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HOUSE OF COMMONS
OFFICIAL REPORT

PARLIAMENTARY
DEBATES

(HANSARD)

Monday 27 June 2016

HER MAJESTY'S GOVERNMENT

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27 June 2016

THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE SECOND SESSION OF THE FIFTY-SIXTH PARLIAMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 18 MAY 2015]

SIXTY-FIFTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES

VOLUME 612

SECOND VOLUME OF SESSION 2016-2017

House of Commons

Monday 27 June 2016

The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

DEFENCE

The Secretary of State was asked—

Allies and Partners: Co-operation

1. **Stuart Blair Donaldson** (West Aberdeenshire and Kincardine) (SNP): What plans his Department has to ensure future defence co-operation with allies and partners. [905473]

11. **Callum McCaig** (Aberdeen South) (SNP): What plans his Department has to ensure future defence co-operation with allies and partners. [905483]

The Secretary of State for Defence (Michael Fallon): I hope you will allow me, Mr Speaker, to add my tribute to Jo Cox and her work on behalf of the Syrian people, which she pressed very hard on and which must never be forgotten.

Our strategic defence review set out ambitious plans to strengthen our work with allies and partners to promote our security and prosperity. We will continue to lead in NATO, the G7 and the United Nations, and

maintain strong and enduring relationships with the United States and our other friends and allies around the world.

Stuart Blair Donaldson: My constituency, my country and people of my generation voted against Brexit, yet we are going to be dragged out of the European Union against our will. This is the same European Union that plays an important security role in Afghanistan, in Ukraine and across swathes of Africa, as well as the vital role played by Frontex in the Mediterranean. What reassurance does the Secretary of State have for Scotland and for young people that this vital work will not be undermined by last Thursday's vote?

Michael Fallon: The bedrock of our defence in the United Kingdom rests on NATO, and the United Kingdom of England, Scotland, Wales and Northern Ireland is committed to strengthening co-operation within NATO and collective defence across the alliance. We will be adding further reassurance to that at the NATO summit that is coming up in Warsaw the week after next.

Callum McCaig: What an utter shambles this is. I am afraid that that is not good enough from the Defence Secretary. We do not have a plan A for Brexit, let alone a plan B. The position of the Government and the Brexiters is confused. There is no plan on the table. Are we going to do a Norway? May I suggest to the Defence Secretary that we look at doing a Norway when it comes to defence, and we perhaps go for the opt-in that Norway has to EU defence schemes?

Michael Fallon: Norway remains and is a very valued member of the NATO alliance. We will be intensifying our co-operation with such countries. It is true that membership of the European Union complements our membership of NATO, and we are engaged in an EU operation in the central Mediterranean, continuing to save lives there and to disrupt the business model of the migrant smugglers from Libya to Europe. The Royal Navy will continue that task.

Mr James Gray (North Wiltshire) (Con): Does the Secretary of State agree that our relationship with members of the EU will remain as strong as it is today even when we are not a member? Given that nearly all members of the European Union are members of NATO, and that most members of NATO, leaving aside Turkey and the United States, are members of the EU, surely the fact that we are that cornerstone of NATO stands for our strong defence, and being a member of both involves some degree of duplication.

Michael Fallon: We have continued to argue against duplication between the European Union and NATO, but my hon. Friend is right. We have the very important bilateral relationships with other European countries—the Lancaster House treaty with France, and our growing co-operation with Germany—and I reassured both the French and German Defence Ministers last Friday that we will continue to work at those relationships and to strengthen them.

Kevin Foster (Torbay) (Con): In the light of the result last week, will the Secretary of State reassure me that the United Kingdom as a united kingdom remains as committed in both the conventional and nuclear sense to article 5 of the North Atlantic treaty, for our allies in the eastern parts of Europe?

Michael Fallon: Absolutely. That article is one of the central commitments of NATO. We have, as my hon. Friend knows, committed to the 2% NATO defence spending target and we will be offering further reassurance, particularly to members on the eastern flank of NATO, at the Warsaw summit on Friday week.

Mr Ben Bradshaw (Exeter) (Lab): Given the intensified bombing of Aleppo by President Putin over the weekend, and the important role that Britain played in stiffening European resolve on sanctions against the Putin regime, how concerned is the Secretary of State about the impact of the referendum result on European solidarity in standing up to Putin?

Michael Fallon: It is very important, not least because of the way in which Russia has intervened in the Syrian civil war, that Russia is held to account for its actions. We took the lead in not only proposing the sanctions imposed on Russia for its actions in the Crimea—in the Ukraine—but ensuring that they were continued. They are being continued for the moment, but, obviously, once we are outside the European Union, our influence over that will be slightly diminished.

Marcus Fysh (Yeovil) (Con): Does my right hon. Friend agree that the upcoming negotiation on leaving the EU presents a huge opportunity to redouble our efforts at co-operation with our EU friends and allies? What plans does he have to support UK defence industries and cross-border investments, such as those in helicopter manufacturing in Yeovil?

Michael Fallon: We will continue the co-operation that I have already set out—our co-operation with France under the Lancaster House treaty, and the growing co-operation we have with Germany and, indeed, with other European countries. Our recent strategic defence review is international by design and prioritises working

more closely with our allies. European companies that are invested here see a rising defence budget, and we hope they will continue to invest here and to compete for the various tenders we are making available.

Liz Kendall (Leicester West) (Lab): Our military alliances rely on strong diplomatic ties, especially with our European neighbours. What steps is the Secretary of State taking to ensure our Brexit negotiations do not sour these relationships and weaken our alliances?

Michael Fallon: As I say, I have spoken to all my fellow Defence Ministers in these key relationships, and we will have to work hard to ensure that these bilateral relationships are kept in good repair. We have strong defence relationships and defence sections in these embassies across Europe, and we will have to look at them independently and make sure in the Brexit negotiations that none of that co-operation—the joint training, the exercising and the co-operation on capabilities—is put at risk.

Mike Wood (Dudley South) (Con): What representations has my right hon. Friend received from our allies and defence partners about renewing Trident, which the new shadow Defence Secretary described as “a monumental mistake our country and planet can ill afford”?

Michael Fallon: As my hon. Friend knows, we are committed in our manifesto to replacing the four Trident submarines, and I hope Parliament will be able to endorse the principle of that replacement shortly. Our allies can rest assured that our commitment to NATO and our commitment as a nuclear power to NATO are not altered by the result of the referendum.

Brendan O’Hara (Argyll and Bute) (SNP): The Secretary of State will be aware that, as the pound plummets against the dollar, the cost of procuring the maritime patrol aircraft and the F-35s we were promised will undoubtedly soar. There will be inevitable consequences for forward procurement, including on the already delayed Type 26 programme. The Government warned that, in the case of a Brexit, there would be swift and savage cuts to the defence budget. Where will that axe fall, and when is it likely to fall? What will the Secretary of State tell our allies at the Warsaw summit, every one of whom was convinced unambiguously that we should remain in the European Union?

Michael Fallon: It is a fact that all the other Defence Ministers around the world were anxious to see us remain in the European Union, but the British people have made their decision. So far as the equipment programme is concerned, we are now negotiating for the maritime patrol aircraft and for the first F-35s to fly off the carriers, and I hope the negotiations will be concluded reasonably soon.

Brendan O’Hara: Scotland faces the very real prospect of being taken out of the European Union against its will. May I remind the Secretary of State of the first page of the 2015 SDSR, which says:

“Economic security goes hand-in-hand with national security”
The UK’s membership of the European Union was an integral part of our defence policy. It was strategically valuable in promoting the UK’s policies and implementing

our defence and security obligations. Given that the Brexiteers have won their referendum and the economy is now in freefall, what plans does the Secretary of State have to review the 2015 SDSR?

Michael Fallon: I am disappointed that the hon. Gentleman should be talking down the British economy, on which so many jobs in Scotland depend. I would caution his party against talking down an economy on which all our constituents depend. Our national security is of course the security of the United Kingdom, including that of Scotland.

Emily Thornberry (Islington South and Finsbury) (Lab): At what will be my last Defence questions before I take up my new post, may I start by thanking the Secretary of State, and his office, for all the co-operation that he has given in the six months that I have been in this role? Whether it has been, for example, in arranging trips to Army bases or providing briefings on the fight against Daesh, he has been a generous opponent and I regret that I will no longer be his shadow.

At this time, the only thoughts of anyone in this House should be on how we can reassure the British people that we can keep our country safe and secure in the wake of the Brexit vote. We all need to pull together and work together on that, not just within our own parties but across the House as a whole. Will the Secretary of State please reassure us that leaving the EU will not put an end to participation in joint security missions with our European partners? He has mentioned the mission in the Mediterranean, but may I also ask him particularly about the highly successful counter-piracy mission off the Horn of Africa?

Michael Fallon: I am grateful to the hon. Lady for her generous remarks, and I congratulate her on her move. I think the new shadow Defence Secretary is AWOL on his first parade, but we will welcome him and pay tribute to his service in uniform. He will, I note, be the fourth shadow Defence Secretary I have seen in under two years, but I hope he lasts.

Yes, it is very important that we reassure our allies in Europe and around the world that Britain is not turning its back on them. On the contrary, we are still playing a leading role in the world, and that includes work in some of the vital operations in the Mediterranean and off the Horn of Africa, some of which are led by NATO and others of which are led by the European Union.

Emily Thornberry: I thank the Secretary of State for his answer and his generous words. I shall pass on his comments to the new shadow Secretary of State for Defence when he takes up his post this afternoon; they are typical of the way in which he and his office have worked.

One particular concern that many people have is the implications of Brexit for our border controls. What will happen to our border control at Calais, what will happen to the common travel area with Ireland, and will the co-operation we currently receive from our European counterparts in respect of tackling illegal immigration be maintained? How will we go about

resolving these issues? Will the armed forces play a role in that, and in what way can we keep our borders safe and secure?

Mr Speaker: My arithmetic may be faulty, but I counted six questions, to which I know the right hon. Gentleman will give a single pithy response, because we must make progress to other hon. Members who also have questions on the Order Paper—something it would have been good to remember earlier.

Michael Fallon: I will do my best, Mr Speaker, noting that the hon. Lady has postponed her defence review because she said it was

“important that the Labour party sticks together and is united”.

I leave it at that.

The Royal Navy will continue to play its part in assisting Border Force and other organisations—the European Union and NATO—in dealing with people smuggling and illegal migration, as the hon. Lady asks.

Type 26 Frigates

2. **Margaret Ferrier** (Rutherglen and Hamilton West) (SNP): What steps he is taking to mitigate the effect of the extended timetable for construction of Type 26 frigates on maintaining skills in the defence industry. [905474]

The Minister for Defence Procurement (Mr Philip Dunne): This Government are committed to sustaining shipbuilding skills on the Clyde. As we confirmed in the strategic defence and security review last November, we will build two additional offshore patrol vessels before build work starts on the Type 26. This will help sustain shipbuilding skills between the completion of major blocks of the Queen Elizabeth class carriers and commencement of the Type 26 build. That remains the case; the plan has not changed. Over the next decade we will spend about £8 billion on Royal Navy warships.

Margaret Ferrier: As my hon. Friend the Member for Argyll and Bute (Brendan O’Hara) pointed out, the pound is in freefall and every cent it falls against the dollar makes purchasing either the maritime patrol aircraft or the F-35 more expensive. The workers at the Clyde yards have already seen apprenticeship numbers cut by 80%, and the current crisis makes the situation worse. Can the Minister assure me and those on the shop floor in Govan and Scotstoun that the Type 26 programme will begin as soon as possible and not in 2019, as some have suggested?

Mr Speaker: Briefly, Minister.

Mr Dunne: We have already invested £1.6 billion in Type 26, including £472 million this March. I say to the hon. Lady as gently as I can that that commitment could not have been made if her friends had had their way and become independent, because shipbuilding would have ceased two months ago.

Dr Julian Lewis (New Forest East) (Con): The Minister will remember that previous shipbuilding projects, in particular the carriers and the Type 45 destroyers, ended

up being much more expensive because of delays. Does he accept that BAE Systems is ready to start cutting steel on the Type 26 programme relatively soon and that delays will cause our total number of warships to dip and the ones we eventually get to be more expensive?

Mr Dunne: I say to my right hon. Friend, who is knowledgeable about these matters, that this will be one of the largest defence programmes that this Government will enter. I am sure that he will agree that it is absolutely right to enter into a contract once we are confident of the delivery schedule and the ability of the contractors to meet that schedule on a cost-effective basis. Once we are in that position, we will be ready to contract.

Kate Hollern (Blackburn) (Lab): The Clyde was promised a world-class frigate factory to build 13 new frigates for the UK. However, today we hear that work has been delayed by a year. Thousands of members of staff are on secondment around the country because there is not enough work in the shipyards, and the word “betrayal” rings around those shipyards because no factory has appeared and no work has started.

We have asked in the past for plans for the frigate-building programme, and for promises that all work will be carried out on the Clyde, but those questions have gone unanswered—[*Interruption.*]

Mr Speaker: Press on.

Kate Hollern: When precisely will the Secretary of State present a committed plan to build the new frigates we need, with cast-iron timescales to bring some security to the workforce in Glasgow and around the country, and will leaving the EU affect the building—

Mr Speaker: Thank you very much. A brief response from the Minister and we will move on.

Mr Dunne: As I have already indicated, this Government have already contracted significant sums into the programme. Once we are in a position to sign a contract, we will say what the duration of the build programme will be. We are not there yet.

Daesh

3. **Craig Whittaker (Calder Valley) (Con):** What recent discussions he has had with his international counterparts on progress in the campaign against Daesh. [905475]

14. **Louise Haigh (Sheffield, Heeley) (Lab):** What recent assessment he has made of the progress of the international campaign to defeat ISIS/Daesh. [905486]

The Secretary of State for Defence (Michael Fallon): The next meeting of coalition Defence Ministers will take place on 20 July. The campaign against Daesh is making progress. With coalition support, Iraqi forces now hold Ramadi and Hit, are engaged in clearing Daesh from Fallujah and have begun preparatory operations for retaking Mosul. The Syrian democratic forces are currently conducting operations around Manbij.

Craig Whittaker: Will my right hon. Friend confirm that Britain is playing the second biggest part in the coalition after the United States of America, and that our involvement is making a real difference to the fight against Daesh?

Michael Fallon: I am pleased to confirm that the United Kingdom is playing a significant role in the coalition. The RAF has undertaken more strikes in Iraq and, since December, in Syria than any coalition nation apart from the United States. We now have more than 1,100 service personnel supporting operations in the region, and that is making a real difference to the momentum of the campaign.

Louise Haigh: What assistance are the Government providing to the Jordanian authorities in the light of the recent deterioration in security there, and especially in the light of the recent suicide attack that killed six soldiers outside a refugee camp?

Michael Fallon: We have a very strong defence relationship with Jordan that includes work on training forces together. We will obviously continue to keep that under review, not least because of the pressure on the Jordanian-Syrian border.

Mr Philip Hollobone (Kettering) (Con): Last week it was reported that US fighter jets were scrambled to intercept Russian bombers attacking American-backed rebels in Syria. What steps is the Secretary of State taking to de-conflict competing allied air forces in the campaign against Daesh?

Michael Fallon: There is a memorandum of understanding between the United States and Russia about the conduct of air operations. We do not co-operate with Russia, but there is a mechanism by which we can avoid that kind of conflict. The easiest way to avoid it would be for Russia to stop assisting the regime and to stop bombing innocent civilians.

Joan Ryan (Enfield North) (Lab): Opposition activists and Kurdish officials have said that hundreds of Kurds are fleeing Manbij, and that the Syrian defence forces are engaged in clashes there with Daesh. If Manbij is captured, it will be the biggest strategic defeat for Daesh in Syria. Can the Secretary of State comment on the situation, and particularly that of the Kurdish civilians, who are being abducted in their hundreds?

Michael Fallon: They are, and that is why we need to bring this terrible conflict in Syria to an end. Progress is being made by the Syrian Democratic Forces in closing off what is called the Manbij pocket and breaking the supply line between Raqqa and the Turkish border, which restricts the ability of Daesh to trade oil illegally across the border or to recruit foreign fighters the other way. Progress is being made around Manbij, and I hope that one day, when Manbij is recaptured, those same forces can move on towards Raqqa itself.

Andrew Bridgen (North West Leicestershire) (Con): To carry out its activities, Daesh requires funding. What discussions is my right hon. Friend having with our allies to cut off the funding for Daesh?

Michael Fallon: International efforts are under way to restrict the ability of Daesh to raise money from selling oil, artefacts or anything else, or to access other funding on the international markets. That is work that requires co-operation right across the coalition, and it is work in which the United Kingdom is playing a leading part.

Mr George Howarth (Knowsley) (Lab): While we have been otherwise preoccupied, the atrocities that have been carried out by Daesh over the last few weeks remain deeply worrying. Will the Secretary of State give an undertaking that he will co-operate through NATO bilaterally with other European allies and take strategic action unilaterally to make sure that everything possible is done to try to stop these appalling atrocities?

Michael Fallon: Yes, we are facing a most barbarous enemy, which is not simply torturing and killing innocent civilians in Syria and Iraq, but still poses a very direct threat to us here in western Europe—on the first anniversary of the slaughter of 30 of our subjects in Sousse by an equivalent extremist. Whether it is through the international coalition, through the use of NATO assets or through other bilateral frameworks, let me reassure the right hon. Gentleman that we are absolutely committed to this fight and to the eventual defeat and degradation of Daesh.

At-sea Nuclear Deterrent

4. **Caroline Ansell (Eastbourne) (Con):** What assessment he has made of the viability of alternatives to a continuous at-sea nuclear deterrent for protecting national security. [905476]

The Secretary of State for Defence (Michael Fallon): The 2013 Trident alternatives review considered alternative systems and postures for the United Kingdom's nuclear deterrent and concluded that no alternative is as capable, or offers the same degree of resilience, as continuous at-sea deterrence.

Caroline Ansell: Some have expressed concern that with advancing technology, our submarines can now be detected and discovered by underwater drones. Can my right hon. Friend assure me that that is not the case?

Michael Fallon: Yes, we are confident that our submarine fleet remains safe and secure. We devote considerable resources to assessing capabilities and new technologies that could threaten the operation of our deterrent, including potential threats from the development of cyber and unmanned underwater vehicles. I am happy to reassure my hon. Friend on precisely that point.

John Woodcock (Barrow and Furness) (Lab/Co-op): Whoever stands at the Opposition Dispatch Box or at the Government's, there is a cast iron majority in the House to do the right thing by Trident's successor and to reach outwards to defend our nation, rather than to turn inwards. Will the vote still happen before the summer recess?

Michael Fallon: I am grateful to the hon. Gentleman for what he has said. There is clearly a majority—*[Interruption.]* There are those who are opposed in principle, but there is clearly such a majority in this House. I believe that it is right that this House should

vote on the principle of the renewal of the deterrent, and I very much hope that he will not have too much longer to wait.

Douglas Chapman (Dunfermline and West Fife) (SNP): With the Type 26 frigates well behind schedule, it has been said that the Navy has “run out of money” to progress these contracts. Given the perilous state of the economy since Friday morning, will the Secretary of State give us an assurance that we will—please, please—run out of money for Trident as well?

Michael Fallon: The schedule for the Type 26s has not yet been set. These ships are likely to cost between £500 million and £1 billion each, and I will not sign a contract for these ships until I am satisfied that they represent good value for the Royal Navy and good value for the taxpayer.

Armed Forces Welfare

5. **Kirsten Oswald (East Renfrewshire) (SNP):** What steps he is taking to promote the welfare of armed forces personnel. [905477]

The Parliamentary Under-Secretary of State for Defence (Mr Julian Brazier): In January, the Department published the first ever armed forces families strategy, embracing seven key themes—partner employment, accommodation, children's education and childcare, community support, specialist support, health and wellbeing, and transition. We have reviewed our casualty and compassionate processes, and this autumn we are introducing a pilot for a new welfare scheme for reservists. We continue to work to ensure that our armed forces and their families are treated fairly through the covenant.

Kirsten Oswald: Economic and military security assurances, as laid out in the strategic defence and security review, have been significantly weakened by the events of the last week, and this could not have come at a worse time for armed forces personnel. To give just two examples—

Mr Speaker: Order. I am awfully sorry, but we have not got time for two examples. I need a single, short supplementary question, with a question mark at the end.

