24/10/17; col. 914.]

so they cannot do it.

The next thing that the Minister will probably say is that Ofsted really covers all this and is pretty good at it. The Government’s response states:

“Inspectors also look for evidence that, where relevant, English, mathematics and other skills necessary for pupils to function as economically active members of British society”.

However, this is what I said about Ofsted:

“Adrian Lyons said that Ofsted produces a state-of-the-nation education report. Our chairman, the noble Baroness, Lady Tyler, asked ... ‘how much was there on financial education in the last one?’ ... Mr Lyons’s answer was: ... ‘I do not know the answer to that, but I would be surprised if there was any, to be honest’”.—[*Official Report*, 24/10/17; col. 914.]

Ofsted says that it finds it difficult to mark things unless it has marks and there are investigations into it, but it only has to give extra marks if this subject is covered.

I seriously believe that the Government are not coping with this in education. The figures and statistics are outrageous for a country as developed as ours. Quite frankly, the reasons given in the response to our recommendations are simply very inadequate and wishy-washy, and they wander around without getting to the point.

7.36 pm

Lord Shinkwin (Con): My Lords, it was a pleasure to serve under the chairmanship of the noble Baroness, Lady Tyler of Enfield, and I too pay tribute to the excellent leadership she gave the committee—which also received, as we have already heard, superb support from the committee clerk, his team and the committee’s advisers.

I want to focus my remarks on two specific recommendations of the report. First, recommendation 5 calls for the introduction of a requirement for the Financial Conduct Authority—the FCA—to make rules setting out a reasonable duty of care for financial services providers to exercise towards their customers. As my noble friend Lord Holmes of Richmond, who made an excellent speech, and other noble Lords have already mentioned, the Select Committee believes that such a duty will promote responsible behaviour on the part of business and support sound financial decision-making by customers.

In their response to the committee’s report, the Government highlighted that the FCA has committed to publishing a discussion paper on the introduction of a duty of care and suggested that this was a sufficient next step. The problem, as has already been said, is that the discussion paper—which would only, in the FCA’s own words, “start a dialogue”—is not due to be published until after the UK’s withdrawal from the EU. I therefore wonder whether my noble friend the Minister can explain why we need to wait until after Brexit given that the Financial Guidance and Claims Bill, now in the other place, offers a timely opportunity to make the necessary amendments to the Financial Services and Markets Act 2000. Moreover, will he say what he thinks “after Brexit” actually means? Is that March 2019 or March 2021, after the two-year transition period? Most importantly, quite apart from the fact that a duty of care amendment would secure better outcomes for consumers in general, what is his view of the justification for the unnecessary and, some would say, unacceptable delay to customers affected by cancer accessing better support at their time of greatest need?

I should declare an interest of sorts. I was privileged to work at Macmillan Cancer Support 15 or so years ago. Never did I imagine that I would have the privilege of speaking in support of that amazing charity as a Member of your Lordships’ House, but I am proud to do so today, and to support the one in two people who, by 2020, as we have already heard, will get that illness in their lifetime. Alongside the physical and emotional impacts, cancer brings with it a real risk of

[LORD SHINKWIN]

financial hardship: four out of five people with cancer are, on average, £570 a month worse off as a result of their diagnosis.

As providers of mortgages and other financial products, banks have an unrivalled ability to support people affected by this financial impact; yet notwithstanding some progress, there is still a lack of consistency across the sector, and people still do not know what to expect from their bank. Macmillan research found that only one in nine people with cancer had even told their bank about their diagnosis, and of those who did tell their bank, almost one-quarter were dissatisfied with the support they received. If banks and building societies had a legal duty of care towards their customers, it would give people with cancer confidence to disclose their diagnosis, knowing that they could trust their bank to act in their best interests. For banks, this would mean being ready to respond to their customers' needs and designing the vital products and services that would help people manage their finances while ill.

Macmillan is very concerned that unless the Government legislate for the duty of care now, the issue will be delayed indefinitely. Sadly, as so many of us know all too well, cancer takes no account of such delays. When cancer strikes, the need is now. The Government and the FCA need to recognise that and act now, not in some far-off future.

I turn briefly to recommendation 10 and the duty to make reasonable adjustments—which too often, incredibly, is still not being met. As we have already heard, the committee called for a review, to be published within 18 months of the report's publication, of reasonable adjustment practices for disabled people, to identify areas of good and bad practice so that improvements can be made. That needs to be followed, the committee said, by a timetable with clear target dates for the delivery of improvements, along with their monitoring and implementation within the lifetime of this Parliament.

Here is an opportunity for the Government to champion the disabled consumer and disability equality in general. Yet, sadly, they seem to decline to lead or to set the pace. I have to ask what message this sends to disabled people. The FCA does not appear that bothered either. A word search of its consumer approach document, published only last month, generated one reference to disability, and none to reasonable adjustments. So although the practical problems which disabled consumers like me face are highlighted in the committee's report, the full extent of the cultural problem we still encounter is actually highlighted by its omission from the FCA document itself. Ultimately, this comes down to enforcement. Put simply, enforceability and disability are inextricably linked: the duty's enforceability is essential to enabling a person with a disability to access services which a non-disabled person takes for granted. Yet our power to enforce has gradually been eroded. This needs to be reversed.

Cumulative impact assessments are apparently all the rage, and in conclusion I have one of my own, although it is unfortunately not that positive. I fear that the cumulative impact of the Government's passivity on disability equality is storing up problems which as well as being unnecessary, are completely avoidable—if

only they would take a lead and put disability equality back on their agenda. In order for a commitment to building a country that works for everyone to be credible, it must include everyone, whether they are affected by cancer or by disability. I hope very much that Ministers will use the coming recess to reflect on how this can be done in a strategic and concerted way across government, as a matter of urgency.

7.46 pm

Baroness Altmann (Con): My Lords, as another of the immigrants identified by my noble friend Lord Patten, I commend the report of the Select Committee on Financial Exclusion under the sterling chairmanship of the noble Baroness, Lady Tyler.

I am pleased that the Government have decided to accept some of the excellent recommendations—they have appointed a new Minister for Financial Inclusion, and I congratulate them on measures included in the Financial Guidance and Claims Bill. I echo the words of the noble Lord, Lord McKenzie, who explained the importance of the amendments added by this House, and I also say what a pleasure it was to work with the DWP Ministers and noble Lords on all sides of the House to improve protection for vulnerable or highly indebted citizens. I look forward to further possible additions in the other place, such as on cold calling and perhaps a duty of care. With the worrying rise in household indebtedness, it is more important than ever to help the public understand financial management and also to improve the financial resilience of the population. Debt worries can have negative implications for workplace performance and productivity, and financial worries can damage or exacerbate existing issues with mental health.

It is estimated that 17.5 million working hours a year are lost as workers take time off due to financial stress. As we head towards a period where interest rates are likely to rise from current exceptionally low levels, and where the economy may be unsettled by Brexit uncertainties, action is urgent. I hope we will see a consumer-focused approach to improving this financial resilience. In this connection, I also hope that we will see more initiatives that use workplace payroll to help people merge their debts and reduce the interest rate payable, as well as allowing them a more secure repayment programme. I declare an interest as an adviser to a social enterprise helping workers in many large organisations to reduce their debt interest costs and manage them more efficiently.

I certainly agree that it is welcome that banks should promote basic bank accounts, but I remain concerned about the important issues highlighted by my noble friend Lord Northbrook and about continuing bank branch closures. The loss of local branches particularly disadvantages those who are disabled or elderly, if they cannot manage telephone or online banking. I am pleased they will be able to use post offices, but we need to monitor this situation carefully to ensure that vulnerable individuals are not excluded as banks continue to pursue cost-cutting agendas.

On the topic of older people, too often their needs are overlooked by mainstream financial services providers. I welcome the Financial Conduct Authority's work on vulnerable consumers and developing a strategy for

the ageing population. However, I hope this strategy will urgently include helping people to prepare for later-life care. There is no pre-funding or financial planning for future long-term care needs at national, local or individual level, and no incentives to help families to save for care costs. Financial exclusion in later life will be badly affected by the failure to prepare for potential care needs. The inadequacies of the current social care system are well documented.

There are many aspects to this debate and the excellent Select Committee report, many of which have been thoroughly covered by other noble Lords, so I have chosen to highlight some that are relevant specifically to financial exclusion in connection with pensions. As auto-enrolment extends pension coverage to millions more workers across the country, it is vital to improve the understanding of and engagement with workplace pensions and other financial matters. I hope the Government will consider making workplace financial education a key component of the auto-enrolment programme so that all workers are better equipped to look after their finances. I realise the new financial guidance body may have some input here. However, I believe we may be missing an opportunity to improve financial education and inclusion while millions of workers are being nudged into pension saving. The opportunity is there for the taking.

In connection with auto-enrolment, there is an important issue that I must once again raise in your Lordships' House, and hope that other noble Lords may join me in pressing for urgent action. This relates to the lowest-paid workers who are being automatically enrolled in, or opting to join, workplace schemes. Most workers do not understand pensions; indeed, many of the smallest employers setting up pension schemes for their staff also know little about the subject. This has resulted in a major injustice that has so far been all but ignored by the Government, regulators and the pensions industry. Low earners, mostly women, are losing money because of a particular type of pensions administration arrangement called net pay. All workers earning over £11,500 who are basic rate taxpayers pay £8 of their earnings and automatically receive £10 into their pension, as the scheme adds the extra £2 for them. This is the 25% bonus that results from basic rate tax relief. However, any worker earning below £11,500 in a net-pay scheme cannot get the £2 that they are entitled to under pensions law; they have to pay a full £10 for every £10 going into their pension. If their employer uses a scheme with a different administration system called relief at source, these low earners only have to pay £8 to get the £10 in their pension. In other words, with these net-pay schemes the lowest earners are forced to pay 25% more for their pensions—a classic example of financial exclusion where the poor pay more.

I have asked numerous Written Parliamentary Questions and raised this issue in several debates in this House, yet Ministers seem unwilling to address this injustice. Employers often know nothing about the issue; the workers themselves probably have no idea and, even if they did, there is nothing they could do about it as the employer chooses their scheme; and the pension providers do not normally warn the employer or the worker that their scheme is not suitable for

those earning less than £11,500. Providers are not obliged to pay the low earners—mostly female—this extra money, although a couple have decided to do so. The Treasury has refused to allow schemes to reclaim the money on behalf of the low earners. Even the new master trust assurance framework, supposedly the regulator's endorsement of a high-quality master trust, can operate a net-pay system and take on low-paid workers without having to compensate them for this lost money. This would not happen if people understood pensions or if providers were required to explain things clearly. However, the current regulatory oversight is compounding problems for low earners, failing to protect them and thus leaving them financially excluded. This is a classic example of how the complexity of our system and a lack of consumer focus is causing financial exclusion, and will mean that the lowest earners have less disposable income for their general spending. The duty of care highlighted by my noble friends Lord Holmes and Lord Shinkwin extends to the Government and the regulators, not just providers.

The noble Viscount, Lord Brookeborough, eloquently explained the importance of financial education in schools, but there is an equally important issue that is often overlooked. The FCA has a duty to ensure that people understand financial products, and the new financial guidance body will also have a remit to include this. However, we must not assume that just giving people information and disclosure will improve financial inclusion. Indeed, I argue that the current financial services industry approach is almost guaranteed to exclude most consumers even if they understand finance because the reams of paperwork that they receive, full of jargon and impenetrable terms, written in language that may as well be Latin or Ancient Greek, is impossible for almost all ordinary people to understand. Even my friends with PhDs in scientific subjects are utterly baffled by pensions literature.

The regulatory approach designed to protect consumers is not working well enough. Just assuming that sending people disclosure and information about products and the choices they have will improve consumer outcomes is sadly misguided. Some of the problems stem from a lack of financial education in schools, and I am delighted that the Government intend to tackle this. However, most people in this country are beyond school age now and they need to know how to plan their finances. Whether in connection with managing debt, avoiding high-cost credit or making long-term investment decisions, the Government and the regulators must act now.

Improving financial inclusion will require urgent action across many areas. Helping vulnerable individuals, those with illnesses such as cancer and the wider population is an urgent task. I hope our new Minister for Financial Inclusion can make meaningful and timely improvements, perhaps even in the Financial Guidance and Claims Bill as it goes through the other place, as many other noble Lords have requested.

7.57 pm

Lord Kirkwood of Kirkhope (LD): My Lords, it is a pleasure to follow the noble Baroness, Lady Altmann. She is an expert on pensions and she is right to draw attention to its important role in dealing with financial exclusion. Her speeches always repay careful rereading.

[LORD KIRKWOOD OF KIRKHOPE]

I declare an interest in that I am a continuing member of the Financial Inclusion Commission, which has been in operation for the past few years in this important area of social policy. I too acknowledge the skill and wisdom of my noble friend Lady Tyler and the way in which she steered the committee's work. It was an excellent experience; it was the highlight of my week while it lasted, and I felt quite bereft once it had stopped. Whatever committee she chairs next, I shall certainly be applying to join.

The committee raised the profile of the issue that we are debating. There have been some expressions of disappointment at the Government's response and, if I am honest, I shared that feeling when I read it, although it was quite long. However, I was not surprised because this is quite difficult territory.

We have to look to the future about how we are going to take the issue forward. I am going to spend a few minutes on the mechanics of what we are facing. It is true that the Government can say they have not been doing nothing and there has been some progress. I was encouraged when we had the election; reading between the lines of the Conservative manifesto, I believe if the Prime Minister had been left to her own devices we might have had more social justice. It is no accident that "*A Country that Works for Everyone?*" is the subtitle of our report; we were trying to work with the grain of government policy. The Prime Minister might have had more opportunity with a new incoming ministerial team. I think everyone understands that a lot of this business is eclipsed by our withdrawing from Europe but we must not ignore the domestic agenda, and in particular it would be a mistake to ignore this part of that agenda. I would argue that, as someone may have said earlier, a lot of the discontent that drives the emotional Brexit response is rooted in some of the problems that this report addresses.

I think that it was the noble Lord, Lord Patten, who said that we were getting high marks for not spending money. I would have liked to spend quite a bit of money, but we were very constrained. We were making reasonable suggestions that did not incur huge bills and were rooted in the evidence that we heard—the evidence is very powerful. I concur with colleagues on the committee who said that we were very well served by the staff and our advisers, but the stars for me were those who gave us and sent us evidence. The body of evidence left is, sadly, a year out of date now—as colleagues know, the dogs bark and the caravans move on rather quickly—but is more up to date than a lot of the assured ONS official statistics and is a goldmine for researchers, policymakers and, indeed, legislators who want to take the question forward.

I do not know whether the Minister has time to do this, but I would like to understand what the mechanics of some of these new elements will signify and how they work together. We have a new ministerial team, but there is a contradiction in attention. Guy Opperman is an excellent Member of Parliament for Hexham. He does very good work and is familiar with this territory, but he is looking after pensions as well which, as the noble Baroness, Lady Altmann, just explained, is a full-time job in its own right. How does he relate to

Stephen Barclay? I do not know him nearly as well; he is Economic Secretary, but has about 17 responsibilities, most of them related to Brexit.

How do those of us on the committee who want to take a continuing interest in the subject focus our representations to ensure that we are on the right side of that dual responsibility offered to those two politicians? How does the policy forum fit into that? If it is merely a six-monthly meeting of stakeholders around a big oak table where they say what they think is wrong with the world, go home and come back in six months' time, how useful will that be? If it is not that, what is the policy forum to be?

I think it was the noble Viscount, Lord Brookeborough, who mentioned what was done by the Financial Inclusion Task Force in 2005. It had a very small Treasury-based unit with three members of staff. Sir Brian Pomeroy was an experienced hand and a wise man. It made a real impact for next to nothing—this was not public expenditure resourcing that you would notice; it was a sensible amount of money. It made a big impact in increasing the number of basic bank accounts issued.

I am trying to work out how this new arrangement with a split responsibility at its ministerial head will work. There is the policy forum, the single financial guidance body, which is welcome, as are breathing spaces for debt, and the Financial Conduct Authority, which I think is beginning to play a responsible role and getting a much better feel for the issue. The noble Viscount, Lord Brookeborough, also mentioned the financial life survey by the FCA, *Understanding the Financial Lives of UK Adults*. It is an excellent survey and a valuable document, and it will, to its credit, make the data widely available. The survey is not about people who are just about managing, it is about people who are finding it just about impossible to stay financially afloat at every stage in life. So the FCA's work will contribute, but there are gaps.

I point to two random examples that have come in front of me in the past few weeks. The Post Office current account has no online payment capability. That is a mandated feature of ordinary basic bank accounts, but it is not included in Post Office accounts. I am disappointed that we are not making more of the Post Office. It could be carrying a lot of the weight—the noble Lord, Lord Patten, made this important point—but it is not being given the chance to do that, or it is shying away from the responsibility. Either way, this is exactly the kind of gap that could be identified and dealt with if this new machinery were put in place and acting effectively.

Finally, the Financial Inclusion Commission produced a publication looking at improving access to household insurance, which stated that nearly 16 million adults who have some need for contents insurance have no insurance protection against fire, flood or burglary. Of that 16 million, 10.5 million are renters and two-thirds of those renters are potentially vulnerable. So there is another gap. I am getting a long look from the noble Baroness, Lady Goldie, who is the Whip, so I will stop now.

At the beginning of today's sitting, the noble Lord, Lord McFall, the Senior Deputy Speaker, said that he was interested in taking committee reports forward. I hope that we can keep the community of interest that

our colleagues on this ad hoc committee established during our sittings, maintain a constructive interest and monitor the future work done in government on this important public sector policy.

8.06 pm

Lord Tunnicliffe (Lab): My Lords, I, too, thank the noble Baroness, Lady Tyler, and her committee for this excellent report, and add my thanks to those members of staff who supported it. It was a timely decision of the House to set up the committee. It is doubtful whether the Financial Guidance and Claims Bill would have got to the stage it has, preparing the way as it does for a new DWP Minister for financial inclusion, without the evidence and arguments presented in the report. A job well done—or was it?

Many noble Lords have commented on the length of time that it has taken the Government to respond to the report. It was clear that the work of the House on the Financial Guidance and Claims Bill would have been materially improved if the government response had been made available earlier in the Bill's proceedings. Nevertheless, it is gratifying to learn that, of the 22 recommendations of the committee, four have already been implemented, with a further five partially implemented.

However, in my time today, I shall concentrate on the recommendations which the Government's response indicates that they will not implement. Recommendations 3 and 12 concern annual reports on key indicators of financial inclusion. I wonder whether the Government have got this right. Why be so defensive about something which they are, at least in part, sorting out and making progress on? This is despite the fact that we have a new ministerial portfolio in an area that is of demonstrable interest to the wider public.

Recommendations 4 and 5 concern placing a duty of care on the FCA and financial inclusion being a key FCA objective. The question of duty of care has been debated time and again, and I would have thought that the Government would have made a better fist of it than they have in their current response. The FCA should have a duty of care to its consumers at the heart of its mission. It is simply not possible to achieve a good deal for consumers and protect those affected by financial exclusion by relying on a fair markets approach. In the case of payday lending, the FCA could operate only to reduce the number of companies making excessive profits and to cap the charges. What was required was a consumer detriment approach, which would have been to ban the usurious—very high—rates of interest that those companies were charging.

Recommendation 6 states that financial education should be added to the primary school curriculum. The case made in the report for a rethink about how we educate our children in the financial workings of our world is powerful and convincing, but it has been turned down flat. Frankly, there could be no better way of introducing children to mathematics, and particularly numeracy, than money. Can the Minister explain what discussions and negotiations have been carried out on this recommendation and fill out for us the reasons why DfE colleagues were unconvinced? It was good of the noble Viscount, Lord Brookeborough,

to speak on this point, and I thought that his description of the Government's response as "wishy-washy" was very much to the point.

Recommendation 10 concerns reasonable adjustment practices for disabled customers. The FCA's *Our Future Approach to Consumers* document from November 2017 contains a good deal of discussion on the issue of vulnerability. However, the document makes very little reference to the particular problems experienced by disabled people. The Minister will be aware of the changes that have been put into the Financial Guidance and Claims Bill on the issue of services to vulnerable people. Does he think that the response to this recommendation meets the high standards that should apply?

Recommendation 11 concerns promoting basic bank accounts appropriately and effectively. Can the Minister explain why the Government are willing the ends of this policy but not the means? Is this not a simple regulatory issue? If not, what is the real problem? The noble Lord, Lord Northbrook, spoke on this matter and illustrated that Barclays—surprise, surprise—had miserably failed yet again in its duties. I was delighted to hear the noble Lord commending more regulation and controls. He joins my club on that matter.

Recommendation 14 concerns ensuring that non-digital access to social security benefits and other services remains possible. The response does not engage with issues such as universal credit phone lines not being free and the strong discouragement against applying for benefits offline.

Recommendation 21 is that tenants in receipt of universal credit should be allowed to decide for themselves whether their housing costs should be paid to them or direct to their landlord. The response notes that it is to be made quicker for registered social landlords to apply for a managed payment. However, there is no movement on the issue of empowering claimants. Indeed, the Government make it clear that they do not see managed payments to landlords as a permanent solution for any claimant if possible.

Recommendation 22 concerns a detailed, comprehensive cumulative impact study of how changes in social security policy resulting from the Welfare Reform Act 2012 might have adversely affected financial well-being and inclusion. The Government decline to begin any single comprehensive study of the impact of all welfare reform measures on financial well-being. My noble friend Lord McKenzie and others have made very strong representations in this debate about the lack of positive responses to their well-evidenced and well-argued concerns about the universal credit programme. Some movement was achieved in the Budget but it is clearly not enough. We look forward to the Minister's response to these disappointing responses to the recommendations of the committee.

Finally, recommendations 17 and 18 concern widening credit union products and deepening financial support for them. The Government have said that they do not intend to provide revenue support to credit unions. They go on to say that they will consider grant funding only in relation to specific outcomes. Credit unions are one of the few places where financially stretched consumers can get access to credit without having to

[LORD TUNNICLIFFE]

go to payday lenders or worse. In Ireland, virtually every village or town has a number of credit unions, which provide the bulk of necessary unsecured lending on a sustainable basis. Why are we not able to get this movement onto a sustainable basis and get it to grow to its potential? Why is no direct engagement with the arguments put forward in the report?

To paraphrase the curate, the Government's response is good in parts. But let us go back to the basics—a point made by the noble Baroness, Lady Tyler, right at the beginning of this debate. This is about the poor and about how the poor are made to pay more. In his speech the noble Lord, Lord Patten, made the point—perhaps the only point I agreed with—that the recommendations in this report would cost very little money. Why cannot the Government, who have done so much to make the poor poorer, do more, as this report recommends, to help the poor, the old, the unconnected and the disabled to pay less? Please, Government, will you do more to help the poor to pay less?

8.14 pm

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, I join other noble Lords in paying tribute to the noble Baroness, Lady Tyler, for how she introduced the debate and join in the wide praise that she received from across the House for how she conducted the committee. The remark of the noble Lord, Lord Kirkwood, that it was a highlight of the week and that it was sad when it ended stands in stark contrast to my recollection of sitting on some committees in your Lordships' House. I, too, look forward to the next one the noble Baroness will chair.

I say at the outset that we take this report extremely seriously. It was well researched, there was some incredibly important evidence in it, and it was well presented. That was a very important element. It has been a very important part of the Government's strategy.

The noble Lord, Lord Tunnicliffe, was notable in using the curate's egg argument about our response. Before I turn to some of the areas that he focused on, in which we have not done very well, for recollection, refreshment and the record let me just say what we have done. We have announced the financial inclusion policy forum; I shall come to more details on that later. We have the Minister for Financial Inclusion, Guy Opperman, who has been recognised for the work he has done. We announced changes in the Budget to universal credit totalling some £1.5 billion. We have introduced the Financial Guidance and Claims Bill, which my noble friend Lord Young took through this House with characteristic skill. He managed to ensure that, in the best traditions, it left in better shape than it arrived. It also left with the commitment to breathing space for debt, introduced at Third Reading. The Financial Conduct Authority has produced its Financial Lives Survey; financial inclusion is a key part of our digital strategy; and the FCA has taken robust action on rent-to-own schemes. We have introduced the rent recognition challenge, encouraging fintech firms to address the issue of credit histories for those who rent properties, as opposed to those who have

mortgages. These are in addition to basic bank accounts and payday lending caps, which I will come to later. It is a vast agenda to cover in the short time available to me.

The breadth of the challenges of financial inclusion and financial capability is significant. The noble Baroness, Lady Tyler, spoke about the elderly; my noble friend Lord Patten spoke about geographic exclusion. The noble Lord, Lord McKenzie, spoke about debt; the noble Lord, Lord Fellowes, spoke about rural bank networks. My noble friend Lord Holmes spoke about digital inclusion; the noble Lord, Lord Empey, spoke about gambling and addiction. The right reverend Prelate the Bishop of Birmingham spoke about the role of faith communities in responding to it. My noble friend Lord Northbrook spoke about mental health; the noble Baroness, Lady Lister, spoke about domestic violence and universal credit. The noble Viscount, Lord Brookeborough, spoke about the difference between capability and inclusion and the importance of education; my noble friend Lord Shinkwin spoke about cancer support. My noble friend Lady Altmann spoke about pensions and the noble Lord, Lord Kirkwood, mentioned insurance. The noble Lord, Lord Tunnicliffe, referred to general vulnerability. I will try to make as much progress as I can on that agenda in the time available and seek to address the specific points raised by noble Lords.

In their response to financial inclusion, Her Majesty's Government use the World Bank's definition, which is,

“financial inclusion means that individuals, regardless of their background or income, have access to useful and affordable financial services”.

To the contrary, financial exclusion means that individuals lack that access. When we consider this definition, it follows that the Government's policy regarding financial inclusion must be focused on ensuring that there is an appropriate supply of useful and affordable financial services and products. The Government therefore work closely with the industry regulator, the Financial Conduct Authority, to ensure that appropriate action is taken when the market fails to supply such services and products.

Government policy on financial capability is distinct from the inclusivity agenda, as the noble Viscount, Lord Brookeborough, mentioned, and is focused on ensuring that appropriate information, guidance and advice is available so that members of the public are empowered to make decisions appropriate for them. This is a role that the new single financial guidance body is designed to address and I am pleased that the Financial Guidance and Claims Bill, which will put that new body in place, has progressed through this place and into the House of Commons.

The Government have aimed to boost inclusion and ensure the widest possible access to fee-free basic bank accounts. The nine largest personal current account providers are now legally required to offer these to customers who are unbanked or ineligible for a bank's standard current account. The noble Lord, Lord Holmes, mentioned the importance of online savings. The Treasury publishes data on basic bank accounts annually to

show how the market is developing. Last year's data showed that there are now over 4 million fee-free basic bank accounts.

Another extremely important pillar of financial inclusion is addressing affordable credit. The Government have been active in ensuring that a functioning consumer credit market and a well-run regulatory regime are maintained by transferring supervision of the consumer credit market to the Financial Conduct Authority and legislating to require it to introduce a cap on the cost of payday loans, a fact recognised by the right reverend Prelate the Bishop of Birmingham and the noble Baroness, Lady Tyler, in her introduction. It is worth pausing to remember that that cap has had an immediate effect. There were 4.2 million payday loans approved in the first six months of 2014. In the first six months of 2015, after the cap was introduced, that had reduced to 1.18 million. That means that 760,000 borrowers have been able to save some £150 million per year, money that has gone back into the pockets of the poorest in our society. A feedback statement published by the FCA in July has found the cap to be successful and it will consult on further interventions in spring 2018.

Finally, the Government are encouraging innovations in financial technology to promote financial inclusion. A recent example is Fintech for All, a nationwide competition launched in September 2017. Two winners were announced at an awards ceremony held on 15 November. The noble Lord, Lord Empey, is right about the incredible wealth of expertise that we have in the City of London, just a few miles from this place. That expertise in fintech is also found in other major financial centres around the UK, such as Edinburgh, Leeds, Newcastle, Manchester and Birmingham. The noble Baroness, Lady Tyler, referred to the technology involved in bank accounts and particularly whether, rather than reducing vulnerability, it might lead to further vulnerability and potential exclusion for the elderly, those in rural communities where broadband and internet access is not as great, and people with disabilities. We need to keep a focus on that area.

The noble Viscount, Lord Brookeborough, predicted all the answers which I might give on education. My heart sank as he ran through them all, because it was exactly what was in my speech—so I hesitate to reiterate it. However, I put on the record that the new national curriculum in England, taught from September 2014, made financial literacy statutory for the first time for 11 to 16 year-olds. However, to improve financial education we need to look to other organisations beyond what is provided in the school curriculum. A wide group of organisations can have a role to play. Various community organisations and families have a responsibility in this area as well. The right reverend Prelate also referred to the excellent work of organisations such as Christians Against Poverty, with which I have had some contact, and the role that they play in education. If it is all about inclusion, it stands to reason that none of us is free from the responsibility to engage with this matter and ensure that people get the education they need. That is why the Government have ensured that financial education for children and young people remains a focus of the new single financial guidance body, with the aim of bringing together funders and providers of initiatives across the UK to maximize impact.

The Select Committee has made a number of recommendations on access to welfare, including the abolition of the seven-day waiting period at the start of universal credit. The noble Baroness, Lady Lister, and the noble Lords, Lord McKenzie and Lord Empey, all welcomed this as far as it went—I accept that—and acknowledged that it was a step in the direction for which they have diligently argued for some time. The comprehensive, wide-ranging package, worth £1.5 billion, will ensure that claimants of the benefit get more money sooner, while retaining the principle of which the noble Lord, Lord Empey, spoke in favour.

The noble Baroness, Lady Tyler, spoke about the importance of leadership. As regards our response to the committee's proposal on the Financial Inclusion Policy Forum, this initiative was designed to drive better co-ordination and engagement across government and with the sector to address the problem of financial exclusion. The forum's objective is to bring together Ministers in government departments with a remit to promote financial inclusion, regulators, especially the FCA, and key stakeholders working in their own capacity to address financial exclusion. It will be jointly chaired by the Economic Secretary and the Minister for Pensions and Financial Inclusion and support government leadership and collaboration with the sector, report on initiatives by both government and regulators, and monitor progress. I take the point made by the noble Lord, Lord Kirkwood, who wondered how that choreography might work. Across government there is a general feeling that interministerial groups work particularly well in getting not just Ministers but officials together to make sure that they work in a constructive way going forward. My noble friend Lord Patten said that it was not just central government that was key to this; he mentioned the importance of local government as actors in this regard.

We were pleased with the unanimous support that the financial forum initiative received. I would like to mention in particular the support of the independent Financial Inclusion Commission, which stated that the forum is,

"a further indication that the government is taking the issue of financial exclusion seriously",

and that it has,

"a vital role to play in making this a country that works for everyone".

That struck a chord with not only the noble Lord, Lord Kirkwood, but, I guess, in Downing Street as well. We welcome this endorsement and look forward to the forum being set up in the first quarter of 2018. Further details about its membership and the date of its first meeting will be published soon.

I turn to some of the specific questions raised in the time I have available. The noble Baroness, Lady Tyler, and my noble friends Lord Holmes and Lord Shinkwin asked about the adjustment practices for disabled consumers. The FCA's handbook requires firms to identify particularly vulnerable customers and to deal with them appropriately. In addition, like all service providers, banks and building societies are bound under the Equality Act 2010 to make reasonable adjustments, where necessary, to the way in which they deliver their services.

[LORD BATES]

The noble Baroness, Lady Tyler, asked when the forum would meet, and whether the minutes would be published. The forum will meet every six months. It will bring together regulators and Ministers in government departments with a remit to discuss and promote financial inclusion. More details on the membership of the forum will follow early in the new year. The agenda will be published and we will make decisions on what happens with the minutes and make announcements on that in due course.

The noble Lord, Lord Empey, asked about Recommendation 21, which was about payment of housing benefit direct to landlords. We have listened to the concerns and will look to make it easier to set up and manage payments to landlords under universal credit. New guidance will be issued to staff to ensure that claimants in the private rented sector who have managed payments to landlords for their legacy housing benefit are offered this option when they join universal credit.