Kirsten Oswald: The armed forces satisfaction survey has caused considerable concern in this regard. Does the Minister agree that the continuing welfare of our personnel should be the priority at this tumultuous time?

Mr Brazier: The short answer is yes. The huge number of local authorities, companies and other parts of the nation that have signed up to the armed forces covenant shows that the country as a whole is responding with a resounding yes.

17. [905489] **Christina Rees (Neath) (Lab):** I have been working with Neath veterans support group to ensure that those leaving the armed forces receive the support they need. Will the Minister explain what his Government are doing to extend the support offered, through projects

such as Change Step, so that the welfare of serving personnel is viewed through a model of prevention, rather than of cure?

Mr Brazier: I am grateful to a whole range of charities in Neath and other areas for the work they are doing with the armed forces. We are giving considerable priority to this and to ensuring that people's transition, which is one of the seven aspects of the strategy I have mentioned, is successful. From the stories one hears of companies that have signed covenants successfully taking on people for new careers after they leave the armed forces and of the work we are doing with local authorities on housing, I can say that all this work is bearing fruit.

Defence Spending

6. **Lucy Frazer** (South East Cambridgeshire) (Con): What estimate he has made of the projected increase in defence spending during this Parliament. [905478]

7. **Daniel Kawczynski** (Shrewsbury and Atcham) (Con): What estimate he has made of the projected increase in defence spending during this Parliament. [905479]

The Minister for Defence Procurement (Mr Philip Dunne): I will answer pithily. This Government are delivering stronger defence. The defence budget will rise by 0.5% above inflation every year to 2020-21, and we will access up to £1.5 billion a year from the joint security fund by the end of this Parliament. This is the first time in six years that the defence budget will increase in real terms.

Lucy Frazer: Given the vote last week, does the Minister agree that Britain should remain a key player on the international stage? Will Britain continue to use its influence to encourage our NATO allies to spend 2% of their GDP on defence?

Mr Dunne: As my right hon. Friend the Secretary of State said earlier, NATO is the cornerstone of our defence, and we are leading players in influencing fellow NATO members to meet the spending commitment. Allies have made welcome progress since 2014; five now spend 2% of GDP on defence, eight spend 20% of their defence budgets on major equipment and research, 16 have increased defence spending in real terms and 24 are now spending more of their defence budgets on equipment.

Daniel Kawczynski: With the increasing budget comes increasing responsibility for ensuring value for money for taxpayers. Has my hon. Friend learned the lessons of failed procurement under Labour of maritime patrol aircraft, which had to be cancelled because the programme was 10 years behind and £800 million over budget?

Mr Dunne: My hon. Friend and constituency neighbour is right that the Nimrod programme suffered repeated and unacceptable delays and cost overruns. The decision in 2010 to cancel it was difficult but the planned purchase of nine P-8 Poseidon aircraft for maritime patrol will give us the capability we need in the timeframe we want, and at best value for the taxpayer.

Caroline Flint (Don Valley) (Lab): Part of making sure defence spending is adequate is making sure that we get value for money. The Public Accounts Committee was very disturbed when we looked recently at housing management for service families, which seems to be woeful. The contractor, Carillion, has not stepped up to the job. Will the Minister tell me how he will ensure that we get value for money and, more importantly, a better service for our service families?

Mr Dunne: I am pleased to confirm to the right hon. Lady that in the area of defence equipment procurement, for which I am responsible, the Public Accounts Committee has found that we have consistently brought programmes in within budget and with minimal time overruns. I accept we have more to do on housing.

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): Where the defence budget is spent is absolutely crucial. Given the gross uncertainty for the British steel industry as a result of the EU referendum vote, what assurances on defence spending can the Minister give to steel manufacturers in this country to boost them at this crucial time?

Mr Dunne: We have adopted the Government's policy to ensure that defence contractors make all steel procurement opportunities available to UK producers. The amount of steel expected to be available for tender for future work is much reduced, because the most substantial amounts have been in the aircraft carrier programme and we will not be building vessels as big as that for the foreseeable future.

Sir Gerald Howarth (Aldershot) (Con): I warmly welcome the Government's commitment to spend at least 2% of GDP on defence, but will my hon. Friend confirm that this year and next there will be no increase in cash terms, and assure me that we will not find ourselves in the same situation as we did this year, where in order to meet our 2% commitment money was transferred to the Ministry of Defence from other Departments?

Mr Dunne: As was made clear in last year's comprehensive spending review at the same time as the strategic defence and security review, and as I have already said this afternoon, the defence budget is going up in real terms in each year of this Parliament.

Emily Thornberry (Islington South and Finsbury) (Lab): There has been much loose talk about the increase in the defence budget, but to be able to hit the target of 2% of GDP we now have to be very careful, as there may well be a recession given the Brexit vote. Will the Minister reassure the House, the public and the armed forces that the Government's commitment on defence spending will be maintained not just in terms of GDP but in cash terms?

Mr Dunne: I am not going to join those in the Opposition who seek to talk the economy down. We have a clear commitment to meet the NATO defence spending pledge and that is what we will do.

Naval Procurement

8. **Chris Stephens** (Glasgow South West) (SNP): What progress has been made on his Department's naval procurement plans. [905480]

The Minister for Defence Procurement (Mr Philip Dunne): The Department continues to develop our naval force structure, as we set out in the defence review. That will include completion of two new Queen Elizabeth class aircraft carriers, eight Type 26 global combat ships, new solid support ships and two new offshore patrol vessels.

Chris Stephens: Can the Minister confirm press reports today that leaked correspondence shows that the Ministry of Defence is looking for savings of £500 million in the Type 26 programme, and has refused an offer from BAE Systems that would bring savings of £270 million while starting the programme on time?

Mr Dunne: As I said in answer to other questions on the Type 26 programme, we will enter into a contract once we have established best value for the taxpayer, and a delivery schedule that can be met by the contractor.

Mr Kevan Jones (North Durham) (Lab): After last week's vote, these are uncertain times for UK manufacturing. One thing that the Government could do now to boost manufacturing and protect British jobs and skills would be to make a decision on Successor and bring it forward. Will the Minister say when that vote will be?

Mr Dunne: The hon. Gentleman will have heard the Secretary of State confirm that that will not take too long.

NATO Warsaw Summit

9. **Martin Docherty-Hughes** (West Dunbartonshire) (SNP): What discussions he has had with his Cabinet colleagues on preparations for the NATO Warsaw summit. [905481]

The Secretary of State for Defence (Michael Fallon): The National Security Council has considered the UK's preparations for the Warsaw summit next week, which is an opportunity to build on the success of the summit that we hosted in Wales in 2014. Our intention at Warsaw is to demonstrate a united alliance that is adaptable, transparent, and capable of planning for and responding to the full range of threats that we face today.

Martin Docherty-Hughes: Today the United Kingdom is seen as an ineffective, unreliable partner in global affairs, as highlighted not by Opposition Members, but by a former general and supreme commander of NATO, Admiral Stavridis. Reflecting on the admiral's words, what does the Secretary of State think that his Government can achieve in Warsaw?

Michael Fallon: I hope that we can further reassure NATO members on the eastern flank that we stand by our commitment in the face of Russian aggression. I hope that we continue to make the alliance more flexible to deal with the new threats we face, particularly from

cyber and hybrid warfare, and that through British leadership we will encourage other allies to meet the 2% commitment that we are already meeting this year.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): I hope the Secretary of State is aware that we cannot hide behind the fig leaf of a percentage of GDP, and that we need NATO membership and partnership more than ever before, given last Thursday's dreadful result in the referendum. We have only 100,000 people in our defence forces—we could get them all in Wembley. Let us have a stronger NATO and a greater partnership against Russia with Europe.

Michael Fallon: We have more than 100,000 members in our armed forces, but I agree with the hon. Gentleman about the importance of NATO. Because we are withdrawing from the European Union, it will be all the more important to reinforce our commitment to NATO and the obligations of NATO membership. That is why we lead in complying with the 2% commitment, and he will hear from the Warsaw summit about additional deployments that we are now likely to make to the eastern flank.

Libya

10. **Stephen Gethins** (North East Fife) (SNP): What recent assessment his Department has made of the security situation in Libya. [905482]

The Secretary of State for Defence (Michael Fallon): Forces aligned to the Libyan Government of National Accord are making progress against Daesh, but while Daesh may have suffered setbacks in its stronghold in Sirte and in the east, it has not yet been defeated and may look to re-establish itself elsewhere in Libya. In Tripoli, the security situation is relatively calm but fragile, with increasing support for the Presidency Council from militias.

Stephen Gethins: Before last Friday morning, Libya was seen as this Government's worst foreign policy disaster. In light of that, will the Secretary of State say what discussions he has had with EU counterparts about continued involvement in Operation Sophia off the coast of Libya?

Michael Fallon: I continue to discuss Operation Sophia with my European counterparts, and we have agreed to deploy an additional vessel, a Royal Navy ship, as part of that. We are working with the new Libyan Government—I recently spoke to the Defence Minister there—to support them in their fight against Daesh. It is vital that we continue to work with other allies along the coastline, and we are extending the counter-IED training that we provide to Tunisian forces for a further year.

Defence Spending: Small Firms

13. **Chris Heaton-Harris** (Daventry) (Con): What steps he is taking to increase the proportion of defence spending that goes to small firms. [905485]

The Minister for Defence Procurement (Mr Philip Dunne): Small businesses are a crucial engine for growth and innovation in this country, and we are determined

that they should play an increasing part in supplying defence. We are committed to achieving 25% of our procurement spend with small and medium-sized enterprises by 2020, and that target is 10% higher than the one set during the last Parliament. We recently refreshed our SME policy to show how we will work to achieve that.

Chris Heaton-Harris: What steps is my hon. Friend taking to make it as simple as possible for small firms to benefit from this increased spend?

Mr Dunne: We have already appointed a new network of supply chain advocates to provide a named point of contact for potential suppliers. We are providing a new online tool for suppliers to highlight opportunities, and we are simplifying our standard terms and conditions.

Mr Speaker: I call Ian Murray.

Hon. Members: Hear, hear.

Ian Murray (Edinburgh South) (Lab): I should maybe come to questions more often.

A former First Sea Lord told the Defence Committee that the delay in the Type 26 frigate programme was due to money problems in the Ministry of Defence budget. Will the Minister tell the House, and more importantly tell the workers on the Clyde, how many jobs will be lost and what the impact will be on its world-class apprenticeship programme?

Mr Dunne: Apprentices are very important to maintain the skills on the Clyde to complete the Type 26 programme. The intention is that once we have signed the contract we will have clarity on the best value for money for the taxpayer. That is our priority.

Drones

15. **Andy Slaughter** (Hammersmith) (Lab): Whether the Government plan to publish a policy on the use of drones for targeted killing. [905487]

The Minister for the Armed Forces (Penny Mordaunt): With regard to targeting or other rules of engagement, the use of remotely piloted air systems is no different to that of any other aircraft. Therefore, there is no separate policy for their use in this respect.

Andy Slaughter: With respect, it is evident that the Government intend to use lethal force outside armed conflict for counter-terrorism purposes, despite the legal basis for that being unclear. Will the Government clarify the legal basis on the use of drones for targeted killing outside of armed conflict?

Penny Mordaunt: We have been very clear that this is guided by international law. Where there is an identified, direct and immediate threat to the United Kingdom, and where we have no other means of dealing with it, we reserve the right to use force.

Mr Speaker: The hon. Member for Sittingbourne and Sheppey (Gordon Henderson) has a question on the Order Paper on this very same subject. Does he wish to intervene and give the House the benefit of his thoughts?

Gordon Henderson (Sittingbourne and Sheppey) (Con): No.

Mr Speaker: Very helpful!

Topical Questions

T1. [905498] **Ronnie Cowan** (Inverclyde) (SNP): If he will make a statement on his departmental responsibilities.

The Secretary of State for Defence (Michael Fallon): My immediate priorities remain success in our operations against Daesh, and implementing our strategic defence and security review commitments. On Friday week, I will join the Prime Minister for the NATO summit in Warsaw, where we will review progress since the Wales summit, agree further reassurance to our eastern allies, and take further steps to demonstrate the alliance's strength and unity.

Ronnie Cowan: Given the unfortunate success of the Brexit campaign and the subsequent downward spiral of the value of the pound, which now sits at a 31-year low, will the Minister tell me the additional cost of the Trident renewal programme on top of the current estimate of £205 billion?

Michael Fallon: In the strategic defence and security review, we published our most up-to-date assessment of the cost of the Trident replacement programme at £31 billion, plus a contingency of a further £10 billion.

T3. [905500] **Craig Whittaker** (Calder Valley) (Con): In the light of the momentous decision taken by the nation last Thursday, will the Minister explain to the House what implications that decision will have on working with military intelligence from not only European countries but other countries around the world?

The Minister for the Armed Forces (Penny Mordaunt): Defence in the UK is grounded on the strength of our relationships with our closest allies and partners. We work extensively with them, principally through NATO but also bilaterally. The UK's decision to leave the European Union does not change that approach.

Rachael Maskell (York Central) (Lab/Co-op): In the first year of this Government, over 1,800 properties within the married quarters estate were left empty for the majority of the year. Since then, the number has more than quadrupled. Can the Minister explain why that has been allowed to happen and why the properties are not being used?

The Parliamentary Under-Secretary of State for Defence (Mark Lancaster): My understanding is that there are just over 10,000 void properties at the moment under the service family accommodation estate. We need to have void properties to ensure that when people trickle post they have a property to go to. Equally, the hon. Lady will be aware that we are moving the Army back from Germany at the moment so we need spare properties, but up to half of those properties are currently up for disposal.

Rachael Maskell: The fact is that departmental policy is for about 10% of such properties to remain vacant. In fact, there are more than 20%. The reality is that there is such a high proportion of empty properties because they are not in a fit state for people to live in. They cannot be released for sale by the leaseholder, Annington Homes, because it would cost too much for the Government to repair. The taxpayer is having to spend more than £30 million every year for the MOD to rent these properties. Will the Minister explain why his Department is wasting £30 million?

Mark Lancaster: I am not sure whether the hon. Lady heard my answer. It is not every year that we seek to bring back the Army from Germany, which is why we need extra properties. However, more than half the properties are currently up for disposal and we have also invested more than £200 million in building 1,200 new service family accommodation units to ensure that we get the best quality accommodation for our troops.

T4. [905501] **Karl McCartney** (Lincoln) (Con): While I welcome the recent announcement that Lincolnshire will still have an air show—now at RAF Scampton—what steps is my hon. Friend taking to increase home ownership among members of the armed forces?

Mark Lancaster: I am delighted to say that since the forces' Help to Buy scheme was introduced, more than 7,260 service families have taken up the opportunity to buy their own home.

T2. [905499] **Mr David Hanson** (Delyn) (Lab): Will the Minister undertake an urgent review of the awards of the Légion d'Honneur? I have many constituents who were awarded the Légion d'Honneur by the French authorities and who notified the Ministry of Defence more than a year ago, but have still not received their medals. Will the Minister look at that urgently?

Mark Lancaster: I am more than happy to do so. The right hon. Gentleman will be aware that there was a review. It is fair to say that the French authorities have simply been overwhelmed by the number of applications, but we have a system in place now whereby 200 are sent each week to the French. Of the original applications that were made, I understand that all have now been awarded.¹

T6. [905503] **Stephen Phillips** (Sleaford and North Hykeham) (Con): My hon. Friend will be aware of the valuable and essential work done by African Union troops to prevent and ameliorate conflicts all over Africa—work that is also essential for this country. Will she update the House on the support being provided to the AU by the UK to assist with its peacekeeping role?

Penny Mordaunt: My hon. and learned Friend affords me the opportunity to pay tribute to our armed forces who are training the Rwandan defence force as well as the African Union's Eastern Africa Standby Force. The training that we are providing is there to help security sector reform and enhance their capabilities for peace operations and disaster relief.

T5. [905502] **Deidre Brock** (Edinburgh North and Leith) (SNP): Following the questioning of Ministry of Defence officials at the Public Accounts Committee on infantry

management, will the Minister tell us about the current state of the logistics commodities and services' transformation programme? Is the super shed built, and how confident are the Government that the privatisation of logistics to support our armed services will not result in equipment shortages on the ground?

The Minister for Defence Procurement (Mr Philip Dunne): I can confirm that the new MOD Donnington facility will be completed on schedule before the end of the year.

T7. [905504] **Mark Spencer** (Sherwood) (Con): Will the Department update the House on the progress being made in increasing the number of cadet units in state schools so that more young people can benefit from the skills and experiences of those cadet units?

The Parliamentary Under-Secretary of State for Defence (Mr Julian Brazier): We are receiving a healthy number of applications to set up new units. These are processed through a six-monthly run. Twenty five new state school units have been approved since last November, and 350 school cadet units are currently parading. The programme is on track to achieve its target of 500 in schools by 2020.

T9. [905506] **Ian Austin** (Dudley North) (Lab): Thousands of Kurdish peshmerga killed or seriously injured fighting Daesh could have been helped by good front-line facilities. Can we now rush in a field hospital to reduce avoidable deaths and allow at least 100 of the most seriously injured to benefit from specialist beds here in the UK? It is the least we can do.

Penny Mordaunt: We have done a huge amount to support Kurdish fighters. To date, we have trained 3,900 and that includes not just dealing with improvised explosive devices, but providing first aid and that first-line medical support.

T10. [905507] **Christopher Pincher** (Tamworth) (Con): On Saturday, I met my constituent Benjamin Greaves who was injured by a thunder flash in 1979, but whose injury was not diagnosed until 2011. Will Ministers look at his case to ensure that he is receiving all the compensation and pension that he deserves?

Mark Lancaster: I shall of course be delighted to look at the case and may I suggest that we meet?

Mrs Madeleine Moon (Bridgend) (Lab): What percentage of the P-8 contracts will be offset to British companies and what maintenance work will take place in the UK? Will the Minister confirm that the sonobuoys and missiles will be procured from British companies?

Mr Dunne: The P-8 contract has not yet been let. We announced at the time our intention to procure P-8, and some \$4.5 million per aircraft is UK-sourced. The support contracts will be let in due course.

Jack Lopresti (Filton and Bradley Stoke) (Con): Will my hon. Friend assure us that, despite Airbus trying to bully its employees to vote remain in the referendum last week, the wings of the magnificent A400 aircraft will still be made in Filton?

1. [Official Report, 28 June 2016, Vol. 612, c. 1MC.]

Mr Dunne: Airbus is an important defence contractor and a significant employer in my hon. Friend's constituency for both civil and defence work. Where it chooses to locate wings in the civil contracts in the future will be a matter for Airbus.

Alison McGovern (Wirral South) (Lab): Depressingly, UNICEF reported that 25 children were killed by airstrikes in Syria yesterday. Will the Secretary of State tell us what conversations he is having with our international partners to make sure that we take every necessary step to defend civilians?

Penny Mordaunt: The hon. Lady raises an important point. On that operation to date, we know that UK strikes have produced no reports of civilian casualties. That is because of the care we take and the investigations we carry out after every strike. We are working with our allies to develop joint policy in this area.

Dr Tania Mathias (Twickenham) (Con) *rose—*

Hon. Members: Hear, hear.

Mr Speaker: The hon. Lady will be delighted to receive such an exultant welcome!

Dr Mathias: Thank you, Mr Speaker.

The Royal Military School of Music has been in Whitton for 150 years. Will the Minister work with me to ensure that the Ministry of Defence keeps a physical military presence "remaining" in Whitton?

Mark Lancaster: I commend my hon. Friend, whose constituents could not ask for a greater champion on this issue. Since last month's Adjournment debate, the situation has not changed. However, I am convinced that we will continue to have military concerts there in the future.

Ann Clwyd (Cynon Valley) (Lab): Exactly what actions are the Government taking to protest about the use of phosphorous bombs and barrel bombs against the people of Aleppo?

Mr Dunne: We have a very clear policy in this country on the export of cluster munitions and the like. We have not sold cluster munitions since 1989. The right hon. Lady asks about phosphorous, and I will write to her about it later.

James Heappey (Wells) (Con): I was grateful for the Minister's earlier answer on the cadet expansion programme. Will he tell us at what point, if at all, expressions of interest from schools in non-priority areas will be accepted if insufficient applications are made from priority areas?

Mr Brazier: My hon. Friend reflects on the problems of success. We have many applications from priority areas, according to the three criteria that were set out a number of times. I cannot make any firm promises, I am afraid, for those who do not meet the priority criteria. We are firmly on track to deliver the schools we need.

Michael Dugher (Barnsley East) (Lab): Last Friday, I was privileged to be invited to Burma company 4th Battalion The Yorkshire Regiment, based in Barnsley, to thank them for the service ahead of armed forces day. Will the Secretary of State join me in paying tribute to the superb men and women there, who are superbly led by Major Darren Schofield?

Michael Fallon: Let me congratulate all those from the armed forces, including those from reserve units, who participated in the key events in Cleethorpes, Plymouth, Glasgow, Woolwich and many other locations up and down the country. We are proud of them, and we gave the public the opportunity to show their support.

Andrew Bridgen (North West Leicestershire) (Con): Will the Secretary of State reassure us that, by contrast with the Labour party, morale in our armed forces remains high and the desertion rate is very low?

Penny Mordaunt: I am happy to confirm, on the basis of the attitude surveys that we conduct each year, that morale is high, and the armed forces appreciate that, given a defence budget that is growing every single year, they have much to look forward to.

Mr Speaker: Last, I call Greg Mulholland.

Greg Mulholland (Leeds North West) (LD): I thank the veterans Minister for taking account of the plight of war widows who have been penalised for remarrying. Can he give us some idea of how long his review of the matter will take?

Mark Lancaster: I hope to be able to get back to the House and the hon. Gentleman as soon as possible.

NEW MEMBER

The following Member took and subscribed the Oath required by law:

Rosena Chantelle Allin-Khan, for Tooting.

Outcome of the EU Referendum

3.31 pm

The Prime Minister (Mr David Cameron): With permission, Mr Speaker, I will make a statement on the result of the EU referendum.

Last week saw one of the biggest democratic exercises in our history, with more than 33 million people from England, Scotland, Wales, Northern Ireland and Gibraltar all having their say. We should be proud of our parliamentary democracy, but it is right that, when we consider questions of this magnitude, we do not just leave it to politicians but listen directly to the people. That is why Members on both sides of the House voted for a referendum by a margin of six to one.

As I have mentioned the House, let me welcome the new hon. Member for Tooting (Rosena Allin-Khan). I advise her to keep her mobile phone turned on: she might be in the shadow Cabinet by the end of the day. *[Laughter.]* And I thought I was having a bad day.

Let me set out for the House what this vote means, the steps we are taking immediately to stabilise the UK economy, the preparatory work for the negotiation to leave the EU, our plans for fully engaging the devolved Administrations, and the next steps at tomorrow's European Council.

The British people have voted to leave the European Union. It was not the result that I wanted, or the outcome that I believe is best for the country I love, but there can be no doubt about the result. Of course, I do not take back what I said about the risks. It is going to be difficult. We have already seen that there are going to be adjustments within our economy, complex constitutional issues, and a challenging new negotiation to undertake with Europe. However, I am clear—and the Cabinet agreed this morning—that the decision must be accepted, and the process of implementing the decision in the best possible way must now begin.

At the same time, we have a fundamental responsibility to bring our country together. In the past few days, we have seen despicable graffiti daubed on a Polish community centre, and verbal abuse hurled against individuals because they are members of ethnic minorities. Let us remember that these people have come here and made a wonderful contribution to our country. We will not stand for hate crime or attacks of this kind. They must be stamped out.

We can reassure European citizens living here, and Brits living in European countries, that there will be no immediate changes in their circumstances; nor will there be any initial change in the way our people can travel, the way our goods can move, or the way our services can be sold. The deal we negotiated at the European Council in February will now be discarded and a new negotiation to leave the EU will begin under a new Prime Minister.

Turning to our economy, it is clear that markets are volatile and that some companies are considering their investments; we know that this is going to be far from plain sailing. However, we should take confidence from the fact that Britain is ready to confront what the future holds for us from a position of strength. As a result of our long-term plan, we have today one of the strongest major advanced economies in the world, and we are

[The Prime Minister]

well placed to face the challenges ahead. We have low, stable inflation. The employment rate remains the highest it has ever been. The budget deficit is down from 11% of national income and forecast to be below 3% this year. The financial system is also substantially more resilient than it was six years ago, with capital requirements for the largest banks now 10 times higher than before the banking crisis.

The markets may not have been expecting the referendum result but, as the Chancellor set out this morning, the Treasury, the Bank of England and our other financial authorities have spent the last few months putting in place robust contingency plans. As the Governor of the Bank of England said on Friday, the Bank's stress tests have shown that UK institutions have enough capital and liquidity reserves to withstand a scenario more severe than the one the country currently faces; and the Bank can make available £250 billion of additional funds if it needs to support banks and markets. In the coming days, the Treasury, the Bank of England and the Financial Conduct Authority will continue to be in very close contact. They have contingency plans in place to maintain financial stability and they will not hesitate to take further measures if required.

Turning to preparations for negotiating our exit from the EU, the Cabinet met this morning and agreed the creation of a new EU unit in Whitehall. This will bring together officials and policy expertise from across the Cabinet Office, the Treasury, the Foreign Office and the Business Department. Clearly this will be the most complex and most important task that the British civil service has undertaken in decades, so the new unit will sit at the heart of government and be led and staffed by the best and brightest from across our civil service. It will report to the whole Cabinet on delivering the outcome of the referendum, advising on transitional issues and objectively exploring options for our future relationship with Europe and the rest of the world from outside the EU. It will also be responsible for ensuring that the new Prime Minister has the best possible advice from the moment of their arrival.

I know that colleagues on all sides of the House will want to contribute to how we prepare and execute the new negotiation to leave the EU, and the Chancellor of the Duchy of Lancaster, my right hon. Friend the Member for West Dorset (Mr Letwin), will listen to all views and representations and make sure that they are fully put into this exercise. He will be playing no part in the leadership election.

Turning to the devolved Administrations, we must ensure that the interests of all parts of our United Kingdom are protected and advanced, so as we prepare for a new negotiation with the European Union we will fully involve the Scottish, Welsh and Northern Ireland Governments. We will also consult Gibraltar, the Crown dependencies and overseas territories, and all regional centres of power including the London Assembly. I have spoken to the First Ministers of Scotland and Wales, as well as the First and Deputy First Ministers in Northern Ireland and the Taoiseach, and our officials will be working intensively together over the coming weeks to bring our devolved Administrations into the process for determining the decisions that need to be taken. While all the key decisions will have to wait for

the arrival of the new Prime Minister, there is a lot of work that can be started now. For instance, the British and Irish Governments begin meeting this week to work through the challenges relating to the common border area.

Tomorrow I will attend the European Council. In the last few days I have spoken to Chancellor Merkel, President Hollande and a number of other European leaders. We have discussed the need to prepare for the negotiations and in particular the fact that the British Government will not be triggering article 50 at this stage. Before we do that, we need to determine the kind of relationship we want with the EU, and that is rightly something for the next Prime Minister and their Cabinet to decide. I have also made this point to the Presidents of the European Council and the European Commission, and I will make it clear again at the European Council tomorrow. This is our sovereign decision and it will be for Britain, and Britain alone, to take.

Tomorrow will also provide an opportunity to make the point that although Britain is leaving the European Union, we must not turn our back on Europe or on the rest of the world. The nature of the relationship we secure with the EU will be determined by the next Government, but I think everyone is agreed that we will want the strongest possible economic links with our European neighbours, as well as with our close friends in North America and the Commonwealth and with important partners such as India and China. I am also sure that whatever the precise nature of our future relationship, we will want to continue with a great deal of our extensive security co-operation and to do all we can to influence decisions that will affect the prosperity and safety of our people here at home.

This negotiation will require strong, determined, and committed leadership. As I have said, I think the country requires a new Prime Minister and Cabinet to take it in this direction. This is not a decision I have taken lightly, but I am absolutely convinced that it is in the national interest. Although leaving the EU was not the path I recommended, I am the first to praise our incredible strengths as a country. As we proceed with implementing this decision and facing the challenges that it will undoubtedly bring, I believe we should hold fast to a vision of Britain that wants to be respected abroad, tolerant at home, engaged in the world and working with our international partners to advance the prosperity and security of our nation for generations to come. I have fought for these things every day of my political life and I will always do so. I commend this statement to the House.

3.40 pm

Jeremy Corbyn (Islington North) (Lab): First, I thank the British people for turning out to vote in the referendum in such high numbers. The vote was a reflection of the significance of the issue, but it was a close vote on the back of a campaign that was too often divisive and negative. The Opposition Benches put forward a positive case to remain part of the European Union and convinced more than two thirds of our own supporters, but the majority of people voted to leave and we have listened to and accepted what they have said. Many people feel disfranchised and powerless, especially in parts of the country that have been left behind for far too long—communities that have been let down not by the European

Union but by Tory Governments. Those communities do not trust politicians to deliver, because for too long they have not. Instead of more extreme cuts to local services, which have hit those areas the hardest, the Government need to invest in those communities. Many such areas are deeply concerned about the security of pledged EU funding. That money is desperately needed, so can the Prime Minister give us any guarantees on those issues?

Secondly, there is the issue of trust. The tenor of the referendum was disheartening. Half-truths and untruths were told, many of which key leave figures spent the weekend distancing themselves from—not least the claim that a vote to leave would hand the NHS an extra £350 million a week. It is quite shameful that politicians made claims they knew to be false and promises they knew could not be delivered.

Thirdly, real concern exists about immigration, but too much of the discussion during the referendum campaign was intemperate and divisive. In the days following the result, it appears that we have seen a rise in racist incidents, such as the attack on the Polish centre in Hammersmith, to which the Prime Minister quite rightly referred, and sadly many other such incidents all over this country. I hope that the Prime Minister and the Home Secretary will take all the action they can to halt the attacks and halt this disgraceful racist behaviour on the streets of this country.

As political leaders, we have a duty to calm our language and our tone, especially after the shocking events of 10 days ago. Our country is divided, and the country will thank neither the Government Benches in front of me nor the Opposition Benches behind for indulging in internal factional manoeuvring at this time. We have serious matters to discuss in this House and in the country—[*Interruption.*]

Mr Speaker: Order. I want to accommodate as many as possible of those colleagues who wish to question the Prime Minister. Matters are just slowed up if people make a lot of noise. I have plenty of time; I do not know whether other people have.

Jeremy Corbyn: Thank you, Mr Speaker. It does appear that neither wing of the Tory Government has an exit plan, which is why we are insisting that the Labour party be fully engaged in the negotiations that lie ahead. We need the freedom to shape our economy for the future and protect social and employment rights, while building new policies on trade, migration, environmental protection and investment.

I fully understand that the Prime Minister is standing down in three months' time, but we cannot be in a state of paralysis until then. He is meeting the European Council tomorrow, and I hope he will say that negotiations will begin, so that we know what is going on, rather than being delayed until October. We, as a House, have a duty to act in the national interest and ensure we get the best agreements for our constituents. Will the Prime Minister today confirm that, in the light of the economic turmoil, the Chancellor will announce at least a suspension—preferably, the termination—of his now even more counterproductive fiscal rule? What the economy needs now is a clear plan for investment, particularly in those communities that have been so damaged by this Government and that have sent such

a very strong message to all of us last week. Will he specifically rule out tax rises or further cuts to public services, which were threatened pre-referendum?

I welcome the Prime Minister's reassurances on the uncertainty felt by many EU nationals currently working in our economy, including the 52,000 who work so well to help our national health service provide the service we all need. It is welcome that the Prime Minister is consulting the leaders of the devolved Administrations, and I hope he will also be consulting the Mayor of London, a city for which the implications are huge. We must act in the public interest and support measures to reduce volatility. I welcome market protections, but what about protections for people's jobs, wages and pensions? Can the Prime Minister make clear what plans are in place? The Chancellor spoke this morning to reassure the stock markets, though they clearly remain very uncertain. We understand that some measures cannot be discussed in the House, so will the Prime Minister give me an assurance that the Chancellor will provide private briefings to his opposite numbers on this matter?

Finally, on a personal note, may I say that although I have many fundamental disagreements with the policies of the Prime Minister and his Governments, as he announces the end of his premiership it is right to reflect that he led a Government that delivered equal marriage, against the majority of his own MPs, and he was right to do so. I want to thank him, too, for his response to the Bloody Sunday inquiry and how he reacted to the tragic murder of Jo Cox. We thank him for his service, although I am sure we will enjoy many more debates and disagreements while he continues as Prime Minister.

The Prime Minister: Let me agree with the Leader of the Opposition that it was positive that turnout was so high. I also agree with him that we need to reach out to those people who have not benefited from economic growth and make sure that they feel that their economic security is important to us as well. But I do not agree with him that it is right to start to try to refight the campaign all over again. All I know for my part is that I put everything I could into the campaign that I believed in—head, heart and soul—and I left nothing out, and I think that was the right thing to do.

Let me answer the right hon. Gentleman's questions. On money that different areas of the country get, until we leave the EU none of those arrangements change; so what has been set out in the Budget, and payments and the rest of it, all continue. But as the negotiation begins properly for leaving, the next Government will want to set out what arrangements they will put in place for farmers, for local authorities and for regions of our country.

On intolerance and fighting intolerance, I absolutely agree with the right hon. Gentleman that we must take all action we can to stamp this out. He asked about the Chancellor's fiscal rule and future plans. What I would say is that we have not worked so hard to get the budget deficit from 11% down to below 3% just to see that go to waste, and we must continue to make sure that we have a sound and strong economic plan in our country. For the coming months that is my responsibility and the Chancellor's responsibility, but in time it will be the

[The Prime Minister]

responsibility of a new Government, and they will have to decide how to react if there are economic difficulties along the way.

The right hon. Gentleman asked whether there could be private briefings for members of the shadow Front-Bench team with the Chancellor of the Exchequer. As always in these arrangements, if shadow Cabinet members want those sorts of briefings, they can have them.

Finally, I thank the right hon. Gentleman for his kind remarks and the fact that he hopes we will be debating with each other for some weeks and possibly months to come.

Mr Kenneth Clarke (Rushcliffe) (Con): When we acquire a new Government who have decided what they mean by leaving and draw up some detailed policy instructions for the committee of officials the Prime Minister has set up, a great deal of detailed legislation covering a whole variety of fields will be submitted to this Parliament. Does my right hon. Friend agree that we still have a parliamentary democracy and it would be the duty of each Member of Parliament to judge each measure in the light of what each man and woman regards as the national interest, and not to take broad guidance from a plebiscite which has produced a small majority on a broad question after a bad-tempered and ill-informed debate? [Interruption.] And does he agree that we will face months of uncertainty if we are not careful— [Interruption.]

Mr Speaker: Order. It is not acceptable for people to make that level of noise. The right hon. and learned Gentleman will be heard and every Member of this House will be heard. Let us accord the right hon. and learned Gentleman the respect to which he is entitled.

Mr Clarke: Thank you, Mr Speaker.

Does my right hon. Friend agree that, as there is a risk of uncertainty for a few months, causing very considerable difficulty, he should consider the possible first step of joining the European economic area, which was designed in the first place for countries like Norway and Iceland, where the great bulk of politicians wished to join the European Union but could not get past the ridiculous hurdle of a referendum in order to get there? That could at least be negotiated, with modifications and changes if anybody can decide what they want once we get to that point, and it would give some reassuring order and stability to our economy and might begin to attract a little investment and future prospects for our country.

The Prime Minister: I thank my right hon. and learned Friend for his remarks. My view is simple: this House should not block the will of the British people to leave the European Union, but of course we have now got to look at all the detailed arrangements, and Parliament will clearly have a role in that in making sure that we find the best way forward. That will be principally the job for the next Government, but I do believe in parliamentary sovereignty and the sovereignty of this Parliament. A lot of detail will have to be discussed and debated, but decisions such as whether or not to join the EEA must be for a future Government.

Angus Robertson (Moray) (SNP): Scotland voted overwhelmingly to remain in the European Union. Sixty-two per cent. of voters cast their votes to remain in the EU, and every single local government area in the country voted to remain in the EU. In Scotland we voted to remain because it really matters that we are in the single European market, because we value the free movement of people, goods and services, and because our EU citizenship rights matter, as do our legal safeguards for workers, for women and for parents. In Scotland we voted to remain because we are a European nation, and it really matters to us that we live in an outward-looking country, not a diminished little Britain.

In Scotland we are now being told from Westminster that despite the majority against leave, we are going to have to do as we are told: we are going to be taken out of Europe against our will. Mr Speaker, let me tell this House and our friends across Europe: we have no intention whatsoever of seeing Scotland taken out of Europe. That would be totally democratically unacceptable. We are a European country and we will stay a European country, and if that means we have to have an independence referendum to protect Scotland's place, then so be it. Thank goodness that we have a Scottish Government and a First Minister who are prepared to lead and seek to protect Scotland's place, and it is very welcome that this approach is being supported by Opposition political parties across the Scottish Parliament.

Meanwhile, "Project Fear" has turned to "Project Farce". Apparently those who propose that we should leave Europe have no plan. A senior leave MP said:

"There is no plan. The leave campaign don't have a post-Brexit plan."

The MP went on to say:

"No. 10 should have had a plan."

Meanwhile, UK share prices are so volatile that some stocks have temporarily been suspended and sterling has hit a 31-year low.

On one thing I hope we are all agreed: that we take serious note of the very disturbing series of racist incidents directed against our fellow citizens who happen to come from other European countries. I hope that we all, on all sides, totally repudiate these despicable acts and encourage the police and prosecuting authorities to do all they can.

Given the economic damage and uncertainty that is currently being caused, may I ask the Prime Minister the following financial questions? We welcome the actions of the Governor of the Bank of England to help provide certainty in difficult times. Can the Prime Minister confirm that the Governor has no plans at present to change his forward guidance on interest rates? The SNP will continue to support any sensible measures to deliver stability and confidence in the UK economy at this time. However, we want to be explicitly clear that this will not be used to deepen further the programme of austerity.

In conclusion, the lack of leadership from Whitehall over the past few days has been unprecedented. We recognise that any further drift or vacuum simply exacerbates uncertainty. We know that the Prime Minister is planning to leave and we wish him well, but may we have an absolute assurance that his Government will finally start to take a firm grip of the situation in which we all, sadly, find ourselves?

The Prime Minister: First, our focus should be to get the very best deal for the United Kingdom outside the European Union, and that should be the very best deal for Scotland as well.

I entirely agree with the right hon. Gentleman about the despicable acts of racism that have taken place. Let me reassure him as well that we will take every step that we can. He asked questions specifically about interest rates; that is a matter for the Governor of the Bank of England and the Monetary Policy Committee, and they set out their views in advance of the referendum. The right hon. Gentleman asked about budgets; that will be a matter for a future Government, but let me say this to him: Scotland benefits from being in two single markets—the United Kingdom and the European single market. In my view, the best outcome is to try to keep Scotland in both.

Sir William Cash (Stone) (Con): May I pay tribute to the Prime Minister for the dignity with which he addressed the nation from 10 Downing Street on Friday? Will my right hon. Friend take a positive and simple message to the leaders of the other 27 member states of the European Council tomorrow—namely, that the voters of the United Kingdom have demonstrated the value of that great principle, the principle of democracy, for which people fought and died?

The Prime Minister: Let me thank my hon. Friend for his comment. Of course, when I go to the European Council tomorrow, I will report directly on the result and the decision of the British people. No one should be in any doubt about that, but it is important that we set off on this path of exiting from the European Union by trying to build as much good will as possible on both sides.

Tim Farron (Westmorland and Lonsdale) (LD): May I pay tribute to the Prime Minister, following the announcement of his resignation on Friday? We have not often agreed, but his commitment to the historic bipartisanship during the coalition Government and his energetic commitment to the remain campaign contrast favourably with the tribalism of others. He has my respect and my thanks.

I respect the outcome of the referendum, but I still feel passionately that Britain's interests are best served at the heart of Europe, in the European Union. I can accept defeat, but I will not give up. I have not changed my beliefs. With the promises of the leave campaign unravelling and no leadership being shown by the Opposition, will the Prime Minister confirm that free movement of people and access to the single market are paramount to the economic stability of Britain, and will he launch an investigation as to the whereabouts of the hon. Member for Uxbridge and South Ruislip (Boris Johnson) and of the Lord Chancellor and Secretary of State for Justice?