My noble friends Lord Shinkwin and Lord Holmes referred to the duty of care, as did my noble friend Lady Altmann. The Government recognise that there are very different views on the merits of introducing a duty of care for financial service providers and, as with any policy, we want to ensure that these are carefully considered and taken into account. The Government believe that the Financial Conduct Authority, as the UK's independent conduct regulator for the financial services industry, is best placed to evaluate the merits of a duty of care for financial service providers. In this context we welcome the Financial Conduct Authority's commitment to publish a discussion paper on the subject.

On access to banking, which was raised by my noble friends Lord Fellowes and Lord Patten, decisions on opening and closing branches and agencies are taken by the management team of each bank on a commercial basis and government does not interfere in these decisions. However, earlier this year the UK's bank and building societies and the Post Office reached a new agreement which means that 99% of personal customers and 95% of business customers can do their day-to-day banking in post offices—be they sub-post offices or Crown post offices. At the Budget, the Economic Secretary to the Treasury also wrote to the Post Office and, through UK Finance, the banking industry, to ask them to raise wider awareness of these Post Office banking services.

The noble Lord, Lord Empey, referred to credit unions. I note his suggestion that the Government be supportive of increasing the level of long-term investment capital into credit unions. As set out in the Government's response, long-term investment capital is important for all businesses, including credit unions, to help them to maximise their potential. However, as credit unions are in principle self-capitalising institutions, the Government do not intend to lend directly to credit unions. The Government welcome private sector involvement in this area: for example, Lloyds Banking Group has a scheme that offers funding to help credit unions to improve their capital position.

The right reverend Prelate the Bishop of Birmingham wanted us to recognise the important contribution that charitable organisations make in tackling exclusion, and I am happy to do that. I can give one example, of LifeSavers, which works with local credit unions to help savings clubs in schools. The initiative, developed by the most reverend Primate the Archbishop of Canterbury and Young Enterprise to start savings discussions in primary schools—which I am sure the noble Viscount, Lord Brookeborough, will welcome—introduces the benefits of savings at a very early age. The Government have contributed £600,000 to this initiative.

As regards the timetable for the Financial Conduct Authority's publication of its recommendations under the high-cost credit review, the FCA published a feedback statement in July 2017 which showed that the cap on payday loans has been successful. Consumers now pay less. In respect of the high-cost credit market, it identified specific concerns in rent to own, home-collected credit and catalogue credit, and identified issues in arranged and unarranged overdrafts. Having investigated the issues, the FCA will consult on any necessary intervention in spring 2018.

I am conscious that I am out of time and that there are many other issues. With the permission of your Lordships, I will review the official record of the debate and, if I have failed to respond on any matters, I shall write accordingly. However, I hope that the noble Baroness, Lady Tyler, might recognise that, while we have not gone all the way to the destination which she and her committee set out, we have taken some important first steps along that road to financial inclusion for everyone.

8.34 pm

Baroness Tyler of Enfield: My Lords, I am very grateful to the Minister for his response and I will briefly pick up a couple of points. First, I thank everyone who has spoken in this excellent debate—both those who served on the committee and those who did not. As befits the subject matter, the debate has been wide ranging and extremely well informed. I am very grateful to those who raised issues that we did not address in the report. I was going to summarise a few of the issues raised but the noble Lord, Lord Bates, did it so well that I do not need to do so.

I feel somewhat more reassured by the Minister's response than I was by the formal written response. Perhaps it is a matter of tone, but the Minister managed, as ever, to convey an appropriate sense of urgency and seriousness regarding the report—something that, frankly, seemed lacking in the written response. He said one thing that I shall hang on to. I think I am right that he said that the Government are taking the report seriously and that it will be an important part of their thinking in preparing their own strategy. I am pleased about that. I very much look forward to seeing the strategy when it is published, as I hope it will be. I hope that it will give the Government another opportunity to go around the block and to look again at the 14 other recommendations that they have not been able to accept so far. I hope that there will be an annual report to Parliament after the strategy is published and that that will give us in this Chamber another opportunity to look at this very important issue.

I intend to follow up assiduously in this area. Meeting Ministers, whether in this Chamber or in the other place, will always be very welcome. I look forward to further debates on this vital issue, which, as the right reverend Prelate the Bishop of Birmingham said, is inextricably linked with the poverty and breath-taking inequalities that currently blight the lives of many of our fellow citizens.

Motion agreed.

Brexit: Trade in Non-financial Services (EUC Report)

Motion to Take Note

8.36 pm

Moved by Lord Whitty

That this House takes note of the Report from the European Union Committee *Brexit: trade in non-financial services* (18th Report, Session 2016-17, HL Paper 135).

Lord Whitty (Lab): My Lords, I commend to your Lordships this report by Sub-Committee G. I thank the members of the sub-committee—many of them have put their names down to speak today—for their important contributions, and I also thank the staff of the committee and our specialist adviser, Dr Ingo Borchert.

I want to make three preliminary points. The first concerns the elapsing of time. The inquiry was conducted between October 2016 and January 2017, over a year ago, and our report was published on 22 March, which was still before the Government triggered Article 50. Much water has therefore passed under the bridge since publication. Regrettably, much of that water is almost as murky today as it was then in terms of the kind of free trade agreement that the Government are really after and how services fit in with that approach. The negotiations have had their ups and downs, and the Government have produced a number of future partnership papers on the UK's relationship with the EU, but regrettably, up until today, no response to our report has been forthcoming from the Government.

It was delayed at first by the general election and subsequently by the Government's insistence that they cannot provide us with a response until all their position papers have been published. I had a gracious response from the noble Lord's predecessor but that was some months ago. I take this opportunity to express my disappointment at this and to emphasise the Government's responsibility to engage with such reports and the findings of Select Committees. Therefore, I look forward to the Minister giving his detailed response later this evening.

My second preliminary point concerns the vital importance of these key services. As we know, the UK is very much a service-driven economy, and in these services the EU is an important trading partner. We export in aggregate to the EU and worldwide more than does the financial services sector and two-thirds

the amount of the goods sector, and we have a surplus in most of the areas covered by the report. We emphasise the complexity of trade in services, which admittedly is largely unaffected by tariffs but can be substantially restricted by non-tariff barriers.

Our report tries to examine what a bold and ambitious free trade agreement between the UK and the EU would look like and what it would need to include to represent a good deal for these non-financial services. We also look at the implications of trading in services under WTO rules—the so-called no-deal scenario.

My third preliminary point was the inadequacy of the statistics on these services. I was quite keen to spell this out but, interesting though it is, in view of the lateness of the hour I will instead refer noble Lords to chapter 2 of the report, which addresses that complexity.

As I said, trade in services does not generally attract tariffs, but trade is very much restricted by various forms of non-tariff barriers, some cultural but, in the main, resulting from divergent regulatory systems. Within the EU, the single market in services has not developed nearly as completely as the single market in goods. Nevertheless, significant progress has been made in developing common regulatory frameworks and structures and often specific consumer protection provisions for the various sectors, such as those in aviation, transport and travel, audio-visual and broadcasting, and telecommunications. In many of these areas the frameworks are overseen by EU agencies, such as the European Air Safety Agency. In most of these agencies, of which there are 34 in total, the EU has historically been a very influential member as well as a major beneficiary.

There are also some general provisions in EU regulations and directives that facilitate trade in services, such as the mutual recognition of qualifications, various intellectual property provisions, provisions on the free flow of data, and general data protection and consumer protection. There are also programmes that facilitate university students' teaching and research. In many of these sectors, there is the free movement of often highly skilled labour.

It has to be said that at the point we received written and oral evidence, almost all representatives of the services we covered were relatively satisfied with the present or prospective EU situation affecting their sectors and the degree of influence and reflection of their interests they felt they had in these European institutions. Most were keen for the EU single market to move rapidly in the services sector and were encouraging the Commission and member states to move faster. They were particularly keen on developing a real single digital market.

At that time, most sectors were also confident that a separate bespoke sectoral agreement might need to be made in their areas to preserve the benefits of the single market. They saw a mutual UK-EU benefit in continuing the existing relationships. I will come back to the issue of separate sectoral agreements. Of course, this could have been agreed if we had moved towards the option of rejoining EFTA and the EEA, but that had already been ruled out by the Government; hence we did not consider it in detail but focused on a comprehensive free trade agreement.

[LORD WHITTY]

I will make a few specific comments on some of the main exporting sectors, beginning with the professional business services, such as legal, accountancy, medical, engineering, business consultancy services and so on. These represent the UK's largest services exports, generating a £30 billion global surplus and a £6 billion EU surplus. To support this sector, a free trade agreement would need to include provisions on the mutual recognition of professional qualifications and regulatory structures. It will also be important for UK businesses to retain the right to establish themselves in the EU, and of course vice versa, and to move staff easily across borders to service European clients and contracts at short notice. For these sectors, a no-deal scenario would result in increased, and in some cases absolute, barriers to trade with the EU. That would be particularly so for regulated businesses such as legal and accounting firms. In such a scenario we conclude that businesses would be likely to have to relocate or move substantial resources to the EU, incorporating separately, which would impact the UK's trade balance, tax revenues and employment.

Digital services represent an important and growing sector of UK trade, which created jobs at almost three times the rate of the rest of the UK economy in the first half of this decade. To maintain the UK's leading position in this field, a lot of our witnesses highlighted data transfers and access to skills as their most pressing concerns. Some adequacy decision from the Commission on the UK's data protection standard would be needed to maintain the flow of data between the EU and the UK under a free trade agreement and it would be important to ensure that future changes in domestic law do not jeopardise regulatory equivalence in this field. On the other hand, a no-deal scenario would represent a regulatory cliff-edge for UK digital businesses and many may choose to relocate or redirect part of their activities to the EU.

The UK is also a world leader in creative services from music to fashion and design, representing a global hub in which companies from different parts of the creative sector cluster in the UK. To sustain that status, a comprehensive free trade agreement would be needed to ensure protection of intellectual property rights, market access and the mutual recognition of broadcasting licences, for example. Again, the contrast between a free trade agreement and a no-deal option was stark. Alternative conventions and treaties do not account for technological developments such as on-demand services, and so are not really viable options for trade. Audio-visual media services are also excluded from the EU's schedule of commitments at the WTO, meaning that EU member states would be free to impose discriminatory provisions on the UK in the event of there being no deal.

We also considered aviation services. Witnesses told us that the strength of the UK's aviation sector and shared interests with the EU offer important leverage for the Government to negotiate a good deal for UK air services after Brexit, either through continued membership of ECAA and EASA, the safety agency, or a bilateral air services agreement with the EU. Our report recommends that the Government should urgently clarify which of those two options they will seek. As

air services are excluded from the WTO provisions and the validity of pre-existing bilateral agreements is frankly uncertain, there is no viable fallback position under a no-deal scenario for aviation. We also emphasised the importance of clarifying the UK's position with regard to EU-third country aviation agreements and of securing transitional arrangements if the UK has in the event to negotiate new bilateral agreements with these markets.

Last month, we held a follow-up session with witnesses from the aviation sector. They were still confident that the UK and the EU would be able to strike a deal on air services due to the sector's fundamental importance to both parties and restated the view that this should be negotiated and agreed separately from any wider UK-EU free trade agreement. Incidentally, we intend to hold similar follow-up sessions with other service sectors.

Chapter 8 of our report looked at the UK trade in travel services and tourism, highlighting the importance of UK tourism to some EU member states as well as its social importance to families and businesses in the UK. Incidentally, tourism is the one sector in our analysis where we are in substantial trade deficit with the EU, largely because of the balance of tourist journeys. UK visitors unaccountably prefer the Med compared with EU tourists to British climes for most of the year. Again, our own tourism industry is doing reasonably well. As we have seen from the tourists around here, we are still dependent on EU tourists freely coming to London and other parts of Britain to spend their money and appreciate our culture, business and economy.

Throughout our inquiry, our witnesses told us that the UK is a global leader in these services and that the Government had already engaged extensively with the sectors to inform their position in negotiations with the EU. We applaud that on behalf of the Government. However, it has not been clear, either then or since, quite how the Government would respond to the points raised with them by the sectors. We start from a position of harmonisation, which ought to help us provide the foundation for an ambitious partnership for future UK-EU trade services. However, it is clear that to protect our service sectors the UK's future partnership will need not only to be ambitious, but to deliver the most competitive services free trade agreement the EU has ever agreed. Reduced EU market access or failure to secure a free trade agreement at all would risk significant changes to the sectors, which would face increased regulatory complexity and some businesses would need to restructure or relocate their operations.

The Government also need to recognise the alarm raised by many of these businesses at the abandonment of the free movement of people. A relatively high number of EU nationals work in all these sectors, from the brightest and best in tech and professional sectors to the mobile labour in some areas of tourism. Put delicately, this dimension needs to be taken on board as the Government move away from freedom of movement to new forms of migration controls. Our report also calls on the Government to prioritise agreement of transitional trade arrangements to avoid a regulatory cliff edge and to reduce uncertainty. I hope that such an agreement on transition is now in sight.

It seems that the Government's negotiations now face a dilemma, which was clearly spelled out in the news bulletins this very morning. All these sectors want to continue and to develop the kind of regulatory trading structures they currently have access to, with minimal change to trading arrangements, standards, the regulatory framework, and technical and regulatory agencies. They want bespoke chapters or separate deals in any free trade agreement to achieve that. But while David Davis may advocate Canada plus-plus-plus, neither CETA—the Canadian agreement—nor the South Korean and Japanese deals, which are very extensive deals with the EU, cover anything like bespoke provisions on which we can build. Of course, Michel Barnier says that we cannot cherry pick or have bespoke deals. There is not only no template; we do not have a mutuality of approach.

In preparation for this debate, I flicked through the 450 pages, excluding annexes, of the Canada agreement. While there are some particular provisions on services, such as telecommunications, and some general issues, such as intellectual property, are covered, there is very little on services and it is very thin. However, as I have said and as I have no doubt the Minister will emphasise, we start from near regulatory equivalence with industries that largely want to keep it that way.

I am about to conclude. Most of the points we made in the report, almost a year ago, remain valid. Real trade talks are about to begin in earnest. The Government need to take on board those points from us and from these dynamic sectors, as well as those from more obvious and traditional voices approaching the Government from the City, the manufacturing sectors and areas such as agriculture. It is vital that these key growth service sectors, replete with innovation and creativity, are not sacrificed in the inevitable trade-offs with other issues that will arise once the complex trade negotiations begin. I hope this morning's Cabinet Brexit committee will at last have addressed some of these issues and be clearer on the outline free trade agreement that we are trying to achieve. I look forward to whatever the Minister may be able to tell us about those developments and his comments on the report. I beg to move.

8.54 pm

Lord Green of Hurstpierpoint (Con): My Lords, I begin by recording how much I enjoyed serving under the chairmanship of the noble Lord, Lord Whitty, of the sub-committee of the European Union Select Committee which produced this report—some while ago, as he pointed out. I should also disclose an interest in that I am president of the Institute of Export and International Trade and a member of the advisory group on Brexit matters to the CEO of the EEF.

All recognise the significance of services to the British economy: more than 70% of output and more than 40% of exports. The EU is collectively our largest market for services exports, with the US our second largest. There are a number of sectors, but three dominate: financial services, which we are not focused on this evening; professional business services; and tourism, those three accounting for two-thirds of all our services exports. The statistics probably underestimate

the importance of services exports because many engineering manufacturing exports include a lot of services revenue. Furthermore, the trend everywhere is in favour of services. Services rise as a percentage of economic output almost everywhere, and there is as much opportunity to gain value through trade in services as there is in goods; that is, the arguments about comparative advantage that date back to Smith and Ricardo apply just as much in services as in goods sectors. What is more, the digital revolution will steadily increase the proportion of services output which is tradeable. There is, therefore, a lot to go for.