The Prime Minister: It is not up to me to ensure attendance in the Chamber—I have many responsibilities, but that is not one of them. Let me thank the hon. Gentleman for what he said about my leadership, and let me say how much I enjoyed appearing on a platform with him at the final rally, outside Birmingham University, which brought together him, me and Gordon Brown in

a unique but obviously unpersuasive trilogy, although I have to say that he and Gordon Brown gave fantastic speeches.

The hon. Gentleman is right that the decision that we are going to have to take—and it will be for the next Government—about how we get the best possible access to the single market is going to be one of the single most important decisions that the Government will take on, because we must bear in mind the importance of safeguarding our economy, its trade links and its jobs. I think that will be a very serious consideration.

Crispin Blunt (Reigate) (Con): Much of the distress expressed by those who voted remain on Thursday has been about the fact that they believe that their country has turned its back on their values. Does the Prime Minister agree that they can be reassured that the tolerance, openness and western liberal internationalism that we supported in the European Union will continue to be the hallmark of the United Kingdom as we seek a new role in the world?

The Prime Minister: I very much hope my hon. Friend is right. Britain is at its strongest when we stand up for our values and work with others. Let me stress that, while we are leaving the European Union, we will still be full members of NATO, the UN Security Council, the Commonwealth, the G7 and the G20. Britain does best when we make our voice heard through these organisations, and we should continue to do so.

Ms Harriet Harman (Camberwell and Peckham) (Lab): I never thought I would see the day when I wished a Tory Prime Minister would win a vote, but last Thursday I did, and I think the country will pay a bitter price for the fact that he lost this one. Leaving aside the constitutional turmoil, the damage to the economy and the uncertainty that hangs over Britain's place in the world, the leaders of the Brexit campaign have engendered an atmosphere where some people believe it is open season for racism and xenophobia. Will the Prime Minister say very clearly that, when it comes to the difficulties of getting a job or problems with the NHS, housing or schools, those things are the responsibility of his Government to sort out and not the fault of migrants from the EU or indeed anywhere else?

The Prime Minister: May I first praise the right hon. and learned Lady for her decision to cross party lines and to appear with others on platforms to make the argument? She made it very persuasively, and I think it is right that she did. She is absolutely right that we must be very clear about our commitment to tolerance and diversity, and about our complete intolerance of racism and the hateful hate crimes that we have seen in recent days. I know that that is the view of hon. Members in this House, whatever side of the debate they were on, but that message needs to go out loud and clear.

Dr Julian Lewis (New Forest East) (Con): Does the Prime Minister recall that, when we held the vote in September last year on the European Union Referendum Bill, not a single Conservative, and only one Labour Member, voted against it, so is it not a bit late now for people to talk about blocking the implementation of the result just because they disagree with it? Finally—it

[Dr Julian Lewis]

is always good to end on a positive note—would the Prime Minister care to bring in the vote on the Trident successor submarines before he leaves office?

The Prime Minister: It is very clear: when it comes to numbers, my right hon. Friend wants four submarines and one referendum—I have got the message very clearly. He makes a good point, which is that when the House voted on the referendum, it voted by a margin of six to one to hold that referendum. We will obviously be coming forward with our plan for all the other decisions that can be made during the remainder of this parliamentary Session, and I would hope that it would include the one he mentions.

Mr Nick Clegg (Sheffield, Hallam) (LD): I would like to add my thanks to the Prime Minister for his service to the nation as the Prime Minister of a stable, successful coalition Government for five years. Throughout that time, there were many things that he and I disagreed on, but I always appreciated his civility, his good humour—on display here again today—and his ability, which is rare in politics, to see politics from other people's points of view. All those qualities ensured the stability that was so necessary as the country was recovering from the economic shocks of 2008, and, for that, he should be warmly thanked.

I have heard a lot about democratic principle. Would the Prime Minister agree that it surely cannot be right, as a matter of democratic principle, that only members of the Conservative party, constituting 0.003% of the total electorate, should have a say in electing a new Prime Minister of a new Government with new priorities utterly different from those he got elected on last year? Does he agree that there should be an early general election?

The Prime Minister: First of all, let me thank the right hon. Gentleman for his kind words. We did work together very successfully. I know that he paid a very large personal and political price for the support he gave to that Government. That helped to deliver economic stability and make real progress in our country, and I thank him for it.

On the leadership election that will now take place and the other points the right hon. Gentleman put, all parties have their rules for electing leaders that are arrived at democratically; we have ours, and they will be followed. In the coalition agreement, we agreed the Fixed-term Parliaments Act 2011, which many of my colleagues have misgivings about. I happen to think it is a good measure, so as a result I think the right thing is for a new Prime Minister to take office, and it will be for them to decide whether to fulfil the terms of the Act or something else.

Sir Eric Pickles (Brentwood and Ongar) (Con): My right hon. Friend will know that a large number of people in my constituency work in the service industries, particularly financial services industries. This weekend they have seen jobs leave this country. They are worried about their future. They need not access to the single market but to be a participating part of the single market,

and so does this country, as we currently have a £20 billion surplus. Will he ensure that that is given the highest priority, in the national interest, in our negotiations?

The Prime Minister: My right hon. Friend makes an important point. Let me stress that nothing changes in the UK's trading relations with Europe until we actually leave the European Union, so there is a period when service companies—financial services—maintain the passport. One of the most important tasks for the new Government will be to negotiate the best possible arrangements with the single market, and that will be debated endlessly in this House. There is obviously a very strong case for trying to remain in that single market in some form, but that will be a decision for the new Government and for Parliament.

Hilary Benn (Leeds Central) (Lab): As the process of leaving the European Union unfolds, we will continue to face a large number of international challenges—the crisis in Syria, climate change, and the threat of terrorism among them—and yet we risk seeing our voice in the world diminished. Does the Prime Minister agree that in the negotiations every effort should be made to ensure that we continue to have practical co-operation with our European allies so that we can maintain the kind of influence in the world that is so important to our prosperity and our security?

The Prime Minister: The right hon. Gentleman and I agree on this issue, and we spent some time on the campaign discussing it. It is important to use all these forums to maximise Britain's influence. We will obviously have to find a way, under the new Government, to work out how to work with the European Union to get the maximum effect for the British stance on climate change, on Syria, on how we try to prevent refugees from leaving Libya, and all the rest of it. Those will all be issues for a future Government. I know from all that happened in the campaign that this is not about Britain withdrawing from the world or playing less of a role in the world, and we will have to work out the way forward.

Nicola Blackwood (Oxford West and Abingdon) (Con): I would like to add my voice to the tributes to the Prime Minister from across this House. He is a true statesman who has made Oxfordshire proud, and we will miss him. Will he take this opportunity to reassure the science and innovation sector that the Government will fight to protect access not just to Horizon 2020 funding but to valuable research collaborations, and also to effective recruitment and retention of the brightest and best of EU researchers? They are essential to our knowledge economy and deserve to know that they will be a priority in ongoing negotiations.

The Prime Minister: I thank my hon. Friend for her kind remarks. It has been a great pleasure and privilege being her constituency neighbour and working together. How we maintain the advances in British science and competitiveness in our universities will be one of the issues that the EU unit will want to look at. Clearly we have done very well out of this bit of the European Union, and so it will be for the new Government to look at the evidence on that and how we can continue to move forward.

Kate Hoey (Vauxhall) (Lab): I commend the Prime Minister for the way in which he handled Friday and for the very diplomatic and kind speech he has made today. I ask him to continue to show that leadership over the next month or two, to ensure that some of the hysteria about what is going to happen to our country is kept under control. Will he also condemn very clearly those people who are almost implying that decent people all over this country who voted to leave the European Union are somehow closet racists?

The Prime Minister: I have been on the opposite side to the hon. Lady in this debate, but I know that it takes a lot of courage to stand out in the way that she has done. One of my first jobs in politics was as the Conservative candidate's researcher in the Vauxhall by-election. If I had known then that the hon. Lady would be part of my nemesis, maybe I would have worked even harder. She is right: there are many people on both sides of this debate who have very strong views about tolerance, diversity and all the rest of it, and we need to make sure that that shines through in the coming days.

Philip Davies (Shipley) (Con): As the Prime Minister knows, I have not always agreed with him on issues, but, as he equally knows, I have always been very supportive of him personally and did not want him to make the announcement that he made last week. In saying that the country needs to come together—he is right to do so—does he accept that the first part of that is that everybody has to accept the result of the referendum, whether they like it or not, and that talk of a second referendum is for the birds? When he goes to see his European counterparts, will he pass on the message that the British people have said that we are very happy to continue with our £68 billion trade deficit with the European Union by trading with it, but in return for that we are not prepared to accept free movement of people or contributing to the EU budget?

The Prime Minister: My hon. Friend is absolutely right to say that we must accept the result—the Cabinet has and I think that everybody should—but what has to happen now is translating that result into action and choosing the correct pathway to leave the European Union and the correct relationship to have with it. That is going to take a lot of complex decision making by the new Government, and my hon. Friend obviously has a very clear view about what that should involve. It will involve a lot of separate and different decisions, but he is absolutely right to say that the decision must be accepted.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): Many of my constituents are European citizens and they are fearful for their future. The Prime Minister has talked about a group of officials set up to determine what Brexit will mean. Can he give any comfort to these people? If not now, will he give a timetable for when they will know how they can apply to remain in the UK?

The Prime Minister: I think that many people will be watching this with exactly the same question that the hon. Lady has asked. The technically correct answer is that while we are members of the European Union there is no change in the rights or the circumstances of people coming to live and work in Britain, or in those of

Britons going to live and work in other European Union countries. I would add to that that the leave campaigners were fairly clear that they wanted to protect the rights of people who are already here who have come to live, work and study, but obviously the final clarification of that and of the rights of British people living in other parts of the European Union will have to wait for the complex negotiations.

Mr Owen Paterson (North Shropshire) (Con): May I thank the Prime Minister for giving the British people the opportunity to vote on this issue for the first time in decades, and may I thank those who voted to leave for giving me a remarkable birthday present on Friday? I also welcome the establishment of the new unit under the Chancellor of the Duchy of Lancaster. Does the Prime Minister intend to publish a White Paper on the next steps?

The Prime Minister: No, I do not think that will be possible. The new unit has to get up and running and go through all of the complex issues that need to be sorted out, whether they be agriculture payments, borders, the situation in Northern Ireland or which British laws need to be rewritten because they mention a lot of EU law and all the rest of it. What I envisage happening is a series of papers being worked through, being discussed by the Cabinet and being prepared for the new Government as they come in.

Yvette Cooper (Normanton, Pontefract and Castleford) (Lab): Given the enormity of this decision and the repercussions of the negotiation process, the arrangements that the Prime Minister has described sound extremely weak. He is effectively saying that Members of Parliament should just go and have an informal chat with the right hon. Member for West Dorset (Mr Letwin). The Prime Minister is leaving a dangerous political vacuum. I urge him to consider much broader arrangements to build a wider consensus, including setting up a cross-party Joint Committee of both Houses of Parliament to look at wider arrangements to involve voices from all across the country in what the negotiations about our future Britain, alongside the EU, should be. Britain feels very divided now and all of us have a responsibility to build a new consensus for the future.

The Prime Minister: I do not disagree with a lot of what the right hon. Lady is saying. Obviously, Parliament and Select Committees will want to consider how they can best produce evidence and take research and interviews to add to this process. I see the role of the Government as this. It is clear that we are moving from one situation—membership of the EU—to leaving the EU. We need to describe in a dispassionate, neutral and objective way what all the different outcomes look like and what are the advantages and disadvantages of all the different outcomes—the trade deal like Canada, the situation like Norway, and the pros and cons of being in the single market or out of the single market—so that our constituents can see the disadvantages and advantages in each case. That is what the Government should do, but Parliament—the House of Commons—can also play its part.

Sir Gerald Howarth (Aldershot) (Con): May I also pay tribute to my right hon. Friend for giving the British people the chance to take this historic decision?

[*Sir Gerald Howarth*]

I share his view that Britain will continue to be engaged with the rest of the world—I hope in a more positive fashion. May I also express the view that I am very disappointed that my right hon. Friend has decided to stand down? I wonder whether, at this difficult time, he might like to reconsider that decision. I say so because he is a star at the Dispatch Box and, furthermore, as he has demonstrated today, he will rather miss it if he is not here to do it.

The Prime Minister: I am sure there are many things that I will miss, and statements that go on for at least three hours are perhaps one of them. What on earth will I do to fill my time?

The reason for my decision to resign is that the country has made a very clear decision to go in a particular direction, and I really do believe it needs someone—fresh leadership, and a fresh pair of eyes—committed to that path and to getting it right for Britain. I think that does require change. That is why I made the decision I did, and I am certainly not changing my mind.

Alex Salmond (Gordon) (SNP): Talking of which, at 9 o'clock this morning, the hon. Member for Uxbridge and South Ruislip (Boris Johnson) welcomed the stabilisation of the pound. At lunchtime, sterling fell to a 31-year low against the dollar. If you break it, you own it, so who owns this particular adjustment? Is it the Prime Minister, who called the referendum, or the hon. Member for Uxbridge and South Ruislip, who exploited it?

The Prime Minister: I will be very frank. The Government were elected on a manifesto promise to hold a referendum. We have held that referendum, the country has made its decision and this Government are responsible now for setting out the steps that we need to take and for doing all that is necessary to stabilise the economy. We took a choice to ask the people this very big question, because I believe in our parliamentary democracy but when it comes to the very big decisions I think it is right to consult the people. But this Government take responsibility.

Mr John Baron (Basildon and Billericay) (Con): In respecting with dignity the wishes of the electorate, does the Prime Minister accept that he has an absolutely pivotal role to play in encouraging all sides to come together and talk the country up? Calm optimism is now required. We are a great country, and we have a very bright future ahead of us.

The Prime Minister: I certainly believe that we all have a responsibility to bring the country together and to make this new pathway work as well as it does, but we have to do it from a position of realism. We do not know exactly what some of the economic and other effects will be, so we are going to have to take great caution and care in the coming days and the coming weeks to respond to that, as well as coming together to get the best pathway for our country to leave this organisation.

Chris Leslie (Nottingham East) (Lab/Co-op): On Friday, the Leader of the Opposition suggested we should rush to invoke article 50 renegotiations now. I disagree. I believe

that it would be in good, sound order for our economy, to secure a stable transition, to make sure that article 50 is not triggered until at least the new year.

The Prime Minister: The triggering of article 50 is a matter for the British Government, and it is important we establish that. What matters is that we do as much work as possible to determine the best possible model that we want to try to negotiate for, which must be a matter for the new Prime Minister, and then he or she will make the decision to trigger article 50.

Matt Warman (Boston and Skegness) (Con): Boston in my constituency voted more than any other place in the country to leave the European Union, and it has seen the highest level of immigration from eastern Europe to this country. I am keenly aware that those migrants are my constituents too, but does the Prime Minister agree that we owe it to the will of the people who live in my constituency to deliver on the promises to reform immigration and increase spending on the NHS if we are to retain their faith in this place?

The Prime Minister: We must continue to enact our manifesto promises, one of which was to set up an immigration impact fund. We need to set up and establish that on, I hope, an all-party basis. We should continue to deliver for the NHS, as we promised in our manifesto and as we have done. Clearly, one of the key issues in this negotiation is how to balance the difficult decisions about access to the single market and better control of immigration, and I think that goes to the heart of what the country needs to do.

Gavin Robinson (Belfast East) (DUP): The Prime Minister and I were on different sides of this argument, but when he spoke on Friday, he did so with his dignity, his principles and his honour intact. I am very grateful to the Prime Minister for indicating that discussions will commence this week on the common travel area. May I, however, ask him to dismiss the notion that there could be a border poll in Northern Ireland, to dismiss the notion that the devolved institutions can wield a veto in this process and to resolve that only with the collective will to do what is in our national interest will we maintain this United Kingdom?

The Prime Minister: I thank the hon. Gentleman for his kind remarks. He is right to say that it is important to get it right on the common travel area issues, which are complex and difficult, if Northern Ireland is going to be the frontier between the United Kingdom outside the European Union and the European Union. On the border poll issue, the rules are set out very clearly in the Good Friday agreement, and I do not believe they have been triggered. In terms of the decision to leave the EU and how we do it, that is principally a matter for this Westminster—the United Kingdom—Parliament.

Robert Neill (Bromley and Chislehurst) (Con): The Prime Minister has shown the decency and courage that one of my predecessors, Harold Macmillan, would have respected. I think Harold Macmillan would have wept on the day this has happened and on the day the Prime Minister departs. Will the Prime Minister concede that it is very clear legally that article 50 is the only proper means of exiting the European Union and that any

attempt to circumvent it would be wrong and would involve this country in a breach of its international obligations, which no decent leader of this country should ever contemplate?

The Prime Minister: Let me thank my hon. Friend for his remarks. He is right that the only legal way that has been set out to leave the EU is by triggering article 50. That is clearly what our partners want us to do, although not all of them believe that we have to do it immediately, which is why I believe we have some time to examine the right model we want to negotiate for and then to pull that trigger. As I understand it, that is the only legal way to get the job done.

Mr Pat McFadden (Wolverhampton South East) (Lab): During the campaign, we heard quite a lot of criticism about politicians, elites and experts, so may I ask the Prime Minister about a promise made by the leave side just this morning? The hon. Member for Uxbridge and South Ruislip (Boris Johnson) has said that he wants to maintain full access to the single market. Can the Prime Minister name a country that has full access to the single market that does not also have to accept the free movement of people?

The Prime Minister: The technical answer to the right hon. Gentleman's question is that there are no countries today that have full access to the single market without contributing to the budget or accepting the free movement of people. Where we should try to seek some cross-party agreement is that I think it is in all our interests, whatever the eventual decision, to make sure we are as close as possible economically to our friends and partners in the European Union. That is obviously going to have to be negotiated, but my view is—the closer, the better.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): As somebody of Polish origin, I am very proud of the contribution Poles have made to this country not just during the battle of Britain, in which the Polish 303 Squadron was one of the largest, but in recent years. As chairman of the all-party group on Poland, I have invited the chairman of the Polish Social and Cultural Association to the House of Commons to show solidarity with the Poles following that appalling attack, and I very much hope that the Prime Minister might be able to join us for that meeting.

The Prime Minister: I commend my hon. Friend for his work with the Polish community here in the United Kingdom and for furthering relations between Britain and Poland. I spoke to the Polish Prime Minister this afternoon to say how concerned I was about the terrible attacks that have taken place and reassure her that we were doing everything we could to protect Polish citizens in our country. Poland is a country that is very sad to see Britain leave the European Union because we are like-minded on so many issues, including open markets and enterprise, and the Atlanticist nature of the EU. We must make sure that we work for the strongest bilateral relationship between Britain and Poland in the years ahead.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): May I commend the Prime Minister for the way that he has accepted the verdict of a United Kingdom-wide

referendum? The rest of the House should accept that verdict in the way he has. As for implementing it, will he tell the House whether he intends to replace our commissioner, and to set up a special unit at UKRep?

The Prime Minister: First, I congratulate the right hon. Lady on the role she played in the campaign as a very key spokesman for that side of the argument. I pay tribute to Lord Hill, who worked incredibly hard in the European Commission; I am very sad to see him go. We should try to seek a replacement, because the fact is that we are a full, contributing and paying member of this organisation until we leave, and we should therefore have a commissioner, although I am sure that will be a challenge. UKRep in Brussels is ably led by Sir Ivan Rogers, who I hope will remain in place and continue to give the excellent advice that he has given to Ministers to date.

Simon Hoare (North Dorset) (Con): Although the hon. Member for Vauxhall (Kate Hoey) is right, I make no apology for bringing my right hon. Friend back to the topic of the racism we have seen since Thursday. A tweet has been sent to a young black woman in London that says:

“Go home! #wevotedleave. Time to make Britain great again by getting rid of u blacks, Asians and immigrants”.

When such a tweet can be sent, it would appear that a genie has been let out of the bottle—unintended, I am certain, by both sides of the referendum campaign. May I ask my right hon. Friend first that the police and prosecuting authorities have the resources to bring cases against perpetrators of this vile racism and secondly that he use his good offices with the leaderships of both of the referendum campaigns to call out this abuse for what it is and bring a stop to it now?

The Prime Minister: My hon. Friend is absolutely right. This is hideous language that we thought we had banished from our country and it is very important that everyone comes out and condemns it as strongly as possible. On his specific questions, the police have resources because we protected their budgets, and there are the necessary laws to prosecute hate crimes. As for the two campaigns, as far as I am concerned, they no longer exist; there is now one Government with one view, which is that we have to find the right path for the future. The sooner we can do that, the better.

Stella Creasy (Walthamstow) (Lab/Co-op): I am proud to say publicly that I voted for Britain to remain in the European Union. I am sure the Prime Minister would, too. I also respect and recognise that people across this House voted differently. All of us now need to help those at the sharp end of the decision, so will he tell us specifically what measures his Government are going to put in place for all the small businesses that are now facing a loss of or a pause in contracts as a result of the decision on Thursday?

The Prime Minister: The Business Secretary consulted businesses throughout the campaign, but has obviously stepped that up and is having a very large meeting with businesses tomorrow, and I will be doing more of that later in the week. The true position is that as long as we are in this organisation—until we exit—all the rules about trade, services, financial passports and access to

[The Prime Minister]

markets do not change. Now, informed by the work of the EU unit, we need to seek the very best possible deal to make sure that businesses can still benefit from access to European markets.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): The Prime Minister, the Chancellor and the Governor of the Bank of England have commendably acted swiftly to restore calm to the markets and confidence in our country and economy. However, the Prime Minister knows that many people are leading voters to believe that a second referendum is possible and could be run on different rules. What would he say to those people who are encouraging others to believe that that is a possibility?

The Prime Minister: People will not be surprised to hear that I am not planning a second referendum. We have to accept the result, and get on and deliver it. As we do so, we have to seek the best possible deal, and obviously this House should be involved in that process.

Caroline Flint (Don Valley) (Lab): The scare stories about immigration that were spoken about by the people leading the leave campaign, and outriders, were frankly shameful, but we have a country that is divided between our cities and small town Britain, for which immigration was the No. 1 issue. Beyond an impact fund—which I support, although I was sorry to see it abolished some years ago—will the Prime Minister assure me that in the weeks before the House rises and over the summer, we will look more deeply into the pressures on our small town communities and different employment sectors, and into some of the abuses that are going on and the increased pressures on housing and rents? I also say gently that I am somewhat surprised by his statement that the new EU unit in Whitehall does not include the Home Office.

The Prime Minister: On that last point, the new EU unit will be working with every Department, because every Department is affected by this decision. The Home Office will play a leading role in trying to work out the options for leaving the EU but maintaining good levels of co-operation on crime, borders, information on terrorism, and all the rest of it. That useful work can be done before my successor takes office. I agree with the right hon. Lady that immigration was a key issue in the referendum, and we as a country must look at what more we can do to help people to integrate, and to examine the pressures on various public services. I made a series of suggestions about welfare changes that will not now be coming in, and I am obviously sad about that. We need to find some alternatives to those to reassure people that we can have a good, fair and managed system for immigration, from both outside and inside the EU.

Mr Jacob Rees-Mogg (North East Somerset) (Con): All I would like to do today is thank my right hon. Friend the Prime Minister for his years of service to the party and the country. Had the result been the other way round, I hope that my side would have behaved with the dignity and nobility that he has shown.

The Prime Minister: I thank my hon. Friend for his kind remarks and for the spirit in which they were given.

Mike Gapes (Ilford South) (Lab/Co-op): The Prime Minister said that there is now collective Government and Cabinet responsibility. In that context, will he say on behalf of the right hon. Member for Surrey Heath (Michael Gove) and the hon. Member for Uxbridge and South Ruislip (Boris Johnson) that we will have a vote in this House before article 50 is triggered?

The Prime Minister: First, on a technical issue, my hon. Friend the Member for Uxbridge and South Ruislip (Boris Johnson) is not a member of the Government—an important point. To answer the hon. Gentleman's question directly, I cannot give that guarantee. The decision to trigger article 50 will be for the next Prime Minister and Cabinet, and the arrangements that are put in place must be for them to decide.

Mr Speaker: The Prime Minister is not responsible for the hon. Member for Uxbridge and South Ruislip (Boris Johnson), and he is probably quite pleased that he is not.

Mr Peter Bone (Wellingborough) (Con): The Prime Minister must take great credit for delivering the referendum, for the way he campaigned—the remain vote was undoubtedly higher because of that—and for the way he reacted afterwards. We have been talking about collective responsibility, so will all Ministers now be behind the Prime Minister in leaving the EU? There is some talk today that the exit of the Prime Minister will now be earlier—sometime around the end of August. Will he comment on that?

The Prime Minister: I meant what I said about collective responsibility. It was suspended for this campaign, but it has now come back into place. Members of the Government and the Cabinet are of one view, which must be that we deliver the country's will to exit the European Union, although the key decisions for that will be taken by the next Prime Minister. On arrangements for the leadership election in the Conservative party, all sorts of bodies—the 22, the party board, and all the rest of it—will make decisions. I am your servant, as it were. I want to ensure stability and continuity in the Government of this country and that we take the necessary steps to stabilise things. I know that the right thing to do is to hand over to a new team and new leader to take those issues forward.

Liam Byrne (Birmingham, Hodge Hill) (Lab): I welcome the emphasis that the Prime Minister puts on coming back together as a community. There are people now living in fear in the way the hon. Member for North Dorset (Simon Hoare) described. It is down to us to put the decency back into our democracy. Does the Prime Minister understand the rage that many feel at what appear to be mistruths told about the virtues of coming out of the European Union, such as an extra £350 million a week for the national health service? May I press the Prime Minister on the answer he gave to my right hon. Friend the Member for Normanton, Pontefract and Castleford (Yvette Cooper)? We are about to go into some of the most dangerous waters this country has

ever entered. It would be strange if we in this House carried on with arrangements as if business was going on as usual. Transparency is the best guarantee against any more mistruths. Surely our parliamentary arrangements must be strengthened to provide oversight of the right arrangements for leaving the European Union?

The Prime Minister: First, the right hon. Gentleman is right that we need to, as he put it, get the decency into our democracy. He is right that we must stamp out hatred and intolerance, but I do not believe we need to refight the referendum campaign. I will reflect on what he says and on what the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper) said. There is a very big task for Government and Parliament to set out and examine, in an objective and fact-based way, the alternative models for leaving the European Union: what are the advantages, what are the disadvantages? This House has a big role in that. Whether it needs a new Joint Committee or whether it suits the existing Select Committees, I am very happy to receive advice and ideas from hon. Members. But certainly this House should play a proper role in informing the public and making sure we get the decision right.

Richard Graham (Gloucester) (Con): The Prime Minister is absolutely right that all of us who voted remain must accept the referendum result and do our best to implement it as well as possible. The manner and tone of his resignation speech and statement today is absolutely in keeping with the unifying, one nation Toryism he has done so much to advocate.

Among the divisions left in the wake of the referendum, many young people feel let down by their parents and grandparents. Does my right hon. Friend agree that in the weeks ahead the current Government should seize all opportunities to reassure young people that the opportunities and benefits that many of them see in Europe will still be available to them after the process of leaving the European Union?

The Prime Minister: My hon. Friend makes an important point. We must accept the result. During this process of debate and discussion involving Parliament and Government, there will be many arguments that people will want to look at on how we exit the EU and the relationship we will have at the end. What will it mean for young people in terms of travelling, working and studying? Those are all questions. Now that we are not talking about theoretical alternatives to membership, but are talking about the actual alternatives to membership, we need the maximum amount of detail, transparency and debate so people can make their voices heard.

Several hon. Members *rose*—

Mr Speaker: I am keen to accommodate colleagues, but there is a premium on brevity—to be exemplified, as always, by Mr Douglas Carswell.

Mr Douglas Carswell (Clacton) (UKIP): I applaud the Prime Minister and I welcome his statement. Now that withdrawal from the European Union is the policy of Her Majesty's Government, will the Prime Minister confirm that some of the architects of the vote leave campaign, not just the Europhile mandarins, will be involved in the work of the new Cabinet Office unit?

The Prime Minister: First, the Government and the Cabinet include many people who were prominent in both campaigns. As I said, the campaigns are now over: there is one Government and one Government policy. Let me take issue with the hon. Gentleman about our civil servants. They are impartial. They are hardworking. They are the best of British. They do a very fine job and I am sure they will help us to deliver this incredibly important and difficult challenge.

Mr Philip Hollobone (Kettering) (Con): Whatever the final form our exit negotiations from the European Union take, it is clear to everyone that we will need to strengthen our trading relationship with other economies around the world. The Prime Minister is right to set up the EU exit unit in the Cabinet Office, but what steps is he taking to supercharge the Department for Business, Innovation and Skills, so that we can have a team of crack trade officials to start negotiating such trade agreements?

The Prime Minister: That is exactly the sort of issue that we will be considering. It may be the case that we have to negotiate our exit from the EU first before being able to make many of those arrangements, but we should certainly be doing the research and the work. The Foreign Office and the trade envoys can help with that as can the Department for Business, Innovation and Skills.

Mr David Lammy (Tottenham) (Lab): May I say to the Prime Minister that I saw very closely the work that he did during the riots and I am very grateful for that? He will recognise that some of my constituents are among the poorest in Britain. In these very tough economic times, it is the poorest who will suffer. Does he recognise that young people, poor people and many middle class people who voted for remain want a plan, and that lies behind the call for a second referendum on the detail?

The Prime Minister: As I have said, we need to set out the options for the model of leaving. The next Government will make those decisions and they will have to confront the issue that the right hon. Gentleman raises of how to involve Parliament in those decisions. That will be something for them and for Parliament, but not for me.

Pauline Latham (Mid Derbyshire) (Con): May I echo the comments of many of those who say that the Prime Minister has been a tremendous leader not just for this country, but for the party? If it was not for him, there would not be such a diverse field of Members of Parliament behind him. May I also say that, in my constituency and around Derby and Derbyshire, many businesses are concerned that trade missions abroad will be put on hold? Can we make sure that, in this period when we are still in Europe, those missions that were planned before can continue, because we must keep working for this country?

The Prime Minister: I thank my hon. Friend for her kind remarks. I can certainly give her the assurance that trade missions will continue. If anything, they need to be stepped up.

Frank Field (Birkenhead) (Lab): May I take the Prime Minister back to the resignation of our European commissioner? Given the importance of that role, can we expect him to make a replacement within days rather than months?

The Prime Minister: I am moving on that as fast as I can. Obviously, the process of getting the commissioner appointed includes hearings of the European Parliament and all the rest of it, but as a full-paying, full member, I think that we are entitled to have a commissioner.

Mark Menzies (Fylde) (Con): May I put on record my sincere thanks to the Prime Minister for the support that he has given to BAE Systems and its 6,500 men and women, many of whom are apprentices and graduates, who work at its facility in my constituency? Such is the level of his dedication that he has visited that plant more often than all of his predecessors combined. May I ask him for his reassurance that the Government will continue to do everything they can to secure the futures of the people who work on the Typhoon Eurofighter and on pan-European projects?

The Prime Minister: I am very grateful to my hon. Friend for his remarks. I will continue to do everything I can to support BAE Systems. I enjoyed watching Typhoons fly over Cleethorpes on Armed Forces Day on Saturday. I will continue to work as hard as I can to ensure that we secure orders abroad.

Joan Ryan (Enfield North) (Lab): The Mayor of London has rightly expressed his concern about the consequences that Brexit will have on the London economy, jobs and growth. Clearly, that is a concern for the whole country. Given that the financial sector relies on retaining passporting rights to the European market, will the Government guarantee that that will be a top priority for negotiations with the EU? Does the Prime Minister agree with the Mayor of London that London needs a seat at the table for the forthcoming negotiations with the EU?

The Prime Minister: As I said in my statement, the Mayor of London and the London Assembly should be involved. Financial services make up 7% of our economy. Two third of the jobs are outside London, and access to the single market is vital. I hope that they make their voice heard very strongly in making sure that we seek the closest possible relationship economically with Europe.

Paul Scully (Sutton and Cheam) (Con): Our economic priority must be to settle short-term uncertainty and to position ourselves to make the most of opportunities in the long term. Does my right hon. Friend agree that, while digesting the referendum result and commenting on a way forward, we should concentrate on our economy's strong fundamentals and not talk our economy and our country down?

The Prime Minister: My hon. Friend is absolutely right that we must talk up our strengths—and they continue to be our strengths—but we do need to be realistic in meeting the challenges and difficulties that we face.

Rachel Reeves (Leeds West) (Lab): The Treasury Committee's report on our membership of the European Union looked at the short-run risks of volatility, many of which are now manifesting themselves with sharp falls in sterling, the volatility on the stock exchange and Government bond yields falling to an all-time low. What actions are the Government taking now to protect British jobs, growth and living standards?

The Prime Minister: The hon. Lady is absolutely right: the Treasury Select Committee did look at that and warned about the volatility. We have seen a lot of that volatility and the reaction of the Bank of England and the Treasury to it. As well as the volatility, we have to look out for the dangers of uncertainty. The Government stand ready to help in any way they can. Part of this will be reassuring business that all the trading relationships continue while we are in this negotiation. The hon. Lady is right to say that there will be challenges ahead.

Mr Dominic Grieve (Beaconsfield) (Con) *rose*—

Sir Edward Garnier (Harborough) (Con) *rose*—

Mr Speaker: The right hon. and learned Member for Beaconsfield (Mr Grieve) has only just started bobbing, but I think we should hear from him.

Sir Edward Garnier: A double bob.

Mr Speaker: Indeed. I call Mr Dominic Grieve.

Mr Grieve: While we have to accept and must accept the referendum decision, is not the problem that, in the course of the campaign, statements were made by those advocating vote leave, which were, first, false and, secondly, in many cases unfulfillable? One thing that came out so clearly from this referendum campaign was the increasing disconnect between the public and those of us in this House who are, as the public would see it, in authority. What can we do and what should we do to restore that trust? My right hon. Friend the Prime Minister has behaved impeccably in this matter and I would like to thank him for his long service to this country, but if we do not restore that trust, the role of this House will, it seems to me, be fatally undermined.

Mr Speaker: Has the right hon. and learned Gentleman spoken for his chum as well?

Sir Edward Garnier: No.

Mr Speaker: Oh, well.

The Prime Minister: I thank my right hon. and learned Friend for his kind remarks. He is right that one concern that came through in this referendum is that people are disaffected with politics and politicians, but with expert opinion as well. What we need to do now is to recognise that we are moving on from describing the situation that exists today and a number of hypothetical situations towards making real choices. Perhaps this House, the Government and all the rest of it can come into their own by setting out in a cool and neutral way what the alternatives are and the costs and benefits that apply to them. Then we might be able to restore some of the trust.

Liz Kendall (Leicester West) (Lab): The Chancellor said this morning that action to address the referendum's "impact on the economy and the public finances"

will not be taken until the autumn. At a time of such risk and uncertainty and with continuing weaknesses in our economy, I find that staggering. Will the Prime Minister reconsider this decision and bring forward a proper plan, particularly to secure the private and public sector investment that our economy will need to weather the incoming storm?

The Prime Minister: I think the Chancellor was referring to the idea that fiscal measures might be necessary if the economic impacts of leaving prove to be as bad as some of the independent forecasters suggested. He was referring to the idea of having some form of Budget. The Government stand ready, with the Bank of England and others, to take any measures necessary to help to create the market stability that might be necessary.

Mr David Nuttall (Bury North) (Con): I warmly thank my right hon. Friend for his statement today. I have long hoped for this day, ever since I stood right here on 24 October 2011 and first moved the motion that there should be a referendum on our membership of the European Union. What does my right hon. Friend think it says about the nature of the European Union that several member countries reportedly want to "punish" the UK simply because a majority of people had the temerity to vote to leave it?

The Prime Minister: Let me first congratulate my hon. Friend on his long campaign. I think that when we look at the reaction of the European Union to these events, we should be careful not to view it entirely through the filter of media outlets that want to see only one reaction. What I sense from the conversations I have had with the Germans, the French, the Poles, the Italians and others is that they are genuinely sad to see the United Kingdom go. They genuinely want to have a good and strong relationship with us when we leave. Obviously, however, they, like us, have to think of their own interests, just as we think of our own interests. The fact that the 27 member states will meet without the United Kingdom after the European Council should not be seen as surprising. In fact, many of us said that that would happen if we were to leave. We will fight like mad for our interests, but they will fight for theirs. We have to try to convince them and try to maintain in ourselves good, open and strong relations so that this becomes a dialogue leading to a mutually beneficial result rather than a war of words or something worse that then leads to a painful divorce.

Pete Wishart (Perth and North Perthshire) (SNP): The Prime Minister's response to my right hon. Friend the Member for Moray (Angus Robertson) was quite simply woeful. Scotland voted overwhelmingly to remain in the European Union—62% of voters, and every local authority in Scotland. We value our EU membership. We are a unitary nation. What does the Prime Minister now say to the people of Scotland, who believe that we should remain within the European Union? What do we do now?

The Prime Minister: What we do now is make sure that we get the very best outcome from this negotiation, so that it is good for the United Kingdom and good for

Scotland. It is all very well the hon. Gentleman waving his finger, but that is actually what matters most to the people of Scotland.

Jeremy Lefroy (Stafford) (Con): I pay tribute to my right hon. Friend for his leadership over many years, and thank him for it. I also pay tribute to the German Chancellor for her measured and wise words over the weekend, which I believe set a good tone for the negotiations. May I ask my right hon. Friend what measures are being taken to ensure that we strengthen bilateral relations, right now, between us and all the 27 other members of the European Union, given that we will not be dealing with them through the filter of the European Union in future?

The Prime Minister: I thank my hon. Friend for his kind remarks. Obviously, one of the great roles of the Foreign Office will be to concentrate on those bilateral relations, even as we conduct this very complicated and difficult negotiation. We do have embassies in every single European country, and we do have strong bilateral relations. With my negotiation, I was the first British Prime Minister to visit some of the further-flung parts of the European Union, and I will certainly—in whatever capacity—do everything I can to keep those bilateral relations strong, because that will help our negotiation for our future in Europe.

Kevin Brennan (Cardiff West) (Lab): I voted remain, but belatedly picked up a leaflet this morning in my London flat—the official leaflet of the leave campaign. It said that the NHS could receive an extra £350 million a week as a result of a vote to leave. Can the Prime Minister tell us when the NHS can expect to receive that money?

The Prime Minister: Obviously, until we leave the European Union we will continue our contributions to the European Union, and at that moment my successor will have to explain where the money is going.

Alberto Costa (South Leicestershire) (Con): The City of London boasts some of the best global lawyers in the world. May I urge the Prime Minister to speak to the Law Society of Scotland, the Law Society of Northern Ireland and the Law Society of England and Wales, to ensure that the very best British lawyers will undertake half the negotiation team's efforts?

The Prime Minister: My hon. Friend has made an important point. I have talked about the EU unit, which will obviously contain the best and brightest from the civil service, but it is also important for us to secure the best and brightest from the private sector, whether they are lawyers, financial experts or trade experts. We want all that expertise to be involved in what will be a massive national endeavour.

Several hon. Members *rose*—

Mr Speaker: Order. I understand why there are courteous prefaces to many questions, and that, I think, is appreciated in the House, but it would now be really useful if we could have single, short supplementary questions, because the Prime Minister is giving admirably succinct replies.

Mr Chuka Umunna (Streatham) (Lab): This is a short, succinct question, Mr Speaker. Does the Prime Minister think that precipitating a collapse in the value of sterling, a fall in the value of our equities and a suspension of trading in our banks amounts to Britain taking back control?

The Prime Minister: As I think I have said, there are financial consequences that we need to manage in the days and weeks ahead.

James Cartlidge (South Suffolk) (Con): Further to the question asked by my right hon. and learned Friend the Member for Beaconsfield (Mr Grieve), does the Prime Minister accept that a very clear prospectus was sold to the electorate who voted to leave, which included an explicit promise to end unskilled migration from the European Union? That promise was explicit, and it is what those people voted for. Does the Prime Minister believe that it can be delivered?

The Prime Minister: As I have said, I think that one of the greatest challenges will be negotiating the best possible access to the single market, and balancing the issue of the best management and control of migration. That will be a decision for the future Prime Minister, and it will be one of the most important that he or she, and a Cabinet, will have to make.

Ian Murray (Edinburgh South) (Lab): The fact that 78% of the voters in my constituency voted to remain was in no small part due to the contribution the EU makes to higher education and to the large financial services sector in Edinburgh. What is the Prime Minister doing to reassure my constituents and others all over the country, given the uncertainty that he has created by calling this referendum, in the period up to article 50 being introduced in this House, as well as after article 50 and beyond Brexit? There is uncertainty, and people are worried about their jobs and livelihoods.