Sometimes, we tell ourselves that the UK has a special comparative advantage in services. It is true in that we are the second or third largest services exporter globally and have the highest percentage of services as a proportion of exports of almost any of our competitors. However, we should take care about this argument. First, the high percentage of services in our exports is due in part to the weakness of goods exports. Secondly, it is also distorted by the great importance of financial services, whose net exports account for 3% of GNP alone. Thirdly, the gap with Germany is in any case closing or almost closed. Fourthly, Asia will, over time, grow its services exports. In short, this is not just a matter of getting open markets and then we are up, up and away; no, we will have to work at it hard. Nevertheless, the future is good and probably better than for goods exports. Therefore, this is an important strategic theme for us as we chart our new course.

I want to make three brief points and then pose a couple of questions to my noble friend the Minister. The first concerns trade with the EU. As the noble Lord, Lord Whitty, has mentioned, we start with regulatory alignment, more or less, on day one. There are any number of commentators who would like to see us deviate from this as soon as we reasonably can. We hear phrases like, "We don't want to move from being a member state to a vassal state" or, earlier, "This is our big opportunity to complete the Thatcher revolution". It was a standard complaint of many sectors of British industry that we were shackled by bureaucracy that came from Brussels, gold-plated then by the UK Government and punctiliously enforced by a bureaucracy here which caused unnecessary cost to consumers and, in any case, created an unfair competitive advantage to other EU members who were not playing by the same rules. However, the dream that we can get away from regulatory alignment to any significant extent is, I am afraid, just a dream. It is not based on reality either as an accurate description of the past or as a vision of the future. It is not surprising that we now see industry after industry arguing for the importance of maintaining regulatory alignment in sector after sector with the EU. Why? Because the market there is critical and the regulations there are not going to change at the request and behest of the British. We will certainly have less influence—not none maybe, but certainly less than in the past.

Secondly, the Government's ambition for a bespoke deal—Canada-plus-plus-plus, as it is often described—is broadly the right one. It is often noted by sceptical remainers that the Canadian deal has little in the way of services. It does not cover aviation; it does not cover broadcasting; it tackles overt discrimination against

[LORD GREEN OF HURSTPIERPOINT]

foreign ownership, but it does not tackle domestic regulation; and it has virtually nothing about regulatory convergence of any significance. I cannot say that I have skimmed all 450 pages in the way that the noble Lord, Lord Whitty, has, but it is clear that there is not much about services in the Canadian deal—hence the importance of the plus-plus-plus. Today's news that both the Institute for Government and the Institute for Public Policy Research have produced ideas on how this might all work is very welcome, and I hope that the Government will take their ideas seriously.

I also recommend that we pay more attention to the EU-Japan deal. That started when I was the Minister for Trade and Investment. I remember how sceptical we all were at the time that much progress would be made, given the difficulty of the Japanese domestic market environment. In fact, it seems to have gone rather rapidly, and substantial progress has been made. There is still some way to go, of course, not least as this is a mixed competence deal which will require unanimity among the member states and will therefore be vulnerable to the Walloon effect. Nevertheless, it has clear potential. It covers business services, financial services, especially insurance, telecommunications, transport, distribution and courier services and it proposes the establishment of a regulatory co-operative committee which will methodically look through the different non-tariff barriers that exist on both sides and propose solutions. I believe that we should watch this carefully, because at the end of the day Japan is more important than Canada and this is the harbinger of future Asian deals, with China, with ASEAN and with India. New deals will be more and more about non-tariff barriers, about regulatory dialogue and about services: this is important to us.

Thirdly, in general we need to be realistic. Britain will largely be a rule taker in these discussions. In the case of the US, for example, TTIP is now stalled at best, and the mandate was a compromise, but we should be under no illusion that the UK alone will find it easier to deal with the US, particularly in areas that are of particular importance to us. Financial services is one obvious area—pharmaceuticals is another—where the US regulatory environment is particularly impenetrable. The truth is that neither the US nor the EU is likely to be up for any substantial regulatory change to meet our needs. We will largely be a rule taker vis-à-vis the world heavyweights: the US, the EU, Japan and, who knows, in times to come China.

That is why developments in the last couple of weeks give me the first inkling of optimism that we are heading down a sensible path. I thought phase 1 was a good deal. I make no comment on the budget settlement, of course, but I think the settlement on citizens' rights in both directions is both good in itself and helpful to services industries. The Irish settlement, which involves "regulatory alignment" between the north and the south in order to keep the border as invisible as possible, provoked the inevitable backlash and the result is a parallel commitment to, to use the phrase, "the constitutional and economic integrity of the UK". That is also good. It is clear what both those commitments amount to in terms of continued regulatory alignment between Britain and the EU.

As we move to the second phase, I therefore briefly ask my noble friend two questions. First, can he clarify this point? Assuming we leave the EU legally in March 2019 and that we have agreed a transition period by then, what will the UK's status be in respect of existing EU-third country agreements at that point? If it is envisaged that the transition agreement will mean that these agreements are still in effect for the UK, does that have to be negotiated not just with the EU but with the third-party country as well?

Finally, we do not talk much about trade with Africa. It is not a substantial growth opportunity of magnitude at the moment, but it offers substantial growth over the coming decades. It is also a big development imperative, important in its own right and in geopolitical terms as well. I welcomed the announcement of the appointment of a trade commissioner for Africa, but I was disappointed that no reference was made in the advertisement or in the brief to development as part of the package. Trade is critical to development; development is critical to trade; and I would have wanted to see a reference to a development responsibility in the role of the trade commissioner for Africa.

9.04 pm

Baroness Donaghy (Lab): My Lords, the report was published in March this year, before the general election and before the first phase of the negotiations. There has been a slight change in government language. The overblown title—the great repeal Bill—is no more, to the relief of most of us. Our report established the case that it will almost certainly take longer than two years to agree a comprehensive free trade agreement, and we urged the Government to prioritise the securing of a transitional trading arrangement with the EU in order to avoid the regulatory cliff edge. At the time, the adoption of a transition period was seen to be politically sensitive, but now we have an implementation period of two years. In addition, the Minister the noble Baroness, Lady Fairhead, has acknowledged:

"Services are an essential element of the economies of the UK and the EU, so we will be seeking an ambitious free trade agreement between the UK and the EU which will be of greater scope and ambition than any preceding agreement, because we realise how important it is".—[*Official Report*, 5/12/17; col. 1042.]

It is good news that the Government have accepted this aspect of our report.

In my contribution, I will touch on the importance of accurate data and robust dispute resolution procedures, and ask about the possible impact on higher education. The report points to the unreliability of current statistics, which make it difficult to give an accurate assessment of the value of the services trade. The data in the Office for National Statistics *Pink Book* capture some of the ways in which services can be traded and, as has been said, probably underestimate the importance of services trade for the UK. The Minister of State for DCMS, Matt Hancock, who gave evidence to the committee, said that problems with the data did,

"not really matter much because we know from hard data ... that Britain is really quite good at this digital stuff".

The committee took the view that the accuracy of the data really did matter to illuminate the flow of talent and the implications for immigration policy, both vital to the UK's future success in this area.

I was intending to outline the four modes of supply defined by the World Trade Organization, two of which are contained in the *Pink Book*—modes 3 and 4 are not—but time does not allow. But academics estimate that mode 3 is roughly twice as big as the other modes combined. As our report says:

“The lack of data on trade via mode 4 is also problematic, and is linked to wider concerns about immigration”.

The committee concluded:

“The Government therefore needs more accurate and detailed statistical information on trade in non-financial services than is currently available ... Entering negotiations without such data could risk long-term, unintended consequences for the UK economy”.

Will the Minister indicate in what ways the Government are collecting more accurate and detailed statistics?

Many witnesses expressed concern that divergence between EU and UK laws would increase cost and complexity and might even endanger stakeholder confidence. Access to talent and flexible movement of services providers, the free flow of data, mutual recognition of qualifications, and effective enforcement were all cited as fundamental to non-financial services. Whether or not there is regulatory divergence in the future, witnesses were concerned that businesses should have access to dispute resolution mechanisms, either under a free trade agreement or under World Trade Organization rules. As has already been said, the WTO does not even cover some of the areas of service trade. Is the Minister able to outline the key principles that the Government will adopt for future dispute resolution, which will not be prohibitively expensive or complex for business, particularly SMEs? On 5 December, the noble Baroness, Lady Fairhead, outlined the plan for a new independent UK Trade Remedies Authority. Do the Government have an idea of how this Trade Remedies Authority will interact with any future international dispute resolution procedures?

I turn to higher education, where I spent most of my working life. I welcome the fact that the Prime Minister recognised the importance of universities in her Statement today. The report says that trade statistics, “include students ... however short their stay, because they remain formally residents of their country of origin”.

We were told that EU students make up 5.5% of the UK higher education student population, and that at some universities it was 25%. Some courses would not be viable without these students. Non-UK EU students paid fees of £600 million in 2014-15, accounting for as much as 8% of all university income. Spending by the same students in the wider UK economy accounted for £3.7 billion and supported over 34,000 jobs.

Universities UK pointed to the “principle of non-discrimination” for all EU students and wanted those arrangements to continue after the UK leaves the EU. Our report outlines,

“the possible negative effect of increasing fees for EU students on trade in education services”,

after we leave the EU. The Government’s development of a new immigration policy will have to determine the future status of EU students. The University and College Union is also concerned that the further marketisation of universities could lead to education

being included in future trade agreements. At present, education is exempt. What assurances can the Minister give to the higher education sector on these matters?

Although political events may have overtaken our report to an extent, the fundamentals of our recommendations for the future remain the same. I thank the noble Lord, Lord Whitty, for steering us through this inquiry so ably and for making an important contribution today. Who knows, we might even get a response from the Government one day.

9.11 pm

Lord German (LD): My Lords, I too add my thanks and say how much I have enjoyed serving under the chairmanship of the noble Lord, Lord Whitty, on this report. I thank him for his perseverance in bringing it to your Lordships’ House today. I took the opportunity of going into the Printed Paper Office just before the debate began, on the off chance that I might find the Government’s response to the report before us, but I regret to say that no such response was on the table. It is therefore incumbent on the Minister tonight to give us some very detailed answers to the questions raised by the report. I notice that he is smiling, so I look forward to those responses later.

As the noble Lord, Lord Green, said, we are in the area of Canada-plus-plus-plus. I do not think there is any definition of how many pluses you can have, although I wonder how many pluses on the end would make up the equivalent of the single market. That is the direction in which I sense the sector, and this report, drives us. At the moment, we know virtually nothing of the Government’s position and what they want to see for the country. We have no overall comprehensive impact assessment; we therefore have no knowledge of the potential impact on jobs, the economy or society as a whole. This report provides some of the evidence that we need to make that judgment.

WTO rules are not altogether helpful to the service industries, which tells me that in the upcoming negotiations the UK will, as a minimum, require a comprehensive free trade agreement. Even then, it will not be as good a deal as the one we currently have inside the EU. I believe that services will be the trickiest part of the negotiations. Some 80% of the UK economy is service-based, yet less than one-third of all the free trade agreements signed by the EU with third countries have a services component, and generally those components are not adequate and suitable for the UK’s needs.

We need a transition period, as pointed out in the earlier Brexit and trade report from our committee. That will be essential to complete this work. Service sector exports in both financial and non-financial businesses have been growing and the three key non-financial sectors—business services, digital, and creative—provide a positive trade balance for the UK. All three are growing, and in all three our exports outstrip our imports.

However, the uncertainty created by the Government’s inability to express their desired outcome position is particularly acute for the services sectors because it is here that reputational risk—the reputation of the UK as a provider—places a disproportionate burden

[LORD GERMAN]

on this valuable part of our economy more than any other. It is the UK's outward-facing, bold, and innovative qualities as a nation which spur the growth of these sectors. Continuing uncertainty taints that image.

This report lays out clearly the challenges that face the Government in ensuring that this very significant part of our economy continues to flourish. Mutual recognition of qualifications, rights of establishment, the free flow of data and intellectual property protection are just a few of the crucial issues where detailed agreement will be essential to maintain the UK interest, and in these sectors the free movement of workers and service providers is critical. All would be fine if we remained in the single market. However, in the interim, I would like to outline some of the challenges that the Government face by using one of the key service sectors, and I make no apologies for choosing the music sector. It has lobbied all noble Lords on the committee, but it has also been very vigorous since the referendum in putting its case forward.

The revenues of the recorded music industry were, for example, higher than the combined revenues of the top 50 fastest-growing UK tech companies in 2014. The UK music industry generates £2.5 billion in exports annually. Music tours around Europe are a very important part of that long-term income. The music industry needs the freedom to trade and to break into and develop new markets. I know that noble Lords are familiar with the size of touring music events—it is rather like watching the credits at the end of a film as the names roll on and on. These are people who you may not be familiar with and whose names are unrecognised: riggers, electricians, sound engineers, digital engineers, painters, make-up, wardrobe, stage managers, visual effect teams, merchandisers and many more. The skilled engineers in the teams have accreditation which is recognised throughout the EU, so any change to that regime would affect the ability of UK tour operations companies to work with the speed and agility that permits night-to-night concerts in different major locations across Europe. Any restriction on movement across Europe could also result in temporary customs documents being needed. That would mean detailing every piece of equipment and merchandise, which would lead to delays at borders and increases in costs and time. Non-EU nationals performing or working on a tour would have to provide themselves with temporary work permits, as they do in France now if they come from a third country.

Copyright and intellectual property issues enable creators such as composers, songwriters and lyricists to derive a financial return for their work. Ten per cent of those who work in the UK music industry hold another EU country's passport. The need to source a skilled workforce is critical to the success of the industry, so frictionless movement of talent is essential.

In passing, I must say how sad I am at the departure of the European Youth Orchestra to Italy from its UK headquarters in London, where it has been since its foundation in 1976. The orchestra has about 120 players every year, aged between 17 and 24. It now appears unlikely that British players will be eligible in future years.

That is just one example from one sector, but it outlines the most difficult of the issues that are before us. These are the issues that I started with—the challenges that the Government must satisfy. The committee's report points that out. There is a powerful link between trade in services and the cross-border movement of persons. Intellectual property requires protection. Without agreement and safeguards this vital part of our economy will be under threat. This cannot be just about the survival of the services sector; surely it must also be about its ability to flourish.

In the absence of the Government's document responding to this report, what is their view on the free movement of workers across borders, on protecting intellectual property, on the mutual recognition of qualifications and deviation from those regulations, and on maintaining the free flow of data? Tonight is the Government's chance to indicate how they will deal with these issues and provide the confidence that we all need to ensure that the UK's service industries can grow and flourish.

9.20 pm

Lord Aberdare (CB): My Lords, it is a great pleasure to follow four colleagues from the EU Internal Market Sub-Committee, and I share their great appreciation of the able chairmanship of the noble Lord, Lord Whitty. I hope I shall be shorter than I anticipated, since the noble Lord, Lord German, has made a number of the points I planned to make myself.

The inquiry looked at five categories of non-financial services. I will focus on aspects of two: digital and creative services, which are both sectors where the UK has considerable strengths and generates a significant surplus. Both are vital to our continuing success after Brexit. They foster innovation, enhance competitiveness, increase productivity and contribute to well-being and quality of life. They also share other characteristics: they depend on access to the best and brightest talent and skills available and they currently suffer from significant skills shortages.

They rely heavily on talented people from overseas, especially from the EU, and not just at the highest skill levels, such as recognised musical virtuosos, but at more modest levels such as orchestral musicians and even front-of-house staff. I hope that the Minister can confirm that the new immigration system after Brexit will be designed to ensure that the pipelines for such essential talent remain fully open. The doubling of the number of exceptional talent visas announced last month was a welcome start—but only a start. It does not cover, for example, freelancers in the digital and creative sectors.

Digital services depend heavily on the free flow of data, which is increasingly seen as a fifth freedom for the EU. The general data protection regulation comes into force next May to govern the transfer of personal data, among other initiatives to create a Europe-wide data market. The UK needs to ensure continued free flow of data to and from EU states after Brexit, so I welcome the Government's commitment to putting the necessary infrastructure in place via the Data Protection Bill. Even so, it is my understanding that we will still need to obtain a so-called adequacy decision

from the Commission, based on a full review of the UK's domestic data regime to determine how the UK's data protection landscape matches the requirements of EU law. What preparations are the Government making for obtaining such a decision and what are their expectations about the process for doing so and how long it will take? What transitional arrangements will be put in place in the meantime so that data flows can continue uninterrupted?