The Prime Minister: First of all, we have to respect the outcome of the referendum. I think it is right not to trigger article 50 because that will start a process that will have to result in an exit within two years. That could be an unmanaged exit if the process is started too soon. The people working in financial services, including the 100,000 who work in Edinburgh and Glasgow, form an important part of our economy—*[Interruption.]* And in Aberdeen. And in Aberdeen Asset Management; I shall give them a plug as well. We have to do everything we can to get the best possible access to the single market.

Several hon. Members *rose*—

Mr Speaker: A single eloquent sentence from an illustrious QC? I call Sir Edward Garnier.

Sir Edward Garnier (Harborough) (Con): In addition to the work that the unit of the Chancellor of the Duchy of Lancaster will be doing to look outwards to the European Union and our relations with it, will he also look at the preservation of the United Kingdom?

The Prime Minister: Yes.

Mr Speaker: Doubly splendid.

Paula Sherriff (Dewsbury) (Lab): Like many others across the House, I have been saddened and deeply distressed to hear of some terrible racist and xenophobic incidents recently. In fact, during the course of this debate, I have been sent a message to say that a young lady in my constituency has been told to go “home”. This is her home, and she is very welcome here. Will the Prime Minister agree to convene an urgent meeting of a cross-party commission to look into race hate crimes and how we can eradicate this cancer from our society?

The Prime Minister: The hon. Lady’s point is absolutely right, and as for the organisation that she mentions, I shall look into it.

Mr Robin Walker (Worcester) (Con): One of the greatest achievements of this Prime Minister has been to make the job of eliminating youth unemployment no longer an impossible dream but an achievable mission. Like him, I agree that that might become more challenging, but also like him, I agree that we must accept the outcome of this referendum. Does he agree that whoever his successor might be, he or she should ensure that the opportunities and life chances of young people are at the heart of our mission?

The Prime Minister: My hon. Friend is absolutely right. Whatever the challenges might be, and whatever route we take through the difficult pathway of access to the single market and the control of migration, one of the best ways to control migration is to increase the apprenticeships and opportunities available to our own young people in our own country to enable them to fill the jobs that our economy has created.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): Key industries in my constituency, notably agriculture and fish processing, face challenging times because they rely on European market access and also depend quite heavily on migrant workers to meet labour shortages. The Scottish Government are already meeting stakeholders in an attempt to steer through these turbulent times, but what are this Government doing to shore up confidence in those sectors? Can the Prime Minister tell us when he will be in a position to say what the status of those EU workers will be?

The Prime Minister: In terms of reaching out to businesses in different sectors, my right hon. Friend the Business Secretary will be doing that. He is holding a large meeting tomorrow with businesses, and I will be doing the same later in the week. I am certainly happy to look at some of the interests that the hon. Lady has mentioned. In terms of the answer I gave on the rights of EU workers, they will continue until we leave the organisation, and if I have heard correctly what those who want us to leave have said, the rights of those who are already here—students and workers—will be protected.

Tom Pursglove (Corby) (Con): I too pay tribute to the Prime Minister. Does he agree that in negotiating the exit, it will be crucial for each of the nations of the United Kingdom to be formally represented?

The Prime Minister: Yes, it is important that the negotiating mandate is drawn up with the involvement of all the constituent parts of the UK.

Heidi Alexander (Lewisham East) (Lab): Can the Prime Minister tell us what justification the Leader of the House and the Secretary of State for Northern Ireland have given him for claiming that, should we leave the European Union, there would be £350 million a week to spend on the NHS?

The Prime Minister: I do not want to re-fight the campaign. Obviously, there was a disagreement about whether we would have less money with a smaller economy or whether we would have more money by leaving the EU. We are now putting that to the test and the results will be clear for all to see.

Mrs Flick Drummond (Portsmouth South) (Con): While I am pleased to hear that the new unit is being set up, can the Prime Minister assure us that resources will not be diverted from the life chances agenda, which he has been so instrumental in bringing in and which means so much to the people of Portsmouth, and that the agenda will continue with good pace?

The Prime Minister: I can certainly give that assurance. Obviously, the key European issues will be for the Foreign Office, the Treasury and the Cabinet Office. The agenda that my hon. Friend talks about will be important in the weeks ahead.

Kerry McCarthy (Bristol East) (Lab): Given the disdain shown by many leading leave campaigners towards EU environmental protections, can the Prime Minister tell me what stance will now be taken as the EU looks at the fitness of the nature directives. Will we still be implementing the EU's circular economy package?

The Prime Minister: We remain a full member of the EU and must meet our obligations as a member of the EU, including the existing directives. That is important, but such matters will then be for a future Government. In the meantime, we will carry on obeying the rules set out.

Mr Nigel Evans (Ribble Valley) (Con): There is another group of people who are hurting since the result of Thursday's referendum: the elderly. They have been told time and time again that they have let down Britain and the youth of this country. Will the Prime Minister confirm that the elderly are greatly valued in this country and that their voices are of equal merit to those of young people?

The Prime Minister: My hon. Friend is of course right. The key thing about a referendum is that every vote in every part of the country is worth the same.

Mr Speaker: Single-sentence questions.

Brendan O'Hara (Argyll and Bute) (SNP): The overwhelming majority of my constituents and, indeed, of Scotland voted to remain in the European Union. Does the Prime Minister agree that it would be a democratic outrage if we were now to be stripped of our European citizenship?

The Prime Minister: Obviously, what I want is the best possible outcome for the United Kingdom and therefore the best possible outcome for Scotland. That is what matters most.

Jason McCartney (Colne Valley) (Con): I join colleagues in speaking out against racism and hatred. I actually voted for 16 and 17-year-olds to have a vote in the referendum, but I also have the utmost respect for people of all ages who voted, including pensioners and the elderly. Many of them served our nation in years of peril.

The Prime Minister: I congratulate my hon. Friend on speaking out against racism. We must all continue to do that. He is right that every vote counts the same.

Peter Kyle (Hove) (Lab): Once the Government agree the terms of the negotiation, is that not when the House should make a judgment on whether the terms of the negotiation match up to the promises made by the leave campaign? This House should make that judgment before the negotiations go forward.

The Prime Minister: This House is sovereign. Under the reforms put through by the coalition Government, this House has all sorts of opportunities to take an issue unto itself and to vote on it. That now happens much more than when I first became a Member of Parliament when it was impossible to do that. My advice would be that the House must accept the will of the country. The next Government will have to bring forward their proposals on article 50 and the rest of it, and there will have to be discussions between the Government and the House about how that goes ahead.

Kevin Foster (Torbay) (Con): Does the Prime Minister agree that it would make as little sense for us to put trade barriers between us and 44% of our market as it would for Scotland to put barriers between itself and 90% of its export market?

The Prime Minister: My hon. Friend makes an important point. As I said, Scotland benefits from two single markets, and I am keen to keep it in one and as close as possible to the other.

Wes Streeting (Ilford North) (Lab): If the Prime Minister cannot guarantee today that there is £350 million a week for the NHS and all the other promises made, what does that do to trust in politics and what does it say about the fitness for office of the Leader of the House, the Secretary of State for Northern Ireland, who has left the Chamber, the Secretary of State for Justice, and the former Mayor of London?

The Prime Minister: I do not propose to re-fight the campaign. The point is that the two sides had different arguments. One was that if the economy reduced in size, there would be lower tax receipts and less money available. The other side said that money will be available because we are leaving the EU. As we are now leaving the EU, we will be able to test, in time, which of those answers is the right one.

Mike Wood (Dudley South) (Con): Succinct thanks to the Prime Minister, but what assessment has he made of the opportunities for preliminary negotiations before triggering article 50?

The Prime Minister: The assessment I have made is that it is a national sovereign decision to trigger article 50, so it is right for this Government to prepare the ground and for the next Government to choose the model they think is the right one to pursue, to hold some discussions and then to trigger the article 50 process. Just so the House fully understands, that has a two-year limit that can be extended only by a unanimous vote of all the other 27 members. At the end of that two-year period, if you do not have an arrangement, you then move to World Trade Organisation rules, so it is right that we go about this deliberately and sensibly, in order to get the best deal for our country.

Several hon. Members *rose*—

Mr Speaker: Another distinguished QC with a single-sentence question I feel sure—I call Joanna Cherry.

Joanna Cherry (Edinburgh South West) (SNP): Thousands of my constituents are employed in Edinburgh's financial sector, which is the second biggest in the UK. Can the Prime Minister give me his assurance that the UK Government will work with the Scottish Government to make sure that my constituents' jobs do not face a similar threat to that faced by people in the City of London, where it is estimated that up to 70,000 jobs could go abroad in the next 12 months?

The Prime Minister: I can certainly give that assurance. This is an important industry for our country; it is 7% of the economy. The jobs in Scotland, in Bristol and in Bournemouth are just as valuable as the jobs in London, and I want to keep as many of them as possible.

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): One of my local councillors in Butetown was told this weekend to

“get out of the country”,

and a former Tory candidate, Shazia Awan, in Caerphilly, was told:

“I cannot wait to send you and the anti-white garbage that you stand for back to the third world dumps that you came from.”

Will the Prime Minister send a clear and unequivocal message from this House to that small number of people—and some leaders of other political parties—that if you indulge and stoke fear, you generate hate?

The Prime Minister: I would add to that: you not only generate hate, but you commit a crime and you can be prosecuted—and the police should not hold back.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): With a volatile currency, there are fears that petrol prices could rise sharply as sterling falls faster than the oil price. Those fears are being heightened by the Chancellor's threat, pre-referendum, of a punishment Budget. Will the Prime Minister assure motorists, and businesses such as Cadzow Heavy Haulage in my constituency, that the Government will not enforce a large hike on fuel duty?

The Prime Minister: Let me say now what I said at the time, which is that nobody wants to have an extra Budget or any difficult measures for taxes or spending, but, obviously, any Government have to react to the economic circumstances they face. Let us hope that the economic circumstances are not as bad as the experts predicted.

Catherine McKinnell (Newcastle upon Tyne North) (Lab): Over the next five years, the north-east was due to receive £726 million in EU funding. Will the Prime Minister give some much needed reassurance to the regions currently relying on hundreds of millions of pounds of EU funding that they will still receive the same amount from Whitehall?

The Prime Minister: Obviously, I cannot give that assurance today, but we heard during the campaign from those who were arguing we should leave that we ought to try to do everything we can to help disadvantaged areas of the country—those in receipt of grants, farmers and the rest of it—with the best situation we can. I am sure that that is what will happen.

Liz Saville Roberts (Dwyfor Meirionnydd) (PC): There has been no mention of Wales yet in this debate and we have been speaking for one hour and 38 minutes. Will the Prime Minister agree to speak out for our future prosperity and commit, as best he can, to Wales's place in the European economic area?

The Prime Minister: Certainly. I mentioned Wales in my statement, and I have spoken to Carwyn Jones, the First Minister. Indeed, I appeared on a platform with him and the hon. Member for Cardiff South and Penarth (Stephen Doughty), but, sadly, that trio, brilliant though it was, was not enough to convince the people of Wales to vote to remain. It is important that we make sure that the Welsh voice is heard loud and clear. Wales has benefited from a lot of inward investment from companies that want to come to invest in Britain because we are in the single market. I would say to all those businesses that it is worth making sure that their voice is heard as we work out the best plan for the future.

Robert Ffello (Stoke-on-Trent South) (Lab): As well as jobs in the ceramics industry, many of my constituents rely on the logistics sector—indeed, all our constituencies need that sector. Given that there has already been a lot of concern about what is happening in Calais to hauliers coming across, what assurance can the Prime Minister give to the haulage industry that the border will remain in Calais, and will not find itself in Folkestone or Dover?

The Prime Minister: We support continuing the treaty that was established that has the border in Calais, and we will do everything we can to persuade the French to keep to their side of the bargain and continue as we are.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): The Prime Minister will no doubt have seen the First Minister of Scotland move quickly to reassure EU nationals living and working in Scotland that they are welcome and valued. In the highlands we need EU citizens: they are not only essential to our economy; they are our friends and neighbours. The Prime Minister said in his statement today—

Mr Speaker: Order. I am sorry, I am not prepared to have these speeches. *[Interruption.]* No, I am sorry—it is a speech. What I want is a one-sentence question. *[Interruption.]* It is no good gesticulating at me; the hon. Gentleman has got to do as he is asked to do—now. Please: one sentence.

Drew Hendry: The Prime Minister said in his statement to EU citizens today that there would be—

Mr Speaker: What is the question?

Drew Hendry: The Prime Minister said in his statement that there would be no immediate changes in their circumstances. Given that Scotland voted so heavily to stay in the EU, should it not be a decision for the people of Scotland if there is to be a change in their circumstances?

The Prime Minister (Mr David Cameron): This decision is going to have to be made by the new Government as they negotiate our position outside the EU, but I very much hope that the rights and allowances given to EU citizens here now working and studying and contributing would continue.

Diana Johnson (Kingston upon Hull North) (Lab): I wonder whether the Prime Minister regrets not giving 16 and 17-year-olds the chance to have a say in the future of this country.

The Prime Minister: No, I have always believed that 18 is the right age to have that vote, and I have always voted accordingly.

Alison Thewliss (Glasgow Central) (SNP): This is a Government Scotland did not elect, we had a referendum that Scotland did not want, and now Scotland is being taken out of the EU against our will. Does the Prime Minister agree that there has been a fundamental change in circumstances from September 2014?

The Prime Minister: What we need to focus on now is getting the best deal for the UK and getting the best deal for Scotland. It is worth looking at the *Daily Record* poll today, which indicates that it is not necessarily the case that Scotland is looking for a second referendum. *[Interruption.]* Just because the right hon. Member for Moray (Angus Robertson) does not like what he reads, does not mean he should not read it.

Alison McGovern (Wirral South) (Lab): The Prime Minister keeps saying that our economic fundamentals are strong, but our membership of the EU was one of those economic fundamentals, so may I ask him to speak to the Chancellor, who has now fled this House, to set up a plan to counter the Brexit recession, including increasing capital expenditure in the north?

The Prime Minister: The Chancellor sat through a lot of this statement and the responses, so I do not think what the hon. Lady says is entirely fair. He made a very clear statement this morning, but the guarantee I can give her is that he and I will remain in our posts until a new Government arrive, and if there is action we need to take, if there are reassurances we need to give, if there are measures that are necessary, we will do all we can to make sure our economy continues to succeed.

Kirsten Oswald (East Renfrewshire) (SNP): European citizens living in my constituency are anxious because of the despicable messages of the leave campaign—horrible incidents since the referendum and a lack of clarity now. The Prime Minister has just said there will be no immediate change to their circumstances. Does he recognise how little reassurance this brings?

The Prime Minister: Let me try to reassure Members. The only reason I am saying “No immediate changes” is that I am just trying accurately to reflect the legal situation, which is this: for people who are free at the moment to come and live and work in the UK—let me repeat that if they come here and they cannot support themselves, we can ask them to leave; that is important and has been the case for some time—as long as we are members of the EU, that continues. At the point at which we go, a Government will have to make a decision about what to negotiate with the rest of Europe about the rights of Europeans to come and live and work here—whether there will be visas or work permits, or what have you—and then there will be consequences potentially for British citizens going to live and work in Europe. The House is going to be able to debate all these things, so Members will be able to contribute to all these discussions and conversations, but I must answer accurately from this Dispatch Box, and what I can say is that as long as we stay in the EU those rights are protected, and I have gone further than that and said that everything I have heard from those who were campaigning to leave is that those rights will be continued after we have left.

Stephen Timms (East Ham) (Lab): Does the Prime Minister accept that maintaining very strong UK participation in Europe-wide scientific research collaboration needs to be an important strand of the work he has described going forward?

The Prime Minister: I very much agree with the right hon. Gentleman. This is an area where we have got more out of Europe than we have put in, and we will clearly want to safeguard that for the future.

Patricia Gibson (North Ayrshire and Arran) (SNP): Does the Prime Minister agree that if 55% of people in Scotland voting against independence was enough to keep Scotland in the Union, 63% voting to remain a member of the EU should be enough to keep Scotland in the European Union?

The Prime Minister: One could make the converse point, which is that if Scotland had voted to leave the United Kingdom, it would have left the European Union already.

Jim Dowd (Lewisham West and Penge) (Lab): Some discussion following the statement revolved around the response of Members of this House to the decision of last week. Throughout my experience during 24 years in this House, I have regarded my primary responsibility as being to the people of Lewisham West and Penge, who voted 2:1 for remaining in the European Union. Thus, I will oppose any measures that come before this House that would seek to undermine that.

The Prime Minister: Obviously, Members of this House have to vote as they see fit. My sense is that it would be wrong to disregard the clearly expressed will

[The Prime Minister]

of the British people, but clearly in future this House will be confronted with all sorts of decisions about the nature of our relationship with Europe and the rules and regulations under which we are going to leave, and the House will be able to have its say.

Tommy Sheppard (Edinburgh East) (SNP): If mechanisms, as yet unseen, were to emerge that would allow Scotland to remain in the European Union while allowing England and Wales to leave, would the Prime Minister facilitate such an approach or would he prefer to fuel the appetite of the Scottish people for their own self-government?

The Prime Minister: Obviously, I want Scotland to stay inside the United Kingdom, and it is a United Kingdom decision to leave the European Union, so what we should focus on is the best deal for the United Kingdom and the best deal for Scotland. That is the question. It is not “Could there be a referendum?”, but “Should there be a referendum?”

Angela Smith (Penistone and Stocksbridge) (Lab): Does the Prime Minister agree that one of the more positive things he could do in the time left to him would be to ensure that this House has the opportunity to vote before the summer recess not just on the Trident successor programme but on the building of the third runway at Heathrow?

The Prime Minister: There are a number of decisions that we are going to have to look at in the light of the new circumstances with which we are faced. I will be doing that over the coming days. I want to make sure that this Parliament is still debating, discussing and deciding important issues, and I will set out in the days to come what I think those important issues should be.

Ian Blackford (Ross, Skye and Lochaber) (SNP): Is this not the biggest foreign policy disaster for a Conservative Prime Minister since Eden and Suez? Specifically on the Scottish question, if the Scottish Parliament, backed by the Scottish people, calls for a referendum on Scotland’s independence in Europe, will the right hon. Gentleman leave a note for the next Prime Minister to say, “You must accede to the wishes of the Scottish people and allow that referendum?”

The Prime Minister: The question is not “Could there be a second referendum?”, but “Should there be a second referendum?” I do not believe there should be. That is the point that I would make. It is not clear from the *Daily Record* poll today that the Scottish people want a second referendum. They, like me, want to focus on getting the best relationship for the United Kingdom with Europe. Let us try and keep all these single markets together.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): At the weekend I received an email from a teacher in my constituency saying that children from ethnic minority and EU heritage backgrounds

“were crying and telling me that they were going to have to leave. Other children told us that their parents were proud and said it was great.”

The teacher said that

“we reassured all of the children and talked about the fact that everyone here would be able to stay but our community was afraid.”

What guidance is the Prime Minister giving to teachers and head teachers? I am sure that my school was not the only one affected.

The Prime Minister: We should be very proud of our diversity in this country and of the welcome that we have given to immigrants and refugees coming to our country, and we are proud of the contribution that they make. That message needs to go out loud and clear. Just because we are leaving the European Union, it will not make us a less tolerant, less diverse nation. That needs to go out loud and clear from all of us, whatever side of the debate we were on and whatever we felt about the campaign and some of the posters in it.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): During the independence referendum, Scottish people were told to vote no to preserve their place within the European Union, so will the Prime Minister now give Scotland an apology for that false promise?

The Prime Minister: Had Scotland voted to leave the United Kingdom, it would have been out of the European Union. One does not need to have many conversations with the Spanish Prime Minister to know how difficult it would have been to get back in.

Karin Smyth (Bristol South) (Lab): I am a regular traveller between Cavan in the Republic of Ireland and County Fermanagh in the north of Ireland. I never thought I would see that border go, and I weep at the thought of it returning. It beggars belief that the Secretary of State for Northern Ireland remains in post. What discussions has the Prime Minister had with the Taoiseach since Friday about Northern Ireland and the border?

The Prime Minister: Obviously, I have spoken to the Taoiseach, and I will be seeing him again tomorrow. He is taking an incredibly constructive and helpful approach. He is obviously very sad that Britain has decided to leave the European Union, but the relationship between Britain and the Republic is stronger than it has been for many, many years. What we have to do now is to sit down with officials in Northern Ireland and officials in the Republic to work out the best way of conserving all the parts of the common travel area that have been so beneficial and how we can do that in a world in which we are not in the European Union. It will be difficult, but we have to find a way through.

Alan Brown (Kilmarnock and Loudoun) (SNP): I fail to see how a Prime Minister who is working his notice can actually guarantee the continued involvement of the devolved Administrations for what is possibly a two-year period. However, can he confirm that the Scottish Government’s initial involvement will mean that they are able to represent the will of Scotland, which is to stay in Europe?

The Prime Minister: The Cabinet agreed this morning that there should be the greatest possible involvement of Scotland, Wales and the Government in Northern Ireland in drawing up and understanding all the challenges that we need to meet in this negotiation.

Paul Flynn (Newport West) (Lab): Has the level of lies, malice and exaggeration in both campaigns not degraded public discourse to a level where no one will believe politicians in the future? Is this not a threat to the whole status of politics and democracy?

The Prime Minister: I do not actually agree with that, and I think the turnout showed that people took this referendum campaign very seriously.

Geraint Davies (Swansea West) (Lab/Co-op): The complex negotiations prior to triggering article 50 will shape the future of Britain, so would it not be right for the British public, in the cold light of day, to have a referendum on the facts in front of them so that they can see the future, with a backcloth of being able to remain at home in Europe if they so wish?

The Prime Minister: We had a referendum on a very important, principled question about in or out. Now what needs to happen is that the different models of out need to be properly examined. Parliament should debate them, and the Government should make a decision. That is what needs to be carried out.

Chris Bryant (Rhondda) (Lab): Why does the Prime Minister not just commit to match the money for Wales, the north-east and all the other places that currently receive EU funding? He has made lots of commitments already today, so he could certainly do that. I will do a deal with him: if he does, I will make a contribution towards building a statue of him somewhere in Wales.

The Prime Minister: I am so glad that my resignation has set off such a chain reaction, including from the hon. Gentleman. It has been like filling a leaky bucket—the more you pour in, the faster you have to go. I have forgotten what the question was now—*[Interruption.]* Oh, the money. Obviously, it is at the point at which Britain leaves the European Union that a future Government will have to make the decision on how to match the money for Cornwall, the money for Wales and the money for farming. That is not a commitment I can give now. I very much hope that a future Government will be able to do that, but it will depend on the economic circumstances and the decision at the time.

Steven Paterson (Stirling) (SNP): The constituency I represent voted by over 67% to remain, and in Scotland, of course, the figure was 62%. Can the Prime Minister understand the democratic deficit that exists in Scotland, where we are being dragged out of Europe against our will?

The Prime Minister: My constituency voted by a majority to stay in the European Union, as did most of Oxfordshire, I am pleased to report, but we are one United Kingdom, and we take this decision on a United Kingdom basis.

Liz McInnes (Heywood and Middleton) (Lab): There are over 1.5 million 16 and 17-year-olds in the UK, and the referendum was won or lost, depending on your point of view, by 1.5 million votes. Does the Prime Minister still have no regrets about not allowing our 16 and 17-year-olds a say in their future?

The Prime Minister: I am sorry, but I do not think it would be right to change my mind about an issue simply because it would have helped my side in the debate.

Chris Bryant: You've done it before.

The Prime Minister: Quiet you at the back.

That is why I stuck to the view I have taken all along that 18 is the right age. I often find, going round secondary schools in the country and in my constituency, that when you ask sixth formers, there is quite strong support—sometimes majority support—for keeping the age at 18.

Patrick Grady (Glasgow North) (SNP): How does the Prime Minister's devolution respect agenda apply to the 78% of constituents in Glasgow North who voted to remain? What is his message to one of my constituents whose parents live in Spain and are increasingly concerned about the impact that this vote will have on their healthcare in future years?

The Prime Minister: I would say, very respectfully, that we had a vote on Scotland remaining in the United Kingdom and we had the Edinburgh agreement which said that the result should be respected. That meant that Scotland was part of the United Kingdom, and the United Kingdom has now had a vote on its membership of the European Union. That is how we do things.

Ruth Smeeth (Stoke-on-Trent North) (Lab): Seven thousand people are employed in the ceramics industry across the city of Stoke-on-Trent. Fifty per cent. of their trade is with the European Union, and their employers are incredibly concerned about the future. What reassurances can the Prime Minister give that the industry is still safe outside the European Union?

The Prime Minister: The ceramics industry is a classic example of one that needs to make its voice heard. I will make sure that happens and that we get a good negotiation, because if, at the end of two years, Britain were to come out of the European Union without an adequate deal, we could be facing quite large tariffs on, for example, ceramic products. That is a very good argument for why we need to think this through carefully, then trigger article 50 and make sure, during that process, that we protect the access of those industries to this vital market.

Neil Gray (Airdrie and Shotts) (SNP): Earlier in his statement the Prime Minister described the financial and economic reaction to Brexit as an "adjustment". I presume that was a euphemism. Does he believe that trillions of pounds being wiped off the share value of global companies, the pound at a 31-year low, and the threat of tens of thousands of jobs moving to the continent is just an "adjustment"?

The Prime Minister: The reason I used the word "adjustment" is this: there are clearly short-term financial and volatility effects, as we have seen, but my worry is that there will be longer-term uncertainty effects. People

[The Prime Minister]

and businesses will be concerned about the UK's access to crucial markets, and so there might therefore be a more fundamental adjustment. Now that the decision has been taken to leave, we need to make sure that we get the best possible access to the market so that the adjustment is as small as possible.

Gerald Jones (Merthyr Tydfil and Rhymney) (Lab): What assurances can the Prime Minister give to businesses in my constituency on the future of regeneration projects that were funded through the EU and the jobs that are linked to them?

The Prime Minister: The budget money is set out from 2014 to 2020, and while we are members of the EU all that money will continue to be spent. The crucial decision will be for the next Government at the point of departure, which could be 2017, 2018, 2019 or later, then to give reassurances to the hon. Gentleman and his constituents about how that European money might be replaced with something else.

Several hon. Members *rose*—

Mr Speaker: If everybody is to get in, the questions now need to be much shorter. Otherwise, I warn people, they will not get in, and then they will be upset.

Michael Dugher (Barnsley East) (Lab): Does the Prime Minister agree that there are profound lessons to be learned at the Government Dispatch Box, and indeed at the Opposition Dispatch Box, about how we listen to and responsibly address the perfectly legitimate concerns that good, decent working-class people have about things like unskilled immigration, and the consequent self-evident alienation they feel from their current political leadership?

The Prime Minister: Immigration was a key issue in this campaign. I was hoping that the welfare restrictions I had negotiated would help to address that, because people in this country feel a very clear sense that someone should not have something for nothing—that people should pay in before they take out. But clearly that was not enough to reassure people. Also, there has been a lot of immigration from outside the EU over many, many years. People want to see the system brought under control and management, and that is what needs to happen. We need to have a rational debate about it—I think there is a quite a lot of common ground between the two parties—and that is what we should get on with.

Stewart Malcolm McDonald (Glasgow South) (SNP): The Prime Minister said that a leave vote was like putting a bomb under the economy. Is that part of his long-term economic plan?

The Prime Minister: Obviously, I said that I thought our economy would be better off if we stayed in. The British people have made a different decision. Now we need to make sure that we do our best to safeguard our economy in the new reality.

Andrew Gwynne (Denton and Reddish) (Lab): In the last debate that we had on the EU, the Foreign Secretary said that the problem for the UK was that we had no

experienced trade negotiators left in the civil service. What are the Government now doing urgently to train up people so that they can negotiate on trade deals?

The Prime Minister: Obviously, we are going to be increasing our capacity in that vital area.

Martin Docherty-Hughes (West Dunbartonshire) (SNP): Earlier this year, Mr Speaker, you gave me and my community the great honour of commemorating the Clydebank blitz in your own home. Since that period in 1941, NATO and what became the European Union have delivered military and economic peace and prosperity for Europe. Do not the British Government, led by this Prime Minister, agree with my community that he has delivered us from peace into unparalleled chaos?

The Prime Minister: What this Government have delivered for Scotland is record rates of employment growth and business growth as part of a successful economy. The people of the United Kingdom have decided to take a different path with respect to Europe, but we must do all we can to continue to safeguard the economies of all the countries of the United Kingdom.

Mr Gavin Shuker (Luton South) (Lab/Co-op): As anyone who played an active role in the remain campaign will know, immigration was the top concern for a huge number of people who voted leave because they believed that the renegotiation would lead to the ending of free movement. I regret that, but does the Prime Minister believe that if those who inherit this situation try to airbrush that out, it will end in tears?

The Prime Minister: As I have said, I think that one of the most difficult decisions for a future Government will be how to balance access to the single market—the best we can get—with decisions about immigration. I do not know what exact answer can be found. The answer I found was welfare reform, which was bold and brave because it meant reducing welfare payments to newly arrived migrants. Those changes will now not go ahead, so that extra draw will continue for the next couple of years, but we have to find an answer to that problem. In a way, that is the puzzle we have now been set by the British people, which is, “We want access to the single market and we recognise the economic argument, but you’ve got to do better when it comes to immigration.”

Peter Grant (Glenrothes) (SNP): In response to repeated questions from Members on the SNP Benches, the Prime Minister has attempted to reduce one of the most ancient and proud nations on this planet to the status of an English shire county. May I suggest to him that if he is going to keep doing that, the Leader of the Opposition will have no need to find a shadow Secretary of State for Scotland, because there will be no Scotland Office to run in this place?

The Prime Minister: That is not what I was doing. Scotland is an incredibly proud part of our United Kingdom and I believe profoundly in the importance of the Scottish nation, Scottish nationhood and all that it brings to our United Kingdom. I was simply making the point that when there is a UK-wide decision, not everybody gets what they want. [Interruption.]

Mr Speaker: Order. The Prime Minister is very robust and perfectly capable of looking after himself, but I do think that when he addresses this House, very comprehensively, and attends to all our questions, he is entitled to a courteous hearing and not to be persistently heckled.

Andy Slaughter (Hammersmith) (Lab): May I thank the Prime Minister and the Leader of the Opposition for their condemnation of yesterday's racist attack on the Polish Social and Cultural Association in my constituency, which I visited this morning? The centre was built almost 50 years ago by the same generation of Poles who fought for this country in the battle of Britain, Monte Cassino and the battle of the Atlantic. Will the Prime Minister express his solidarity with the Poles and all our migrant communities, which are, in the wake of last Thursday's vote, feeling under threat?

The Prime Minister: I am very happy to do that. As someone who used to live in the hon. Gentleman's constituency, I know some of the Polish centres and restaurants quite well. They have made an amazing contribution to our country. He mentions the battle of Britain. We should always remember that—I do every time I go past the Polish war memorial—and we should say to those people, “You make a great contribution to our country. You are welcome and you can stay, and these attacks are hateful.”

Stuart Blair Donaldson (West Aberdeenshire and Kincardine) (SNP): Young people across the UK voted overwhelmingly to remain in the EU, so what specifically will the Prime Minister do to reassure and support young people now that the opportunities to live, learn and work across the EU have been taken away from them?

The Prime Minister: The point is that they have not yet been taken away from them. I urge young people to make their voice heard so that as we go into this negotiation to leave the EU, we try to get the very best arrangements for people's ability to study, travel and work, and all the benefits that young people want.

Daniel Zeichner (Cambridge) (Lab): Our great research institutions rely heavily on funding through the European Union. The Prime Minister suggests that nothing changes immediately, but for researchers the threat feels immediate and real. What support will he give to people to help them through these uncertain times?

The Prime Minister: The point I can add to what I have said before is that, of course, all contracts will be honoured, so if a British university has won a contract under the Horizon 2020 programme or whatever, that will continue during the life of that contract. Obviously, the key decision post-leaving will be about how we put in place arrangements to safeguard our excellent research facilities and universities.

Dr Rupa Huq (Ealing Central and Acton) (Lab): The Prime Minister has rightly condemned the worrying wave of post-Brexit racism, so will he absolutely commit to the Prevent strategy and, indeed, to reviewing funding for community cohesion generally, to stamp on these emboldened xenophobes?

The Prime Minister: I certainly think we should continue with the Prevent strategy and I am very happy to look at any ideas for things that we can do to strengthen our attack on hate crimes.

Helen Goodman (Bishop Auckland) (Lab): The farming community will be affected by this vote almost more than any other. It, too, was promised a continuation of subsidies and support. What reassurance can the Prime Minister give it that this will indeed be the case?

The Prime Minister: I can say what I said during the campaign, which is that as far as I am concerned, I want a living, working countryside where we continue to support our farmers. That was guaranteed as part of the EU up to 2020. What is going to happen now is that those farm payments will continue up until we leave and, at the point at which we leave, a new Government will have to make a decision. Certainly, I will be pressing for continued support for agriculture because, as I say, our countryside is as it is because it is farmed, and long may that continue to be the case.

John Woodcock (Barrow and Furness) (Lab/Co-op): Devastated citizens are unimpressed by party leaders who simply say that they did their best in this campaign. Will the Prime Minister take the opportunity at the end of this long session to say sorry for what he has done?

The Prime Minister: I made a pledge to hold a renegotiation and a referendum. I kept that pledge, and we carried it through in this House. I am sure that we have all got lessons to learn, but all I can say is that I threw absolutely everything into that campaign. I believed head, heart and soul in what I was saying. I was absolutely convinced of the merits of my case, and I did everything I could to get it across. But, in the end, if you hold a vote like that and you lose, you have got to accept the view of the British people. In my view, accepting it means that you have also got to accept that it is time for someone else to take the leadership of this great country forward, and that is why I have done what I have done. We have all got, I am sure, lessons we have learned and all the rest of it, but I am proud of the action that I took and the fact that I fought as hard as I did.

Mrs Madeleine Moon (Bridgend) (Lab): Forty-eight per cent. of the country wake up sick at heart and angry every day. Now, large numbers of people who actually voted for Brexit are also waking up sick and angry when they find out they were lied to about money for the NHS and about immigration. How does the Prime Minister hope to build unity in this country with a Government who may well include people who misled the British public in this referendum?

The Prime Minister: We now have to come back as one Government who have accepted the will of the British people to leave the European Union, and we have to find the best way for our country as we do that. That should be the focus. There is no point refighting the campaign. We have had the campaign and we have had the decision, and now we have to make it the best we can for our country.

Martin Vickers (Cleethorpes) (Con): May I take this opportunity to thank the Prime Minister for attending the national armed forces event in Cleethorpes on Saturday?

[Martin Vickers]

People were very appreciative, particularly after the events of the previous 48 hours, and it was particularly appreciated by the forces, both past and present.

Although the Prime Minister has clearly stated this, some of my constituents have nagging doubts about whether the Government will actually deliver Brexit. Perhaps it would be appropriate at the end for him to reaffirm yet again that that will happen.

The Prime Minister: First of all, I thank my hon. Friend for the warm welcome that he and the people of Cleethorpes gave me on Saturday. I have heard some of this stuff about hiding away after the referendum. I was on the stage on Armed Forces Day with representatives of our brave armed forces. There was an enormous crowd in Cleethorpes, a brilliant display and a very good fly-past, march-past and all the rest of it. A lot of people said, “You’ll never hold a referendum and you’ll never have a renegotiation; it will never actually happen.” All those things did happen, and now what needs to happen is that we obey the will of the British people. We are a democracy, and that is what we will do.

Mr Speaker: I thank all colleagues, but in particular the 110 Back Benchers who questioned the Prime Minister. Perhaps I can thank the Prime Minister for the enormous dignity, grace and good humour that he has displayed this afternoon in attending, in detail and at length, to our inquiries. I say very genuinely—I hope on behalf of the whole House—something that we do not say often enough: thank you.

Points of Order

5.38 pm

Tom Brake (Carshalton and Wallington) (LD): On a point of order, Mr Speaker. In this House, we fight passionately for the rights of British citizens, but leaving the EU impacts directly on EU citizens in the UK and UK citizens in the EU, whose rights, we have heard from the Prime Minister, are secure but only in the short term. Do you believe that the procedures of this House are fit for purpose when it comes to ensuring that the Government represent the interest and ensure the security of EU citizens in the UK and UK citizens in the EU effectively?

Mr Speaker: Forgive me, but I must say to the right hon. Gentleman that I do not think that there is a matter contained within that purported point of order that relates to the procedures of the House for the protection of the interests of European Union citizens. Notwithstanding the expression of unrivalled solemnity on the face of a former Deputy Leader of this House as he put that point of order to me, I am still struggling to come to terms with the notion that it is a point of order rather than a point of perfectly legitimate and understandable concern, frustration and anxiety. In so far as it is the latter, the right hon. Gentleman is a sufficiently experienced and accomplished parliamentarian to find several opportunities further to expand on his concerns in the days and weeks that lie ahead.

Pete Wishart (Perth and North Perthshire) (SNP): On a point of order, Mr Speaker. Have you been approached by the Leader of the House about the House’s business and even the Government’s legislative programme being reviewed, given the dramatic decision made by this country last week? [Interruption.] You were not listening to a word I said, Mr Speaker, so shall I ask again?

Mr Speaker: As a courtesy, I should hear the hon. Gentleman again. I am not sure the point will improve with repetition, but we can try. I beg his pardon for listening to someone else at the same time. Let him say it again. It was something to do with the Government’s legislative programme, but I am sure it is not tendentious.

Pete Wishart: Let us see whether I can improve on my point of order. Have you been approached by the Leader of the House about an urgent statement so that we can review the House’s business and even the Government’s legislative programme, given the dramatic decision that was taken last week?

Mr Speaker: The short answer to that is no. There will be the opportunity of business questions on Thursday, an occasion with which the hon. Gentleman, in view of his Front-Bench responsibilities, is very familiar, but on the question whether I have had any indication about a business statement before then, or an intended revisiting of the business of the House or of the legislative programme, the answer is no.

Ian Blackford (Ross, Skye and Lochaber) (SNP): On a point of order, Mr Speaker. It has been brought to my attention that in a Westminster Hall debate about

broadband that I attended and spoke in on 24 June 2015, I sadly failed to declare a financial interest, although my notes show that I wished to do so. I want to take this opportunity to correct the record, and to apologise profusely to the House for my error in not doing so on 24 June last year.

Mr Speaker: I am very grateful to the hon. Gentleman for giving me notice that he wished to raise this matter. I also appreciate, as doubtless will the House, that he has now, albeit somewhat belatedly, put the record straight. Let me thank him on the principle of “better late than never”.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): On a point of order, Mr Speaker. This morning, the Chancellor indicated two contrary views. One was that we face great turbulence in the immediate days and weeks, and the other was that he would postpone the emergency Budget until after the Tory leadership crisis has been resolved. Much of what we face during this crisis will have an impact on the Government’s finances, including issues covered by the Finance Bill. Should we not have greater clarity before we undertake scrutiny of this Finance Bill?

Mr Speaker: If the matters of which the hon. Gentleman wishes to treat are contained in the Bill, he may very well have a perfectly good opportunity to air his concerns and undertake his scrutiny today. I am very grateful to him for giving me notice of this point of order. It is perfectly clear that the Government intend to proceed with the Committee stage of the Finance Bill today, and the proceedings will be taken in accordance, as they must be, with the programme order agreed by the House on 11 April. Although the hon. Gentleman is a new Member, he is a very accomplished and experienced person with much life experience. [Laughter.] I mean that he is a person of the world—a cerebral individual. Although debate must focus on the amendments selected, I have no doubt that he will find ways to weave into his contribution some reference to the general concerns that he has just ventilated. I am sure that he will find his own salvation. I have every confidence in him, and he should have every confidence in himself. We will leave it there for now.

FINANCE BILL (WAYS AND MEANS) (TAXABLE BENEFITS (APPLICATION OF CHAPTERS 5, 6 AND 7 OF PART 3 OF THE INCOME TAX (EARNINGS AND PENSIONS) ACT 2003))

Resolved,

That—

(1) The provision made by Resolution 4 of the House of 22 March 2016 (taxable benefits (application of Chapters 5, 6 and 7 of the Income Tax (Earnings and Pensions) Act 2003)) be varied and supplemented as follows.