Perhaps the Minister could also comment on two other issues relating to digital services. First, mobile telephone roaming charges were abolished across the EU in June 2017. Can he assure us that there will be no return to roaming charges between the UK and other EU member states after we leave the EU? Secondly, the EU is pursuing an ambitious and wide-ranging strategy to create a digital single market. The UK has been strongly supportive of this and has been seen as one of its greatest likely beneficiaries. But there is some concern in the tech sector that, after we leave the EU, the strategy could be used to erect non-tariff barriers against UK businesses providing digital services in the EU. Can the Minister tell us how the Government will seek to ensure that the proposed UK-EU free trade agreement preserves the benefits of the digital single market for the UK, even after we are no longer involved in its future development? Can he confirm that we will remain in alignment with the EU regulatory framework for digital services during the transition period in order to provide legal and commercial certainty for businesses providing them?

I now move to the creative sector, and specifically to broadcasting and music. The sub-committee had a highly illuminating visit to members of the Commercial Broadcasters Association in Chiswick, including Discovery Networks Europe. From its UK hub, Discovery Networks broadcasts a wide range of channels to 135 different countries across Europe and beyond, in a variety of languages. It brings valuable jobs, investment, income, skills and technology to the UK. Its business model is predicated on the EU country of origin principle, whereby a single licence from the relevant UK regulatory body, Ofcom, enables it to broadcast throughout the EU. It can also access or bring into the UK the skills and expertise that it needs; it is not much good broadcasting to Latvia, say, if you do not have people with an understanding of the Latvian language and culture. Ideally, a future UK-EU trade deal would preserve these features, but at the very least broadcasters need assurance of a transitional arrangement enabling them to continue operating essentially as now for long enough to make necessary changes to their business model—which for some might involve moving part or all of their operations outside the UK. What advice can the Minister offer broadcasters as they plan their businesses for the future?

One of my own passions is music, especially classical music. As we have heard from the noble Lord, Lord German, this is another sector in which the UK is a global leader, and it, too, needs reassurance that its freedom to trade internationally will not be constrained after Brexit. As we heard from the noble Lord, touring is an important feature of the music sector for orchestras; for major UK acts such as Coldplay, Adele, the Rolling Stones and Paul McCartney, all of whom were among

the top 10 grossing music tours of 2016; and for individual musicians and small ensembles. I will not repeat many of the comments that the noble Lord made, with which I agree, but will add two more questions for the Minister. First, what assurance can he give that orchestras and other musical organisations will continue to be able to tour in Europe without prohibitive extra costs and bureaucracy? Secondly, when does he anticipate that sufficient information about likely transitional arrangements will be available for music bodies so that they can plan their future touring programmes with confidence, bearing in mind that the planning cycle for orchestras is two to three years ahead, and for opera three to four years?

I have mentioned only a few specific issues within two of the services sectors covered in our report. There are many others, such as visa-free travel, often at very short notice; intellectual property and copyright protection; continuing access to or replacement of EU funding schemes; and ensuring that UK audio-visual productions remain recognised as European works. Our report highlighted that:

“To protect the UK's status as a global leader of trade in services, the Government will need to secure the most comprehensive FTA that has ever been agreed with the EU”.

So my final question to the Minister is: what can he tell us about the Government's approach to achieving such a ground-breaking services deal in a way that gives confidence and certainty to UK non-financial services providers so that they and we can capitalise fully on their exceptional strength and potential in international markets both within and beyond the EU?

9.27 pm

Baroness Noakes (Con): My Lords, I, too, am a member of the EU Sub-Committee on the Internal Market, and I pay tribute to the noble Lord, Lord Whitty, for his excellent chairmanship. Brexiteers may well be part of the majority who voted to leave the EU but, as noble Lords are aware, in Parliament, and in particular your Lordships' House, it is a different matter. It was therefore no surprise to find that I was not in the mainstream of views within EU Sub-Committee B. Put another way, EU Sub-Committee B is well endowed with those whose sympathies are for remain, and I believe that this colours the sub-committee's findings.

I certainly do not accuse my fellow committee members of bias in the report, but there is a pervasive worldview that Brexit is a negative thing and that keeping things much as they are is a desirable outcome from the Brexit negotiations. This desire to avoid change indeed reflected many of the views of those who gave evidence to us—but, as is customary, many of the people who gave evidence to the sub-committee were taken largely from trade bodies, and they are the very people who have a lot invested in the status quo. It would have been really surprising if those bodies had argued for anything radically different.

I shall refer to the question of statistics relating to trade and services, which has already been referred to. It is true, as the report points out, that there are problems with current statistical data. The report's conclusion at paragraph 37 is:

[BARONESS NOAKES]

“The Government therefore needs more accurate and detailed statistical information ... than is currently available ... Entering negotiations without such data could risk long-term, unintended consequences for the UK economy”.

In a narrow sense, these are plausible conclusions. Who can doubt that decisions should be made on the basis of the best information? But is it actually necessary? We have managed for a long time to be a successful service economy without perfect data. What long-term unintended consequences for the UK economy could arise if we do not have perfect data? The report finds a negative, but does not explain how or why.

More importantly, this view—that we need to know precisely what has been going on in the service sector in order to avoid unintended policy consequences—ignores one vital element of the UK economy and the service sector in particular: adaptability. Over the centuries, the UK became and remained a great trading nation because of two things: we successfully adapted to changing economic circumstances and we constantly sought new opportunities. In the last 500 or 600 years, the UK has repeatedly reinvented itself in trading terms, moving from an economy based on agriculture through the industrial revolutions and the creation and dismantling of the empire. More recently, we have witnessed the evolution of a service economy and the establishment of our pre-eminence as a centre for financial services.

Innovation and adaptation are hallmarks of the UK as a trading nation. That is why we must not be afraid of the consequences of change, intended or otherwise. We need to go into negotiations with Europe about the future trading relationship between us mindful of the strength of the current shape of the economy but not hidebound by needing to preserve it for all time.

If we look at wider forces at work, one thing we can be sure about is that doing business in the UK, Europe and globally will change. Disruption is pervasive. In particular, the scale, scope and economic impact of technology are accelerating. We have been saying this for some time but it remains true. Artificial intelligence and robotics are already with us and are changing both how we live our lives and how enterprises create value. We are only now starting to glimpse what the future may yet hold for us. Secondly, the world is becoming more interconnected. In the past, trade was built on physical trade routes, but information does not have that constraint. Data and communications advances mean that traditional trading connections have been surpassed by complex global webs.

None of this means that it is not important to seek a comprehensive trade agreement, in particular to cover services. In that, I concur with the central finding of the report. Equally, the avoidance of a cliff edge via an implementation or transition period is sensible—this featured in the early report dealing with the options for trade post Brexit. These are non-controversial findings and are indeed core elements of the Government’s policy. But my gloss on that—and my advice to the Government—is to ensure that they do not focus on setting in concrete the current trading arrangements. Far more important is flexibility to accommodate shifts in trading patterns, particularly those outside the EU. I do not know what those shifts will be but I am sure that they will happen.

I end with a compliment to the Government which is buried in the report. When the sub-committee started to examine Brexit last year, there were many doubts within the sub-committee about the depth of the Government’s engagement with the services sectors. That is no longer the case. At paragraph 289, the report states that the sub-committee recognises, “the Government’s current high level of engagement across the services sectors”.

It is followed up by something along the lines of “the Government should keep it up” or do some more, but the essential message is a good one: the Government are doing the right thing.

9.34 pm

Lord Liddle (Lab): My Lords, I add my thanks to my noble friend Lord Whitty for ably chairing our deliberations. It was one of the most interesting experiences that I have been involved with on a Select Committee, as I shall explain.

The first thing that struck me was how the sector of non-financial services is absolutely vital to Britain’s future. It is a growing sector with great diversity, but it all trades essentially, for the most part, on our key strengths in the knowledge economy. It provides fulfilling jobs for people, often working in non-hierarchical companies, and it is a crucial part of our future as a strong economy and thriving society. I would say to the noble Baroness, Lady Noakes, that I would not describe the people whom we met in that sector as status quo people; they are the great disruptors and innovators in our economy today. Unlike the innovators and entrepreneurs of a century or more ago, they do not have the competitive advantage secured by the barrel of a gun in an empire. They have to do it on their own—and that is something that we should respect.

Secondly, the experience challenged the conventional wisdom that I had, having always thought of myself as someone who knew something about Europe. The received wisdom in Whitehall was always that the single market was a great success in goods but very deficient in services. Actually, it taught me that the single market was actually very important in services, and the four freedoms of the Treaty of Rome were essential to the success of the sector.

Thirdly, this is the sector where the Government have given the least thought of any to a strategy for securing its future. In trading goods, you can see where the Prime Minister wants to go; it is a model of regulatory convergence, in return for which we get tariff-free trade. I think that she will find it a lot more difficult than she imagines, but that is a plausible model. Also, in financial services, the buzzword is regulatory equivalence. In this sector, it will be much more difficult because it is so varied. Those trade negotiations are not going to be conducted by the nice Michel Barnier, who has been extremely gentlemanly with the British over the past 12 months. They will be conducted by DG Trade. I have worked in the cabinet of the Trade Commissioner and I know what they are like. They are hard men and women, who are tough mercantilists at heart.

The problem with the sector is that our bargaining position is extremely weak. Why is that? Because, if you look at the EU 27’s export of all services to the

UK, it amounts to about 0.8% of EU 27 GDP. But when you look at Britain's exports of services to the rest of Europe, it amounts to a massive 4.7% of GDP. So who is the demandeur? We are the demandeur, and we do not have many cards in our hand. Of that figure, just over one-quarter—about 30%—is financial services, so non-financial services are extremely important.

Those who think that the WTO offers a happy prospect of this sector had better think again. I looked up the paper which went to the European Parliament on this. It states:

"The liberalisation of services under the GATS is subject to a hugely complex set of 'reservations', whereby the member states can continue with restrictions on market access for specified services. Since the EU's own competence in the field of services is incomplete"—

it is not all at EU level—

"this has had the result that at the WTO the 'reservations' by the EU and its member states are a hybrid of EU-level reservations and bilateral member state reservations".

That is why a trade agreement on services will take years to negotiate. You are not just dealing with the Commission, tough as it is, but you also have to deal with blockages in member states and any agreement has to be ratified by the Parliaments in all member states as a result. We are not talking about two years: it will probably be five or seven, so the Government had better grow up.

This sector faces real problems. I think that the only answer is the single market. People say that you cannot have the single market because it involves free movement. I have a huge pile of evidence from our committee's deliberations which shows that free movement is not a trade-off with the economy; in this sector, free movement is the heart of their business model and competitive advantage. If we say that we are going to stop free movement for political, non-economic reasons we are damaging one of the most successful parts of the British economy. I hope that the Conservative Party will explain to people why that is in the national interest.

9.42 pm

The Lord Bishop of Leeds: My Lords, I am no expert on the technical elements of trade in non-financial services, so have listened to speeches with both interest and admiration. Most of the points I wanted to make have already been made, so, given the time constraints, I will make a single point that lies behind the detail of the report—the reason why the frictionless movement of talent matters. I invite the Minister to note what I say, but not necessarily respond to it tonight.

The services under debate all deal with people and, in many cases, with people who do not simply produce things or look for a healthy balance sheet at the expense of everything else. They have to do with creativity, culture and connectivity in its widest sense. The benefits as well as the costs of cultural services are sometimes hard to quantify in cash or purely economic terms. My point here is simply to ensure that the particular—perhaps peculiar—nature of some of these services is recognised. The digital economy is a means to a cultural end: connecting people and services, shaping communication and culture, moulding world views as well as behaviours, both individual and social. Creative industries such as broadcasting go beyond

the manufacture of things that can be traded in order to satisfy consumer need or desire: they do something to the pool we swim in as human beings, creating and shaping cultural and societal norms as well as language.

I guess this is what concerns me in every debate about Brexit, and I state it again here simply in order to keep it on the record: the thriving of our economy is crucial to the well-being of our people and our culture, but the economy is not the end; it is the means to an end, which is human flourishing and the common good. If we forget this, we become merely utilitarian and materialist. It might sound arcane to some, but the services addressed in this report have to do with values, languages, the meeting of people, cross-cultural communication, the arts, exposure to the unfamiliar, and access to that which is alien and strange. They are, therefore, important for shaping how we see the world, ourselves and human meaning. Perhaps more than other industries and services, they influence future generations in ways that others do not.

Edmund Burke stressed the importance of intergenerational justice in a way that transcends the immediate challenges of today's economic demands. In the current edition of the *New Statesman*, Adrian Pabst notes how Burke's,

"emphasis on covenantal ties between generations can help us think through the growing economic injustice between young and old today".

He goes on to write:

"Society is not a contract of individuals. It is a partnership between the living, the dead and those yet to be born ... Human beings are not atomised agents maximising their utility. And they are not anonymous carriers of historical laws".

The creative services build culture. I hope that the concerns expressed in the report concerning the risks to them will be heeded, or, at the very least—pace the noble Baroness, Lady Noakes—that the potential benefits to these services in a changing and challenging technological environment will be identified more clearly as negotiations continue.

9.45 pm

Lord Inglewood (Con): My Lords, these days it seems almost unbelievable that until a couple of years or so ago, driving forward the European Union's single market was perhaps the Conservative Party's flagship European policy, and had been so for a quarter of a century. This important report by the committee of the noble Lord, Lord Whitty, shows why and how it generated wealth and prosperity for this country, which has helped to pay its bills. For 10 years of that time I served on the European Parliament's Legal Affairs Committee, as my noble friend the Minister knows, where I played a small role in building that market. It was pernickety, painstaking and often frustrating work. The single market in goods was the most obvious, the single market in financial services perhaps the most high profile, and the single market in services may be the most elusive and the one with most potential. Our country benefits from each of them, and because the single market in services has been scandalously long in gestation, as has been pointed out, if we were to leave the single market now without re-engaging on continuing equivalent terms, we shall be snatching defeat from the jaws of victory.

[LORD INGLEWOOD]

One of the lessons I learned from that time is the realisation that to have frictionless trade, it is essential to eliminate non-tariff barriers which ingenious protectionist Administrations will be looking to impose while paying lip service to free and fair trade. In this regard lies the importance of the role of the European Commission and competition law, and of the European Court of Justice in policing that market in the interests of fair play. In this context I emphasise the importance of the principle of direct applicability of law, which gives the small man as much as the rich corporation the benefits of the market. Enforcement of rights is as important as the existence of the right itself, since justice delayed is justice denied, and there is no real right if it is too costly or difficult to enforce.

To establish a working single market you need agreement on, participation in and confidence in a structure that it seems to me has to have three essential components: an arrangement for making rules; the rules and a way that they can evolve; and enforcement. If you move away from this tripartite structure, you go on a journey which inevitably goes from rule maker to rule taker. The more exceptionalism we demand and seek, the less in control we shall be and the less benefit will result for us.

As has been mentioned, it is sometimes said that we can pick up what we may lose from leaving the single market by trading elsewhere in the world. However, I have never found any hard evidence to support that; rather, I agree with the noble Lord, Lord O'Neill of Gatley, who knows much more about these things than I do, who, in a recent article in the *New Statesman*, points out that trade with the European Union and trade outside the European Union are complementary and not alternatives. I think that that was the point that my noble friend Lady Noakes was making. In this area certainly, we can clearly do better. As the Government themselves have pointed out, both Germany and France are currently more successful in trading with China than we are.

As politicians, we have to be especially alert to the siren song that businessmen will conduct business at the behest of ministerial utterance. For a number of years I chaired a north of England manufacturing company, and the board took its decisions on the basis of what it considered commercial merit—and if there was some government support or, better still, money, that was a bonus.

In the contemporary world of networks we see how the hub structure works across national boundaries, and in the “not impact statements” made available to parliamentarians, we read that five of the top 15 global legal firms are based in London. Spokes radiate from the hub and subsidiary nodes develop, while if power deserts the hub, they may and do turn into the network's focus. Similarly, in another area with which I have some familiarity and which has been touched on already, the United Kingdom, and in particular London, is the main European centre for broadcasters, be they English-speaking or not. Already, now that they are looking at uncertainty, some are leaving, principally for Amsterdam, and many others are making plans.

We need to be clear about the oft-quoted proposition that leaving the single market will bring a bonfire of regulations which will turn the United Kingdom into an occidental version of an Asian tiger. Every new Government I can ever remember have promised to slash red tape, but I have never seen it happen. We must remember, first, that a significant number of rules owe their origin to non-EU international agreements. Moreover, the UK Government themselves have often over the years used European Union decision-making to introduce regulation they want to see, as that is a way that is more convenient and discreet. The Prime Minister has ruled out getting rid of a lot of European legislation, so if the present Prime Minister will not do that, I can hardly see the leader of the Opposition taking a radical view and going further. Finally, as has been mentioned, this country seems to like regulation. You only have to look at the gold-plating that has gone on—and let us not forget that Jobsworth is an Englishman.

The more we want to diverge from the single market, the less access we shall be accorded as our counterparties in the negotiations will consider that we will be trying to dump, either socially or economically, our products and services on them. We can speculate as much as we like over what the real options are, but of course it is not simply a matter of what we would like; at least as important is what the other member states would want for themselves. One thing, though, is certain: the more we “take back control” over trade with the European Union, the more we give it away. They are two sides of the same coin.

9.52 pm

Lord Davies of Stamford (Lab): My Lords, I congratulate my noble friend Lord Whitty and his colleagues on an excellent report. I believe, or certainly hope, that it will be a foundational document in the weeks and months to come as the Government prepare their negotiating case and as business decides how best to present its own case to government and to the European Commission.

A message comes out quite clearly from this report, shining out brilliantly from just about every page. It is very simple: it would be an absolute disaster for this country to leave the European Union. That is a fact. I realise that the noble Baroness who spoke earlier on, who announced that she was a Eurosceptic—she has that reputation in this House—was anxious to discount that obvious message of the report. She hit upon the most extraordinary way of doing it, by arguing that the reason why the report reflected this fear about the results of Brexit and concern about the results of Brexit for this industry was that a lot of evidence was taken from trade associations, which always like the status quo and do not like change. The absolute opposite is the case. Trade associations love government-induced change. It gives them enormous importance and a double role: they have to explain to their membership how things work and what the change exactly is, and most of all they have to defend their membership vis-à-vis the Government. That gives them a prominence and an importance, both in their own sector and possibly even more widely outside the sector, which they would not otherwise have—and for once their

members are delighted to pay their annual subscription. So the noble Baroness got that one completely the wrong way round.

This is an important sector of industry, not least because it is very labour-intensive; it creates an awful lot of employment. People think that services create employment which is not highly remunerated, which is the case in tourism. However, there are certainly a large number of areas—prominent in this country—in the non-financial services sector that pay their people extremely well by international standards. One thinks of technology, media, accountancy, legal services, and consultancies of different kinds, such as management consultancy, and so forth. These are really big payers, and the economic importance of having these firms in this country is very great. Because of the technology and know-how involved in these firms, they are a considerable national asset that we should be trying to preserve and nurture—whereas I fear we are doing exactly the opposite.

I want to take one example. I believe that the technology consulting services company Accenture currently employs more than 300,000 people. Ten years ago it employed fewer than 30,000. That shows how employment has been created in the sector. Lord knows there are sectors where employment is falling, so it is very important that we have sectors such as this one which generate considerable employment. There are also spin-offs from big, successful companies such as Accenture. A lot of new businesses and small boutiques have grown out of Accenture or have been set up by people who started their career there, so it is a very dynamic and positive process and we do not want to bring that to an end.

The most important thing in the success of these labour-intensive companies is the quality of the manpower and womanpower that they possess—the talents, abilities and experience of their employees. That is absolutely key. To prove that, you have only to look at the balance sheet of a successful consultancy company and compare it with its market value if it is a listed company or if it is the subject of an acquisition when someone is paying the market value for it. Noble Lords will find that almost invariably the market value is a very considerable multiple of the balance sheet net worth of the company. That is not to say that such companies do not have any assets; they do, although they are mostly intangibles such as licences or patents of some kind or, most importantly, capitalised intellectual property such as software. Nevertheless, the value of the company will vastly exceed its net worth, and that good will reflects the value of the people who work there and their accumulated expertise.

Therefore, we are dealing with extremely sophisticated people who generate a great deal of value and want to employ only the brightest and the best. If you try to prevent them from doing that, they will move somewhere else where they can employ the brightest and the best. This illustrates the importance of freedom of movement. The Government's wish to destroy freedom of movement, the price for which is keeping us out of the single market, is extremely dangerous.

I am delighted that the Prime Minister has apparently negotiated a satisfactory deal for the residents from

other EU countries who currently work here, but she has not filled in the details of the regime that will apply to them. Will they have a personal right to live here indefinitely, even if they change their job or have no job and become unemployed? Will they be able to take time off to work elsewhere? Will they be able to undertake contracts that require them to spend a majority of months in a year outside the country on various assignments?

All those questions need to be answered, but an even more important question that needs to be answered is: what will be the regime for potential new recruits to British-based technology or other consultancy companies? It is vital that that is answered because individuals will not come here unless they have a promising regime under which they can live and work. For example, they will not come to work in this country if they would not be allowed to change their job here. This is a sector in which people change their jobs very frequently. If a good opportunity arises in another company, they want to be able to move. They do not want to be in the classic position of someone with a work permit who cannot change their job. They do not want to be unemployed for a while and have to leave the country. If people are unemployed in that sector, it is not usually because they are actually unemployed—that is, they are looking for a job but cannot get one or, for example, they have been fired. It is usually because they have a non-compete clause in their contract and they change their job and are then put on gardening leave for three, six or 12 months. What will the regime be for such EU citizens in this country going forward? It is very important that we get all these details rights.

I must say that I was not at all reassured when I heard the other day from the noble Lord, Lord Callanan—who is summing up this evening—that the Home Office is in the middle of drafting regulations for registration of this kind. I have yet to meet anybody in the Home Office who has any understanding of, let alone experience of, business; nor have I met anybody there with an understanding of economics. So I shall hold my breath until I see the regulations that are currently being drafted. However, it is extremely important that they are drafted in such a way that they do not have provisions for and protections against some obscure potential difficulty, and lots of phrases that lawyers like and so forth. At the end of the day, real risks and obstacles are created for people coming here and for British-based firms recruiting the best people, whom they need to survive in the future.

10 pm

Baroness Randerson (LD): My Lords, I start by thanking the noble Lord, Lord Whitty, for his leadership on this committee and by making the point that it is certainly not his fault that I end every Thursday morning feeling depressed and dejected. That is due to the nature of the evidence we get, week after week after week, from those who are practitioners in the different sectors of our economy.

The EU committees have together done what the Government have apparently failed to do, which is to assemble a vast body of evidence on the impact of Brexit. If you look at all the committee reports so far,

[BARONESS RANDEYSON]

they make pretty grim reading on the complexity and impact of Brexit on business. The overwhelming view of those who came to speak to us was that they want things to continue as close as possible to what we have already. That, of course, fatally undermines the Tory Brexit vision.

This report has been completed and written for so long that it is now a historical document. All we can do is note the lack of a government response to it so far and conclude, I fear, that that is because the Government have no answers to the difficult questions we asked. I look to the Minister to fill that gap this evening.

We have heard an awful lot about the might of the City of London and the financial impact Brexit will have on it, and rightly so because financial services are very important and a huge driver of our economy. However, in total, the volume of non-financial services trade is almost three times the size of the financial services trade. What worries me above all is that most of the options being pursued by the Government—from a clean-break WTO-terms departure to the bespoke model so beloved by our Prime Minister—is that they leave our service industries high and dry.

Only today, the Institute for Government produced a challenging report in which it emphasises the complexity of departure, especially in relation to the service industries. It makes the point that, even with a transition phase, it will be very difficult indeed to fit the timescale. Our evidence virtually unanimously called for the UK to stay in the single market, but as the Institute for Government says, with the acceptance of the single market comes obligations—for example, oversight by EU institutions, which would be a considerable problem for the Government.

The issue that makes the services sector particularly vulnerable if we do not achieve single market status is not so much the tariffs but the problem of non-tariff barriers, such as needing 27 different licences instead of one or the complexity of which country your qualifications will be accepted in and so on.

It is important to remember that the EU is the most integrated services regime in the world. We have a trading surplus with the EU in high-growth service industries. The service sector includes the fastest-growing sectors of our economy, and we sell 40% of our services to the EU. The problem that the service sector poses for militant Brexiteers is the free movement of people that inevitably and intrinsically goes along with so many service industries.

I want to take a number of the service industries and look at their impact. Tourism is one service sector where we have a deficit in trade, which will probably continue because we are not going to stop wanting to go to warmer places abroad. But that does not mean that tourism in Britain is unimportant. Quite the opposite is true. It is of great benefit in some of the more distant parts of the country. But the significance of our tourism sector is that it is a source of much of our soft power in the world. That is probably a diminishing asset, but we need to cherish the soft power that we have left.

I will take that link and look at other sectors within services and examine the soft power that they yield. My noble friend Lord German has already referred to the cultural influence of the music industry, which is a huge source of soft power. In broadcasting, without appropriate agreements to maintain access to the single market, UK broadcasters would be unable to broadcast services to the EU and that would affect almost 60% of Ofcom-licensed broadcasters.

Digital services are a real cutting-edge technology. To emphasise our leadership in this: the UK has 0.9% of the global population; we produce 3.9% of global GDP; but 11.5% of global, cross-border data flows come from Britain and 75% of UK cross-border data flows are with the EU. That includes a whole range of different sectors. Witnesses told us:

“In this digital age data flows cannot be separated from trade flows”.

The key point is that it does not really matter where companies are based; what matters are the skills available and the right regulatory regime. They will leave the UK if we no longer have the set-up that they need. They need free movement of skilled labour, and they also need to be able to rely on EU talent to offset our own skills shortage.

Soft power is also reflected in the importance of education services, with nearly 125,000 EU students enrolled in UK universities. That is 8% of total university income coming from the fees of EU students. Contrary to what has been said, this is not a sector of people who are stuck in their ways, nor is it a sector of people who assume that things should continue as they are. Our witnesses represented a sector that is disruptive and embracing change. It is at the cutting edge of all of the newest technologies. These people are the brightest and best in this country, and they say that we should stay in the single market.

10.09 pm

Lord Wei (Con): My Lords, I thank the noble Lord, Lord Whitty, for tabling this debate. I, too, am a member of the sub-committee that produced this report. I pay tribute to our chairman and my colleagues for the work that has gone into it. I refer Members to my register of interests.

I welcome this report and the logical way it analyses the largest services sectors to get a more granular understanding of the issues involved. There is always a danger that you miss out details using this approach, both in the emerging but promising sectors and services not yet large enough to feature on our radar as well as in the nuance of day-to-day operations, but the report has identified the major risks and understandably argues for a need for a smooth handover period to avoid a cliff edge into WTO rules.

I am heartened that the report notes that we are the second-largest exporter of services in the world—a fact that cannot be attributed only to our membership of the EU—and by how the question of tariff barriers is less a factor here because, in many cases, service business are not majorly affected by them. As a nation with much of our growth and trading future tied to services, it is important that we take pride in the fact that we are a world leader in this area and have

confidence that, whatever the outcome of the current negotiations, we will thrive because customers still want to consume British-produced content, from Harry Potter to Premier League matches, and tap into our expertise, from advanced manufacturing to professional services. In many cases, those delivering these services have established ways to overcome barriers, whether through licensing arrangements or local partnerships abroad, or by receiving third-party investment to help bring their offer into other markets globally.

The danger, of course, lies in non-tariff barriers and whether, in a post-Brexit world, Britain's service providers could be de facto shut out of markets due to the non-recognition of our standards and the qualifications of the professionals who provide them. This is indeed a risk that needs to be monitored, particularly with the threat of protectionism rising globally. It should be noted, however, that progress in this area has been slow even within the EU, and as such it is not new.

One might argue that, with the prospect of flexibility to negotiate FTAs, we might be able to include non-tariff barriers in the deals we create with other countries, particularly those with little to lose from removing such barriers but much to gain from helping us source talent and services where we have shortages in internal capacity, such as healthcare and education. Indeed, in many industries our best bet may yet be to be first mover and stay cutting edge, rather than to rely too much on even FTAs or current arrangements to protect businesses. I say this because, whether the enforcement of such FTAs were to be under the WTO or arrangements similar to what we have now with the EU, it tends sadly to be only the larger organisations that can make use of the protections in place when abuses occur, and securing rulings can take a long time.

That brings me to my final point, where I agree with my noble friend Lady Noakes and depart from the implicit assumption of the report that "business as usual" is preferable in all circumstances, that there should be no rocking of the boat with a transition period and that we should stay as close as possible to the single market and customs union arrangement we have today. We need to remember what Brexit was about for many who voted for it—a cry from the low paid, the small and those who do not always feel that the centre cares about them, for whom "business as usual" has not worked. For many in this camp, the status quo is worth challenging and the cost of losses incurred during a shift, even the disruption, is worth it if Britain can gain flexibility and sovereignty to forge a different path.

I believe that we will have failed if we achieve just a smooth handover, or even if we negotiate new agreements under the WTO and/or with Europe, if we do not create new opportunities for small and medium-sized businesses and those who feel left behind to play a bigger role. This question was of course beyond the scope of the report, but I believe there is much that can be done in the coming months to look at what can be done, whether around unilaterally lowering tariffs to enable our markets to be exposed to more affordable goods to in turn trigger innovations and greater productivity in related British services, or to explicitly link service market opportunities to outbound goods

export opportunities in FTA negotiations. For example, imagine supercharging trade in agricultural products between the UK and China using the recent rail link to Barking and how that could in turn impact our agtech and certification service exports.

Given our trade deficit in goods, it is going to be imperative massively to grow our non-financial services trade with the rest of the world. It will take more than "business as usual" to achieve this. We will need a bold and imaginative global services promotion strategy, linked into our future FTA negotiations, to supercharge our future services export growth. I would be interested to hear my noble friend the Minister's views on the Government's approach to services promotion post Brexit. This report highlights opportunities for us to minimise disruption to services during Brexit, but I believe that we can go much further so that, post Brexit, we can secure our lead as the best service-providing nation in the world.

10.15 pm

Lord Berkeley (Lab): My Lords, I, too, welcome this report. It sets out a number of options and consequences for the non-financial services industries and gives a great deal more information than was contained in the 58 sector reports that I went to see last week. The security around that reading room was a bit of a joke. I sent two emails to try to get an appointment and did not get a reply, so I turned up. They said, "Well, I suppose you can come", but they then confiscated my mobile, so I had to rely on my photographic memory. But, frankly, there is nothing in them apart from a load of statistics, which are quite interesting but say nothing about the consequences of different options for Brexit—hard, soft or whatever.

So perhaps I can help noble Lords with a set of figures which I have received from MDS Transmodal on the value of trade in non-financial services; in fact, just-in-time deliveries, which are the most important ones between the UK and various member states. The total was \$282 billion in 2016, which is quite a lot of valuable trade going backwards and forwards. As it is just-in-time, these people do not want cargoes to be held up at the frontiers. The most interesting breakdown of the figures is the \$3.6 billion of trade between the Irish Republic and the United Kingdom. A lot of people welcomed the Prime Minister's fudge last week of saying that the single market will still apply to the Republic of Ireland, that Northern Ireland will be a kind of halfway house with no frontier, and that there will be no frontier across the sea between Northern Ireland and the rest of the UK. Somebody needs to explain—perhaps the Minister can do that tonight—how that will work, because \$3.6 billion of trade is not to be sniffed at.

The other member state with which we do the largest amount of trade is the Netherlands, at \$4.5 billion, followed by Germany, Spain and France. Some \$30 billion of all that is temperature controlled. If there were delays at the frontiers, as I am sure there will be—the head of customs has said that it will take five years to introduce a computerised system which might minimise delay—one must surmise that some companies such as the major motor manufacturers will say, "Well, we've had enough of this". Some parts

[LORD BERKELEY]

go three or four times between the UK and other member states. How many jobs would be at risk? If we were to take half the trade as being at risk and divide it by, let us say, £50,000 per year for a job, we would end up with a figure of about 25,000 jobs being at risk in the UK and probably a similar number across other member states. I can see why business sees no good reason for wanting change. Why throw all this away? As chairman of the Rail Freight Group I had a meeting with people around Mr Barnier's transport team in September, and maybe because he saw the inability of the UK Government to know what they want and to negotiate it, he advised the whole industry very strongly to plan for the cliff edge—it might not happen but it could happen. I think that that is a good piece of advice.

Several noble Lords have talked about the free movement of people. I remind the House that in many other member states there is no free movement of people unless you have the right papers. I have friends in Belgium who have British passports and before they are allowed to stay in Belgium and have a residence permit they have to justify to the local authorities that they have enough money to live on and some suitable accommodation. When I asked what would happen if you cannot persuade the authorities of this, my friend said, "I would be put on the next train out of Belgium". Quite simple. There is no reason why we could not do the same thing here if we wanted to, but there is this obsession with not having identity cards, which I believe is a wonderful excuse for saying we cannot have free movement of people. We could perfectly well control it by everybody having ID cards and that would sort the problem out.

I come to my last point. My noble friend Lord Whitty, in introducing this excellent report, mentioned the problem with air services if we do not get agreement, because of the inability of UK registered airlines to operate on the continent. A similar thing would apply to the European railway agency, which is just as important for the railway sector. To have the same standards across Europe reduces costs of operation and manufacture dramatically. Of course, it relies on experts to deal with this who know what they are talking about, with professional qualifications that are reciprocally recognised. It is not bureaucracy. Everybody talks about European bureaucracy, but we have bureaucracy here—in fact, the European Commission in many ways is more efficient than our Government, I think. The US and Japan all have their own bureaucracy and it is all to do with, "Do you like what we have or do you not like what we have?"

We will have a big worry in the future because people in the Commission have told me that they want no cherry picking, that they will fight cherry picking to the bitter end. I do not know what is going to happen with the negotiations, but if there is no cherry picking and we go down the route that we seem to be going on at the moment, I see a cliff edge looming. It is time that the Government listened to industry. Industry gave a lot of evidence to this report a year ago and nothing seems to have happened since then, except that they are getting more and more worried. It is time that the Government put their minds at rest.

10.22 pm

Lord Purvis of Tweed (LD): My Lords, it seems as if we are mid-point in a two-year transition period before the Government respond to this committee's report. We still await clarity in many respects and there has been unanimity across the House this evening asking for clarification. We have very high expectations of the poor Minister, who has to respond to this debate and provide all the answers. I will do my little bit simply to add to that burden in my few moments.

The fact that the Cabinet, 18 months on from the referendum, is only now discussing the UK's desires for its future relationship with the EU perhaps explains why the committee of the noble Lord, Lord Whitty, has struggled to get a clear government response—the Government do not have one. They have not had one since the referendum and we do not know when they will have one. The thread throughout the report still holds true and many of the points, issues and questions all raised very clearly in this report all still hold water, even as, as the noble Lord, Lord Whitty, said, the water has been moving quickly over the last year. Like the noble Lord, Lord Liddle, I take the point of the noble Baroness, Lady Noakes. When I read the report for the second time—I read it when it was first published but I had to refresh, because it has been so long since then—it did not strike me that the evidence provided to the committee was that of traditional vested interests wanting the status quo. The noble Lord, Lord Liddle, referred to that. For example, the very clear request from the Broadband Stakeholders Group that Ofcom remain part of the body of European regulators for electronic communications was not a vested interest asking for the status quo; it was asking for UK influence in a decision-making body affecting one of the most critical sectors of the UK economy to continue. That was a very reasonable request, which the whole industry would be behind and which I hope the Government will act upon.

My noble friend Lord German gave clear and tangible examples of how these issues are affecting the music industry and the performing arts. When I was listening to his speech with regard to the uncertainty of the future, I thought of the old electronic rock band, *Orchestral Manoeuvres in the Dark*. But it is not an amusing situation when, as he pointed out, we have already lost the youth orchestra—we have already lost influence in a key element. This is the reality which is seeping in now.

The Government have made their choice—and it is their choice—that the UK leaves the single market for services, a sector which, as we have heard, affects the economy perhaps more than any other single sector. Therefore, it is right that we scrutinise this. As the noble Lord, Lord Green, said, the UK is more dependent on services, especially non-financial, than perhaps any other country in the world. We export more in absolute terms than any other economy other than the US. We do so, as my noble friend Lady Randerson said, with and as a member of the largest single bloc—the integrated market of the EU—but the Government have chosen that we leave it in its entirety. As the report says, this was not necessarily going to be the position of the Government at the outset of the committee's inquiry

in 2016 but the Government have made it their position. Therefore, it is incumbent on the Government to give a clear explanation of what that position will lead to. I think it is fair to ask.

I have been in this House for four years. As I read the *Official Report* of the debate on 5 December, with the noble Baroness, Lady Fairhead, in her new role, I noted that she is the fifth Minister covering international trade in my four years here. She brings great experience to her role, of course, and in the circumstances that experience will be necessary, but I am sure that experience tells her, as it does many others, that those hard Brexiteers who continue to suggest that there will be better opportunities for trade in services with the EU after we come out, as a third country, and then ask to rejoin many of the parts of that, are deluding themselves and deceiving the public, and that deception carries on. This report is a calm and clear explanation of the complexities and the realities. Nothing from the Government in the past year has suggested that those realities are being addressed and the complexities tackled.

The EU does not have harmonised trade policy in relation to trade in services with third countries outside the single market, meaning that UK businesses will most likely face differing non-tariff barriers between member states, which will lead to additional cost and inhibit growth. The noble Lord, Lord Wei, says that we have an opportunity but the White Paper did not give any clarity on what the opportunities are, nor how the new approach from the Government will allow us to take advantage of them. Being out is doubly problematic for the UK because in many elements of trade in services, particularly digital services, the UK leads the EU. This is the very platform that we are leading, which those such as the noble Lord, Lord Wei, and others are saying that we would wish to replicate in the future to give us opportunities. The Government's position leaves the economy in an absurd situation, where we are choosing to leave the integrated market, which we lead and which is so important to the most important single element of our economy, and then we will seek to negotiate a relationship back with that market but will have no say in how it is managed. As the report says, at its very best this will be worse than what we have now.

If the Leader of the House's appeal to us this afternoon to wave our Order Papers in acclamation of the fact that the Prime Minister has got us to stage 2 in the talks with the EU—but only because she has acquiesced to everything it asked for in stage 1—is anything to go by, the Government will seek credit for us securing any agreement at all. However, as the report suggests, our economy is dependent upon much more than simply political assertion.

Quite frankly the global situation for trade, as the noble Lord, Lord Liddle, said, is not necessarily conducive to us going into a new comprehensive agreement. If you had wanted to read the communiqué of the last ministerial committee of the WTO in Buenos Aires last week, you would struggle because there was none. No agreement was reached. I was in Buenos Aires last week to meet with Commonwealth Trade Ministers in my capacity as co-chairing, along with the Trade Minister from Nigeria, the Trade out of Poverty All-

Party Group inquiry on trade and poverty in the Commonwealth. It was a depressing time to be in Buenos Aires because there was no major agreement or communiqué. There was no agreement on e-commerce, which had been tabled, and the US and China are both taking a country-first nationalist approach. There is no sign that it will be any more conducive when the UK tries to be at the WTO's MC12, by which time we will be out of the powerful EU bloc and have no voice in its future—nor will we have an FTA with the EU signed.

Where does this leave us, ultimately? It leaves us with the reality that, whether it is the Africa continental free trade agreement, the Mercosur development or the emerging Pacific alliance, the focus now is all on securing EU agreements. That means we will have a second-order relationship. The noble Lord, Lord Green, referred to last week's Japanese agreement. We will be in the regrettable situation where, at the time that that Japanese agreement with the EU is ratified, we will have left it but will still have to comply with the terms and conditions of that agreement—and be constrained in making any further agreement.

I entirely endorse the point of the noble Lord, Lord Green, that the new Trade Minister for Africa has no remit for trade and development, which is a retrograde step. I hope there is time to change that. If the solution from the Government, through the Department for International Trade and the new trade commissioners, is to provide no more clarity then we will still have to ask our questions. The noble Baroness, Lady Noakes, says that we need not be afraid to venture into the dark but, humbly, we simply ask for light and to have clarity. I hope that the Minister will be able to provide that in his summing up.

10.32 pm

Baroness Hayter of Kentish Town (Lab): I, too, thank my noble friend Lord Whitty and his colleagues for their excellent report, for his introduction and for getting this debate immediately following the EU's decision that trade talks can now start. Like others, I pay tribute to the sector for its 4 million jobs, its £6 billion trade surplus with the EU, and its contribution to our economy, to many other industries and to the way that much of the world does business.

As we have heard, our economy depends on services, which are likely to comprise the majority of our exports by 2021. Those will mostly be non-financial ones such as information technology, telecoms, broadcasting, fashion—I am pleased to say—tourism, education, accountancy and law. Despite that, there is no response to the report. This is somewhat surprising given the Minister's assertion in a Written Answer to me that the Government,

“are fully focused on making the UK's exit from the EU, and our new trading relationship with the world, a success”,

by minimising,

“the regulatory barriers for ... services between the UK and the EU”.

It is hard to think how the Government could achieve this, given the paucity of data and despite their claim to have been undertaking vigorous and extensive analysis to inform our understanding of how EU exit will affect the UK.

[BARONESS HAYTER OF KENTISH TOWN]

The truth is that those so-called sectoral analyses are neither evidence-based nor forward-looking, as my noble friend Lord Berkeley also found on his trip down to Parliament Street. I saw the one on postal services. I will not disclose what it says but I can tell the House that it had far less in it than what Royal Mail had already told me. As with many of the other reports, the interests of consumers in this sector were ignored. There appear to have been no meetings with consumer bodies, while on legal services the department met only the trade bodies and not the regulators that protect the public and consumer interests.

So the Government are aiming for new trade deals with no thought about the wider public or consumer interest and with scant attention to evidence. Indeed, when I heard that Mr Trump had banned the American public health agency from using various words including “evidence-based”, I wondered whether he was referring to our Government, whose whole approach is in stark contrast to that of the EU, where a 30-page European Parliament paper details the effect of Brexit on services. As my noble friend Lady Donaghy said, good data is vital if we want to know where we are going.

We now face a momentous decision about what sort of trading nation—indeed, what sort of society—we want after March 2019. Is it to be some freewheeling, buccaneering economy rewarding the richest and the devil take the hindmost, free of consumer, environmental, safety and worker protection? Some seem to think so. The *Sun* reported:

“Ministers want to scrap EU laws which limit the working week to 48 hours”,

and might even put at risk the paid holidays we all enjoy.

Following Mr Rees-Mogg’s call for regulatory divergence to be a red line, the Foreign Secretary now envisages a deal giving Britain the power to ditch EU laws—code for lower standards. It is unclear whether Mr Johnson recognises that, in order to trade with the US, we would have to abide by its rules, as the noble Lord, Lord Green, indicated, over which we would have no say—a true vassal state—or whether he is simply seeking to undermine the Prime Minister.

Do we want that deregulated economy or do we want a consensual, profit-sharing, more equitable nation, preserving the environment, ensuring protection for consumers and treating workers with respect? The EU 27 fear that it might be the former, with lower standards ending a level playing field. Apart from their suspicion that that is our vision, there is distrust of the Brexit Secretary. He was even named in a resolution in which the European Parliament, which has to endorse the withdrawal deal, noted that,

“comments ... like those by David Davis calling the outcome of phase one of the negotiations a mere ‘statement of intent’, risk to undermine the good faith that has been built during the negotiations”.

That is a serious criticism of our main negotiator.

Aside from the report before us today, there appears to be no analysis of the mechanism, let alone the cost, of leaving the internal market, despite the warnings from the sector of failure to protect its interests. Most urgently, the sector calls for a rapid agreement on transition on the same terms as now. We on this side

are clear that the priority must be a transition within the single market and a customs union, abiding by the common rules of both. This is what industry wants and our economy needs while we negotiate a longer-term relationship. It is also what the EU expects. Its guidelines for moving forward focus on the transition period with the UK in the single market and customs union, maintaining the four freedoms and the jurisdiction of the ECJ. The sooner the Government accept that the better, and the happier our importers and exporters will be. And the sooner the Government accept that an ambitious trade policy and regulatory divergence are mutually incompatible, the easier it will be for them to start serious talks.

I turn to some specific sectors. The UK, as we know, is the largest legal services market in Europe. The market is worth £30 billion and employs more than a third of a million people. The Law Society and Bar Council have spelled out their worries about Brexit, while the Legal Services Consumer Panel, on behalf of clients, has raised the problem that, with no agreement, consumers would not be able to be represented by UK lawyers in EU courts and could lose the protection of confidentiality with their lawyers. Furthermore, civil, family and commercial judgments are currently enforced throughout the EU, allowing consumers to sue or defend themselves in their home courts. With family disputes, the mutual recognition of divorce, maintenance and adoption orders is vital in protecting children and family rights. So a rapid settlement is needed—or else, from April 2019, a child might be taken out of this country with existing court orders suddenly failing to be recognised elsewhere. For these reasons, and that of mutual recognition of lawyers’ qualifications, audience and practice rights, a no-deal scenario would be a major setback for legal services and for their clients.

A particular issue arises with insolvency. At the moment, the regime gives confidence to investors about their ability to recoup money, through the mutual recognition of appointments, so that liquidators can rapidly freeze or capture assets across the EU which are due to creditors here or in another EU country.

Then there are the creative industries. We heard about a much broader approach from the right reverend Prelate the Bishop of Leeds. I will not go through what he said or tackle that issue, but I welcome and endorse the importance of what he said. As we heard from the noble Lords, Lord Aberdare and Lord German, the music industry generated export revenues of £2.5 billion in 2016. In that industry, tours are vital for building fan bases and revenue. Loss of freedom of movement would be hugely detrimental to this sector. The Government must recognise the specific needs of musicians and seek an early answer to the threat of visas being required for EU performances, and must ensure that the EU’s high-level protection for copyright works is maintained post Brexit.

Architecture and its 80,000 people contribute £5 billion a year to the economy and £500 million-worth of exports. A bad Brexit could cut EU exports by a third. The industry relies on international talent, mutual recognition of qualifications and non-tariff barriers. What comfort can the Minister offer it?

The Government do not appear to have the faintest idea of what they want for the service sector. David Davis told Andrew Marr that he wanted a Canada-plus-plus-plus—CETA hardly touches on services—but then he also said that he would not be negotiating sectoral deals. It is hard to know what he means. Furthermore, given that many sectors are dependent on EU agencies, as we have heard, run by boards comprising only EU members, what are the Government trying to achieve regarding UK participation post Brexit?

The service sector depends on the EU regulatory framework, particularly mutual recognition of qualifications and intellectual property, and the free flow of data. Will the Government commit to retaining regulatory alignment and ensure mutual recognition of professional qualifications, which is so crucial to our architects, lawyers, engineers and accountants? These sectors, as we have heard, are highly dependent on talent and the freedom to recruit skilled practitioners. How do the Government propose to safeguard these?

In addition to the new EU Committee's report, *Deal or No Deal*, my noble friend Lord Whitty's report has warned of the crippling impact no deal could have on services. What is the Government's assessment of the impact on services of no deal, which would restrict the movement of people and forbid trade with the EU on a preferential basis? Finally, will the Government undertake to refuse any agreement whereby Gibraltar's inclusion in the transitional arrangements is subject to a veto by Spain? Indeed, will the Minister acknowledge the key role that services play in the economy of Gibraltar and undertake to uphold any regime that protects them?

It is shameful that the Government have not responded to the report. As my noble friend Lord Liddle noted, the Government have given least thought to this sector in even contemplating the way in which they want to move forward. So I hope that the Minister will now spell out the future that the Government envisage for our vital service sector post Brexit, suggest to his colleagues that we need a White Paper on their approach and commit the Government to do whatever it takes, even if unacceptable to Mr Rees-Mogg and Boris Johnson, to safeguard the future of these industries.

10.45 pm

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, it is a privilege to respond to the debate today on the Select Committee's report, *Brexit: Trade in Non-financial Services*. I am conscious of the late hour so while I will endeavour to respond to as many as possible of the points that have been made, if I miss one or two then I will look at the record and will be happy to write to noble Lords to respond to them.

I put on record my appreciation of the work of the EU Internal Market Sub-Committee, chaired so excellently by the noble Lord, Lord Whitty, who provided an excellent introduction to our debate today. Indeed, I thank all noble Lords for their excellent contributions; I think everyone spoke extremely well. Obviously I do not agree with every point that has been made, but nevertheless I think it has generally been an extremely

constructive debate. The committee's expertise and strength of analysis is clearly demonstrated in the report.

First, I shall deal with a point that has rightly been raised by the noble Lord, Lord Whitty, and other noble Lords. I recognise the frustration that the Government have not yet provided a response to the report. The Brexit negotiations are the most important negotiations that our country faces, and reaching a new partnership with the EU is in the interests of both sides. As such, the timing of any information that we publish is carefully considered to support the UK's negotiators in securing the best possible outcome, a point that my predecessor mentioned in her letter to the noble Lord, Lord Whitty, on 26 October this year. However, I assure noble Lords that a response to the committee is now in full preparation, and we will fully reflect policy developments and the progress of the negotiations in that. I expect to be able to publish it early in the new year.

Lord German: Which year?

Lord Callanan: The new year. Many of the points raised by this report about our future partnership with the EU and the future of the non-financial services sector relate directly to the second phase of negotiations, which I am delighted to say we will be beginning soon. As such, I hope noble Lords will understand that I will not be able to go into great detail on some areas at this stage.

Through the negotiations we will pursue a bold and ambitious free trade agreement with the EU to ensure the freest possible trade in services, and to support the continued success of the UK's professional and business services. Since the publication of the committee's report we have made good progress in the first phase of negotiations, as demonstrated by Friday's announcement that sufficient progress has been made. A key element of any future partnership will be how the UK and EU continue to trade services, a sector where the UK is a global success story. However, we cannot be complacent about this, a point well made by my noble friend Lady Noakes, who rightly drew our attention the challenges that the future flexible adaptation of services will provide to this country—opportunities that are available outside the EU.

Services are one of the fastest-growing components of the global economy and accounted for 79% of the UK economy in 2016. In his excellent speech, my noble friend Lord Wei was right to draw our attention to the need to focus on the future prospects and how we can develop and expand the sector. Both the UK and EU member states benefit from our close trading relationship. The UK exported about £63 billion-worth of non-financial services, and about £27 billion-worth of financial services to the EU in 2016—I am mindful of the scepticism that noble Lords have expressed about statistics, but those are the latest that I have.

However, it should also be noted that the UK exported significantly more in both non-financial and financial services to countries outside the EU. UK services exports to countries outside the EU grew at a faster rate than service exports to EU member states over the period 1999 to 2016.

[LORD CALLANAN]

Let me now address some of the issues covered in today's debate. On the subject raised by many noble Lords—but in particular by the noble Lord, Lord Liddle—freedom of movement, yes, of course it is the policy of my party, as exemplified in our manifesto at the general election, that we will end freedom of movement when we leave the EU. That is the policy of the Conservative Party. What he forgot to mention was that it is also the policy of his party to end freedom of movement—or at least it was last week; perhaps this week it has a new policy, but that was the policy. At least the Liberal Democrats have the benefit of consistency, although they got only 7% of the vote as a benefit of that consistency at the general election. Both the major parties committed to ending freedom of movement. Pointing out that it was the policy of my party is of course correct, but the noble Lord might have had the good grace to acknowledge that it is also the policy of his party.

The noble Baroness, Lady Hayter, asked me about consumer organisations. Two Ministers, Robin Walker and Margot James, recently held a round table with consumer groups. I am due to meet various consumer groups in the new year. In April, in evidence at the EU Justice Sub-Committee, another consumer group, Which?, said that it had very good contact with government throughout the process. We will of course have further meetings with those groups.

In response to my noble friend Lord Green, we will seek to ensure continuity, including as we move into any agreed implementation period. The way in which we maintain our international agreements during any implementation period will of course depend on the terms agreed with our EU partners.

The noble Lord, Lord Aberdare, asked about alignment. Of course, we start from a unique position, with the same rules and regulations, as the Prime Minister set out in her speech in Florence. We are committed to making the UK the best place in the world to do business, and this will mean fostering a high-quality, sensible, predictable regulatory environment. We are listening to businesses and want to minimise the regulatory and market-access barriers for both goods and services.

The noble Baroness, Lady Donaghy, asked how we are collecting more accurate statistics. We are working to best use current services data to inform our approach in future trade negotiations, and to explore new types of data. She also asked about the Trade Bill. The Trade Bill, introduced on 7 November, will ensure that the UK has the necessary legal powers and structures in place to enable us to operate a fully functioning trade policy on day one of our exit from the EU. The Bill will also establish an independent body, the Trade Remedies Authority, to conduct trade remedies investigations, providing a safety net for domestic industries against unfair and injurious trade practices or surges in imports consistent with our legal obligations in the World Trade Organization. The noble Baroness will also be aware that in the summer, we published a paper on enforcement and dispute resolution procedures. Given the absence of time, I shall not go through all the details of that.

I turn to the subject of professional business services, which a number of noble Lords mentioned. We agree with the committee's recommendation that we must be mindful of the significance of professional and business services. The sector is the single largest exporter across all sectors of the economy, with 26% of services exports to the EU in 2016, a point well made by the noble Lord, Lord Whitty, in his introduction. The Government understand the concerns of the sector, including access to talent, being able to move people across borders to provide services, the importance of cross-border data flows and the mutual recognition of qualifications, on which I shall say more shortly. We also recognise the importance of access to talent and the fly-in, fly-out business model for the professional and business services sector. The Government will create a fair and sustainable immigration system that works for the whole of the UK.

To respond to the point made by the noble Baroness, Lady Randerson, and the noble Lords, Lord German, Lord Davies and Lord Whitty, the UK will remain an open and tolerant country that recognises the valuable contribution that migrants make to our society; it welcomes those with skills and expertise to make our nation better still.

The Government understand the report's concerns regarding the challenges facing some parts of the sector, including the current provisions that support legal services trade. We also recognise the importance of rights of establishment to services sectors. The World Trade Organization estimates that around 55% to 60% of services trade relates to establishment overseas. The committee's report noted how the trade in services agreement, or TiSA, provides an opportunity to update the global terms of trade for many services. The negotiations on TiSA are currently on hold; however, the UK continues to be committed to an ambitious agreement.

A number of noble Lords raised digital services, particularly the noble Lords, Lord German and Lord Aberdare. We are committed to ensuring that the UK is the global leader in starting and growing a digital business, trialling new technology or undertaking advanced research. On 1 March, the Government published the UK digital strategy, which has put in place the conditions to ensure that the UK's digital sectors can remain world leading, alongside ensuring that the benefits of digital are felt across the whole of our country. The ability to collect, share and process data is crucial for many sectors, from financial services to tech and energy companies. The noble Baroness, Lady Randerson, was right to highlight the successes of that sector.

Data transfers are also crucial for our ability to co-operate across borders on law enforcement and security issues. On 24 August, we published a paper entitled, *The Exchange and Protection of Personal Data*. This set out how we want to ensure the continued protection and exchange of personal data between the EU and the UK, in light of the UK's withdrawal from, and new partnership with, the EU. In addition, as part of the Government's commitment to ensure that the UK's digital sectors remain world leading, the Data Protection Bill was introduced on 13 September. The Bill is intended to create a new data protection framework fit for the digital age, which incorporates the provisions

of the EU's general data protection regulation into our domestic law. The Bill will ensure that the UK is prepared for the future after we have left the EU.

In response to the point of the noble Lord, Lord Aberdare, the Government agree with the report regarding the need to engage with the digital single market. To date, the UK has been a leader in the emerging digital single market, arguing for an open and flexible market with a regulatory framework that reflects the dynamic nature of the digital economy. The committee's report highlighted the importance of data flows. We recognise the importance of the free flow of non-personal data initiative, and resisting the introduction of unjustified data localisation requirements by other member states.

The noble Lord, Lord Aberdare, drew our attention to mobile roaming. Of course, he is correct that roaming surcharges for travel within the European Economic Area were abolished in June. Of course, in the course of Brexit negotiations, we will seek the best possible deal that delivers for UK consumers and businesses in this sector.

A number of noble Lords raised the issue of creative services, particularly the noble Lords, Lord German and Lord Aberdare, who drew our attention to the successes of the music industry. They are, of course, right. The creative sector is one of the UK economy's greatest success stories, and is growing by 8.9% a year, making it the second fastest growing industrial sector. The high-quality content and talent produced and developed is both recognised and respected across the world. The committee's report recognises the broadcasting sector. The UK is the EU's biggest broadcasting hub, hosting a large number of international broadcasting companies, a point well made by my noble friend Lord Inglewood. As the committee has observed, the EU regulatory framework underpins the business model of many international broadcasters currently located in the UK, as the noble Lord, Lord Aberdare, reminded the House.

We agree with the report that continued strong protection for intellectual property is important. It helps to protect individuality and support innovation in the creative sectors. The noble Lord, Lord German, asked about intellectual property. Globally, the UK has a competitive edge in protecting and enforcing intellectual property rights. We are discussing options with users to ensure that the UK's intellectual property regime, including protection of unregistered designs, will continue to properly support innovation and the UK's creative industries. The report also mentioned the limitations of TRIPS. As part of its WTO membership, the UK has committed to meet certain minimum standards of intellectual property protections set out in the TRIPS agreement. I am pleased to say that, in many cases, existing UK law—either domestic or EU-derived—goes beyond these standards. We do not expect that situation to change as a result of leaving the EU.

The noble Lord, Lord Whitty, asked me about air services. As a former Aviation Minister, this is an issue close to my heart. Aviation is a critical network industry that underpins the functioning of the economy and international trade. The UK has the largest aviation network in Europe and our airports service is the third

largest aviation network in the world. It is in the interests of both sides to maintain closely integrated aviation markets. The Government are seeking the best possible relationship with the EU in the field of air services and are looking at all the options to deliver that. The precise form of the UK's future air services relationship, including with EASA and SESAR, will be a matter for the negotiations. The committee's report mentions bilateral air service agreements. Air services between the UK and a number of countries outside the EU—notably the US—are currently determined by EU-negotiated agreements. The Government will be seeking new, bilateral, arrangements with those countries as a matter of priority. The target is to ensure that market access levels are preserved and to have identified arrangements for this before we leave the EU.

We also acknowledge in the report that ownership and control rules may have implications for both UK and non-UK airlines. The UK is, and will remain, an excellent base to do business, to establish headquarters or to found a business, including in our world-renowned aviation sector. It would not be appropriate for me to comment on the contingency plans of individual airlines. The report correctly highlights that there is no WTO provision regarding aviation services. This is a fundamental consideration when it comes to negotiating our future relationship with the EU. EU member states benefit from liberal market access. We have a common interest in getting the best possible outcome.

A number of noble Lords mentioned tourism, education and health-related travel services. The noble Baroness, Lady Donaghay, in particular, talked about education. The Government recognise the social and economic benefits of a healthy tourism sector. The UK and the EU have a common interest in securing a mutually beneficial agreement on tourism in future. The noble Baroness asked about EU students. We highly value the contribution of EU and international students, researchers and academic staff. We have listened to the concerns of the higher education sector and taken action to provide greater certainty for it.

We have already committed to underwrite successful bids for Erasmus+ which are submitted while the UK is still a member state, even if they are not approved until after we leave and/or payments continue beyond the point of exit. Home fee status is also secure for the duration of students' courses. Bids for higher education study periods submitted before the exit date will include mobility in the 2018-19 and 2019-20 academic years. We have also confirmed that research councils will continue to fund postgraduate students from the EU whose courses start in 2017-18.

The report mentions trade in education and health-related travel services. The reciprocal rights that will apply following the UK's exit are subject to the wider negotiation on our future relationship with the EU. We support existing processes of voluntary co-operation in higher education, such as the Bologna process, which contribute to improving skills and employability in increasingly competitive global environments.

I will say a word about the mutual recognition of qualifications, which was raised by the noble Lords, Lord Whitty, Lord German and Lord Berkeley, and

[LORD CALLANAN]

the noble Baronesses, Lady Donaghy and Lady Hayter. They all raised the importance of the mutual recognition of qualifications, which has also been the subject of negotiations on the withdrawal agreement. The Prime Minister has been clear that she wants EU nationals in the UK and UK nationals in the EU to be able to continue their lives broadly as now. That is why we have agreed the continued recognition of qualifications where recognition decisions were received or where recognition procedures were ongoing before the withdrawal date. This will cover qualifications recognised under the mutual recognition of professional qualifications directive, lawyers practising under host title and approved statutory auditors.

We are committed to getting the best possible deal for the United Kingdom in negotiations; that includes for the non-financial services sectors. We will continue to update Parliament on the negotiations for our departure from the European Union. Again, I would like to reassure noble Lords that we are working to formally publish our response to the committee's report as soon as possible, and that will be early in the new year.

I am grateful to all noble Lords for their contributions over the course of this wide-ranging and informative debate. I am sure that the House will continue to play a valuable role in the work of the Government and contribute towards securing a deal that works for everyone.

11.07 pm

Lord Whitty: My Lords, in view of the hour and the state of my throat, I will be relatively brief. I thank the Minister for his response. In default of a previously written report, he has covered a lot of ground. I am not entirely clear why the department could not have written that down before. Nevertheless, I am grateful for it and look forward to a more detailed reply in the new year which fits his remarks in the general positioning of the Government following the conclusion of the withdrawal arrangements and the discussions that have now taken place at the highest level on the Government's approach to Brexit.

There are two key points about this report. I thank all noble Lords who have participated in the debate—both the members of the committee and the newcomers. I was particularly grateful to see the noble Lord, Lord Green, join us. I will certainly take his point and will read the Japanese agreement in more detail than I have done hitherto. Those noble Lords who are outsiders

will have noted, from the rather clever sequencing of speeches, with the noble Baroness, Lady Noakes, being followed by my noble friend Lord Liddle, that the committee is not always easy to control or to bring to a consensus. However, broadly we do, and the report reflects our experience of that, whatever our preconceptions.

The two key things are these. These sectors—this wide range of sectors—are very important to this country. I think that many of us did not realise quite how large or how important they are, and they require special attention in relation to trade discussions. Hitherto, we had the suspicion that their leverage had been somewhat less than that of traditional sectors such as manufacturing and the City. It is therefore important that their voice is heard.

Their voice was, by and large, pretty unanimous. It was not that they wanted the status quo, but they were keen on the single market and wanted to move more rapidly than the EU was moving towards something like the single market. However, we know that that is not the Government's preferred option; we are talking about the structure of a free trade agreement. All of us, whatever our previous preferences, are focused on what the nature of that agreement now is.

What we need more from the Government than we had tonight is an indication of how the esoteric elements of these various industries will fit in with their approach to negotiating that free trade agreement. If the Minister is able to give us at least an indication of that without betraying all the cards in the negotiations early in the new year, I am sure that all of us would be most grateful—as, more importantly, would be all those sectors. There is a lot of uncertainty and concern, and these sectors are all people based. They serve people and employ people, and their assets are not fixed but are intellectual and people-based assets, which means they are highly mobile. The success that the UK has hitherto had in these sectors is a fragile but very important thing, and we need to preserve it.

I hope that the approach of the Government in the trade negotiations does not ignore these sectors and that in fact there is a brave new world out there. I have as yet to be totally convinced that the Government have reached that point, but we will continue to monitor it, and I am sure that the Government will provide us with some further information.

Motion agreed.

House adjourned at 11.11 pm.