(2) In section 97 of the Income Tax (Earnings and Pensions) Act 2003 (living accommodation to which Chapter 5 applies), for the subsection (1A) inserted by paragraph (2) of that Resolution substitute—

“(1A) Where this Chapter applies to any living accommodation—

- (a) the living accommodation is a benefit for the purposes of this Chapter (and accordingly it is immaterial whether the terms on which it is provided to any of those persons constitute a fair bargain), and

(b) sections 102 to 108 provide for the cash equivalent of the benefit of the living accommodation to be treated as earnings.”

(3) In section 114 of that Act (cars, vans and related benefits to which Chapter 6 applies), for the subsection (1A) inserted by paragraph (3) of that Resolution substitute—

“(1A) Where this Chapter applies to a car or van, the car or van is a benefit for the purposes of this Chapter (and accordingly it is immaterial whether the terms on which it is made available to the employee or member constitute a fair bargain).”

(4) In section 120 of that Act (benefit of car treated as earnings)—

(a) in subsection (2) after “case” insert “(including a case where the cash equivalent of the benefit of the car is nil)”, and

(b) after subsection (2) insert—

“(3) Any reference in this Act to a case where the cash equivalent of the benefit of a car is treated as the employee’s earnings for a year by virtue of this section includes a case where the cash equivalent is nil.”

(5) In section 154 of that Act (benefit of van treated as earnings)—

(a) the existing text becomes subsection (1) of that section, and

(b) after that subsection insert—

“(2) In such a case (including a case where the cash equivalent of the benefit of the van is nil) the employee is referred to in this Chapter as being chargeable to tax in respect of the van for that year.

(3) Any reference in this Act to a case where the cash equivalent of the benefit of a van is treated as the employee’s earnings for a year by virtue of this section includes a case where the cash equivalent is nil.”

(6) In section 173 (loans to which Chapter 7 applies) for the subsection (1A) inserted by paragraph (5) of that Resolution substitute—

“(1A) Where this Chapter applies to a loan—

(a) the loan is a benefit for the purposes of this Chapter (and accordingly it is immaterial whether the terms of the loan constitute a fair bargain), and

(b) sections 175 to 183 provide for the cash equivalent of the benefit of the loan (where it is a taxable cheap loan) to be treated as earnings in certain circumstances.”

(7) The amendments made by this Resolution have effect for the tax year 2016-17 and subsequent tax years.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.—(*Mr Gauke.*)

FINANCE BILL (WAYS AND MEANS) (TRAVEL EXPENSES OF WORKERS PROVIDING SERVICES THROUGH INTERMEDIARIES)

Resolved,

That—

(1) The provision made by Resolution 8 of the House of 22 March 2016 (travel expenses of workers providing services through intermediaries) is varied as follows.

(2) In section 339A of the Income Tax (Earnings and Pensions) Act 2003 inserted by paragraph (1) of that Resolution, in subsection (6), for paragraph (a) substitute—

“(a) in section 51(1)—

(i) disregard ‘either’ in the opening words, and

(ii) disregard paragraph (b) (and the preceding ‘or’), and”.

(3) The amendment made by paragraph (2) has effect in relation to the tax year 2016-17 and subsequent tax years.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.—(*Mr Gauke.*)

Finance Bill

(Clauses 7 to 18, 41 to 44, 65 to 81, 129, 132 to 136 and 144 to 154, Schedules 2, 3, 11 to 14 and 18 to 22 and certain new Clauses and new Schedules)

[1ST ALLOCATED DAY]

Considered in Committee

[MRS ELEANOR LAING *in the Chair*]

Clause 7

TAXABLE BENEFITS: APPLICATION OF CHAPTERS 5 TO 7
OF PART 3 OF ITEPA 2003

5.45 pm

The Financial Secretary to the Treasury (Mr David Gauke): I beg to move amendment 22, page 14, leave out lines 7 to 10 and insert—

- “(1A) Where this Chapter applies to any living accommodation—
- the living accommodation is a benefit for the purposes of this Chapter (and accordingly it is immaterial whether the terms on which it is provided to any of those persons constitute a fair bargain), and
 - sections 102 to 108 provide for the cash equivalent of the benefit of the living accommodation to be treated as earnings.”

The First Deputy Chairman of Ways and Means (Mrs Eleanor Laing): With this it will be convenient to discuss the following:

Government amendments 23 to 26.

Clause stand part.

Clauses 8 and 9 stand part.

Amendment 2, in clause 10, page 15, line 29, after “omit”, insert

“, except in the case of a low emissions vehicle.”

Amendment 3, page 15, line 38, at end add—

“(3) For the purposes of this section, a “low emissions vehicle” means any car first registered on or after 1 April 2017 which emits 0.06g or less of nitrous oxides per kilometre.”

Clauses 10 to 12 stand part.

That schedule 2 be the Second schedule to the Bill.

Clause 13 stand part.

Government amendment 27.

Clauses 14 and 15 stand part.

Amendment 180, in clause 16, page 24, line 35, at end add—

“(2) The Chancellor of the Exchequer shall undertake a review of the impact of the abandonment by HMRC of its valuation check service for Small and Medium-sized Enterprises, including its associated impact on employee share ownership schemes, and report to Parliament within six months of the passing of this Act.”

Clause 16 stand part.

Government amendment 28.

That schedule 3 be the Third schedule to the Bill.

Clauses 17 and 18 stand part.

New clause 1—*Review of income tax treatment of workers providing services through intermediaries—*

“The Chancellor of the Exchequer must conduct a strategic review of the impact on workers defined as providing services through intermediaries of their treatment for income tax purposes, including the differential impact on different types of worker, and must publish the report of the review within six months of the passing of this Act.”

New clause 3—*Tax treatment of workers employed through intermediaries—*

“The Chancellor of the Exchequer must, within six months of the passing of this Act, publish a report on the impact of the current system of employment through intermediaries on the treatment for tax purposes of the employment income of workers employed through an intermediary or umbrella company, including the role of intermediaries and umbrella companies.”

New clause 10—*Employee share schemes: value for money—*

“The Chancellor of the Exchequer shall, within six months of the passing of this Act, publish a report giving HM Treasury’s assessment of the value for money provided by each type of employee share scheme.”

Mr Gauke: It is a great pleasure to speak on the Government measures in this group. I will say at the beginning of my remarks that, as I mentioned to Mr Speaker earlier, and as you will have no doubt noted, Mrs Laing, I am somewhat incapacitated by a back strain. I will of course take interventions, but with your permission, I will remain standing during those interventions—bobbing up and down will be a little discomfiting. May I have your permission?

The First Deputy Chairman: Please—*[Interruption.]* No, do not sit down. I was about to say that if the Minister had not made that point I was going to offer my permission. Having once been in the dreadful position of standing at that Dispatch Box on crutches with a broken leg, I know that although it is possible to stand still, going up and down is exceedingly difficult. I am sure the whole House has every sympathy for the Minister and will concur in giving him permission to remain on his feet.

Mr Gauke: Thank you, Mrs Laing. I am grateful for those remarks.

The measures I will outline ensure the simple, clear and fair tax treatment of employment income and benefits, strengthen incentives to choose the cleanest cars and vans, and ensure that those who have used artificial arrangements to avoid paying tax pay their fair share. Given the number of measures selected for debate, I will briefly set out how I will speak on them today. I will first discuss clauses 8 to 11, concerning company car taxation and the van benefit charge. I will then outline clause 7 and clauses 12 to 17, which address tax treatment of income and certain benefits. Finally, I will outline clause 18, which addresses disguised remuneration schemes.

I turn first to clauses 8 to 11. Clause 8 will increase the appropriate percentage for conventionally fuelled cars by three percentage points in 2019-20; it will also widen the tax advantage of ultra-low emission cars over conventionally fuelled cars in 2019-20 compared with previously announced plans. As a result of the changes, in 2019-20 a basic rate taxpayer driving a popular ultra-low emission company car will be £113 better off. Clause 9 makes a minor technical update to ensure the legislation works as is intended in 2017-18 and 2018-19.

The update applies to a small number of rare company cars. It is estimated that exposure to nitrogen dioxide is linked with 23,500 deaths annually in the UK, costing approximately £13.3 billion.

As was announced in the autumn statement in 2015, clause 10 retains the three percentage point supplement for diesel company cars until 2021. That will support the UK's transition from diesel cars to cleaner, zero and ultra-low emission cars. As a result, a basic rate taxpayer with an average ultra-low emission company car will save an additional £150 in 2016-17, compared with an employee who has an average diesel company car.

Clause 11 retains the van benefit charge for zero-emission vans at 20% of the rate paid by conventionally fuelled vans for 2016-17 and 2017-18, rather than increasing it to 40% and 60% as currently planned. That means that a basic rate taxpayer who drives a zero-emission van will save £126 in 2016-17 and £258 in 2017-18. Together, clauses 8 to 11 will incentivise business and employees to take up the cleanest cars and vans. That will help to ensure that the market for those new technologies becomes established in the UK, and to support the UK's carbon emission and air-quality targets.

In anticipation of what we will hear from the Opposition, let me turn to amendments 2 and 3 to clause 10. The amendments would require the exemption of diesel cars from paying the supplement if they achieve the same level of nitrogen dioxide emissions as petrol cars. I appreciate that hon. Members want to incentivise people to purchase the cleanest cars, but the amendments would only introduce confusion and uncertainty. They are not linked to the wider regulatory programme to achieve the latest air quality standards, even when cars are driven on our roads. Clause 10 retains the supplement until 2021 when those new standards will be mandatory for all new cars. That approach is transparent and easy to understand, and it will give consumers confidence that all new diesel cars are comparable to petrol cars. Our approach incentivises people to purchase the cleanest cars, and in anticipation of what will be said later, I hope that Labour Members will not press the amendments to a vote.

Let me consider those clauses that clarify and simplify the tax treatment of income and certain benefits, and ensure fairness in the tax system. Clause 7 will clarify how the cash equivalents of certain taxable benefits are calculated, and ensure that fair bargain does not apply to those taxable benefits in kind where the level of computing the value of the benefit is set out in statute. The Government have made minor technical changes in amendments 22 to 26, which ensure that the legislation works as intended.

Clause 12 and schedule 2 will provide clarity that all income from sporting testimonials for an employed or previously employed sportsperson will be taxable. However, we are aware that careers in sport can be short, so we have also introduced an exemption for the first £100,000 of income received from a sporting testimonial that is not contractual or customary. The Government believe that that is a fair compromise, and the vast majority of employed sportspersons who have testimonials will not be impacted. Clause 13 introduces a statutory exemption for certain benefits costing up to £50 that employers provide to their employees. That will simplify the tax treatment of those benefits and reduce the administrative burden for employers. To ensure that the exemption is

not misused, a £300 annual cap will apply in certain circumstances. That sensible and simplifying measure will reduce burdens on employers and HMRC alike.

Clause 14 will ensure that no individual or business can obtain an unfair tax advantage through claiming tax relief on home-to-work travel and subsistence expenses. It is an established principle in the UK that people are not able to claim tax relief on the cost of ordinary commuting, and the vast majority of workers are not able to do so. Individuals who are engaged through intermediaries—such as umbrella companies and their employers—currently benefit from that relief and the cost of commuting from home to work, simply because of the way they are engaged to work.

Kirsty Blackman (Aberdeen North) (SNP): Has the Minister considered whether this measure will have a disproportionate impact on rural communities where travel is much more expensive and sometimes an overnight stay is necessary when undertaking those roles?

Mr Gauke: I will say a little more about clause 14, but I believe that this is a matter of fairness. For the vast majority of people, home-to-work costs do not have tax relief, and it is right to apply the same rules across the board. If there is a difference in treatment just because an arrangement is made through an umbrella company or other form of intermediary, clause 14 will put those workers on the same terms as everybody else. That underpins the Government's commitment to ensure that the tax system is fair and treats all individuals who are doing the same thing in the same way.

Stewart Hosie (Dundee East) (SNP): I understand the Minister's argument, but this measure will offer a disincentive to many people who have chosen to go down the contracting or self-employed route. Does he share our concern that that may act as a disincentive to entrepreneurship, given that being a contractor or self-employed could be the first step to forming another business and employing other people?

Mr Gauke: I understand where the hon. Gentleman is coming from but I do not share his concerns. It does not seem justifiable that simply by arranging affairs in a particular way through an intermediary, somebody should benefit from tax relief for travel-to-work costs in a way that someone else does not. All Members recognise how important it is that we have an entrepreneurial economy, and that the importance of the self-employed in our economy is considerable. It does not seem, however, that there is a strong case for saying that a difference in tax relief should apply, which is why we have come forward with these measures. In recent years there has been a substantial increase in the number of workers engaged through an employment intermediary, and while many play a legitimate role in the labour market, increasingly some market themselves—at least in part—on the basis that they allow individuals and businesses to maximise their income through claiming tax relief on home-to-work travel expenses. The increase in the use of intermediaries means that large numbers of individuals are claiming tax relief that the majority of workers cannot claim, even when they hold very similar jobs.

We estimate that this change will save the general taxpayer more than £150 million this year, and more

[Mr Gauke]

than £600 million by 2019-20. That will ensure fairness for all individuals and businesses, regardless of the structure through which workers are employed. In that context, amendment 27 is a technical amendment to correct a point in the original draft and ensure that the legislation fully reflects the Government's original announcement.

New clauses 1 and 3—perhaps I may anticipate the arguments that we will hear from the Scottish National party in a moment—would require the Chancellor to publish a report on the impact on workers who provide services through intermediaries, and their treatment for tax purposes, within six months of the Bill being enacted. Those reviews would be completely unnecessary because those who provide services through intermediaries are taxed as either employed or self-employed. Some others operate as owner-directors of their own limited companies, and the tax treatment of the income and expenses of those individuals will depend on their employment status for tax purposes.

The Office of Tax Simplification carried out a review that considered the employment status and taxation of individuals working through intermediaries, and it published its report in March 2015. The Government accepted 17 of the 27 recommendations, and committed to consider a further six more. More recently, the Government have received the OTS's review of small companies and accepted, or will consider further, nearly all its recommendations, including the recommendation that the OTS continues to develop the design of a look-through system of taxation for small businesses to simplify their tax affairs, and a new simple business model that would protect the assets of the self-employed. Following these recommendations, the Government have now formed a cross-government working group on employment status. The group will examine the advantages and challenges of an agreed set of employment status principles and a statutory employment status test. Given the volume and range of work done in this area recently, I would argue that an additional review is unnecessary. I therefore urge Members to reject new clauses 1 and 3.

6 pm

Stewart Hosie: We understand the argument the Government are making against a review, but given that the Minister suggests that this will save the taxpayer—or, to put it another way, cost individuals £600 million over the lifetime of this Government—will he be prepared at least to concede that should the tax yield go up dramatically, taking yet more from the self-employed and contracting community, he might want to revisit the decision he is taking today?

Mr Gauke: No, I do not think the Government will be persuaded by that. Were that to be the case, it would suggest that the use of tax relief in these circumstances was even more widespread than we had anticipated. The problem we face is one of fundamental unfairness. I make no criticism of those making use of intermediaries in these circumstances—they are making use of the law as it stands—but it is an unfair outcome. Essentially, where two people are performing identical roles, one is able to gain the benefit of tax relief and the other is not simply because of the way in which they have structured

their arrangements. I believe the approach we have taken in this clause is the right one.

Clause 15 makes changes to allow for the extension of voluntary payrolling to include non-cash vouchers and credit tokens. The change will enable businesses to benefit from reduced reporting obligations to HMRC and provide a simplified system for employers. Clauses 16 and 17 and schedule 3 make a number of changes to simplify and clarify the rules for employment-related securities and options. Employment-related securities and securities options are commonly used by companies to reward, retain or provide incentives to their employees. Remuneration in the form of shares would generally be liable to income tax and national insurance contributions. However, if they are rewarded under one of the four types of tax advantage share schemes, the shares acquired are exempt from income tax and national insurance contributions.

Share-based reward programmes are greatly valued by both companies and employees. The Government want to make sure the relevant legislation is as simple and clear as possible. To that end, clause 16 introduces schedule 3, which builds on the Government's response to the OTS report on employee share schemes by simplifying and clarifying this area of tax legislation. In addition, clause 17 puts beyond doubt the tax treatment of non-tax advantaged securities options, given some uncertainty in the current legislation.

The Government are introducing amendment 28 to schedule 3 to ensure that the trading activities requirements to receive the tax advantages of an enterprise management incentive scheme will continue to apply where a company is controlled by an employee-ownership trust.

If I may anticipate what we are likely to hear, and before I move on to clause 18, I will briefly address amendment 180 and new clause 10, which relate to clause 16. Amendment 180 proposes a review of the impact of the withdrawal by HMRC of its valuation check service for small and medium-sized enterprises, including associated impacts on employee share ownership schemes. This is unnecessary. HMRC continues to operate a service for employee shareholder status and the tax advantage schemes most relevant to SMEs. HMRC has only withdrawn valuation checks for income tax and PAYE that are not part of these recognised employee ownership schemes. HMRC was considering valuations for less than 0.05% of the relevant SME population. As these taxpayers were using professional firms, the vast majority of cases submitted were acceptable. As such, the service added little value and was seen as providing poor value for money for the taxpayer. I therefore hope the House will reject amendment 180.

New clause 10 proposes that within six months of the passing of the Act the Chancellor should publish a report giving an assessment of the value for money provided by each type of employee share scheme. An HMRC-commissioned report conducted by Oxera considered the effect of tax advantage employee share schemes on productivity. This is publicly available. Owing to the difficulty of drawing conclusive outcomes from such studies, in 2012 the Office of Tax Simplification recommended that it would not be a good use of taxpayer money to produce further reports on the links between share ownership and productivity. As with all reliefs, however, the Government will continue to keep these schemes under review and will continue to publish

regular statistics on the estimated take-up and costs of each scheme. For these reasons, I urge Members to reject new clause 10.

Let me conclude my opening remarks by addressing clause 18. The Government want to ensure that companies and individuals who have used, or continue to use, artificial arrangements to disguise their income, pay their fair share. These avoidance schemes involve income being funnelled through a third party, with the money often then given to the individual in the form of a loan that is never repaid. In 2011, the coalition Government successfully introduced new legislation to tackle the schemes in use at that time. Many of those who used the schemes before 2011 have still not settled. In addition, the tax avoidance industry has been selling new schemes that are even more artificial and contrived. At Budget 2016, the Government announced changes to address these issues. Clause 18 is the first part of that package.

Clause 18 addresses one type of these schemes by disallowing a relief in the current rules that the schemes exploit where there is a tax avoidance motive. It also withdraws a transitional relief and makes three minor technical clarifications to the current rules to ensure they work as Parliament intended. The reforms make it clear that everyone must pay their fair share. I will not take up any more time for the moment.

Rob Marris (Wolverhampton South West) (Lab): It is a pleasure to serve under your chairmanship, Sir Roger.

I will follow what the Minister helpfully did by giving a preview of where I am going, as I think that might help the Government, but I will do it seriatim numerically. I want to probe clause 7 a little. We broadly support clauses 8 to 11, which relate to vehicles, although we have tabled two amendments to them. The Minister helpfully—in terms of procedure, if not policy—indicated that the Government were not minded to accept amendments 2 and 3. If the Government, in spite of my silver tongue, maintain that position, I will in due course seek to press amendment 2 to a Division. We broadly support clauses 12 and 13. We also broadly support clause 14, on travel expenses for workers, but I wish to probe the Government on it and ventilate some issues. We broadly support clause 15. I want to run clause 16, on employee share schemes, around the block. There are a number of share option schemes under various guises and the situation is arguably getting a little out of control. The Opposition broadly support clauses 17 and 18.

Clause 7 relates to taxable benefits. It seeks to amend 2003 legislation to clarify the concept of a fair bargain. This is, as I understand it—I am not an accountant—where an employer provides some kind of benefit in kind, which is in some circumstances provided at a cost to the employee and in some circumstances is not. Where benefits of goods or services are provided at a cost, HMRC wishes to know whether the cost of the benefits provided is below market rate. Clause 7 goes to that issue, but it appears to cover vans and cars as well as other things and of course we will be dealing with vans and cars in other clauses. As the Minister has a bad back, I will try to avoid putting him in a situation where he feels that he has to intervene. I have every sympathy with him as I have suffered from a bad back for decades. If he catches your eye, Sir Roger, when we come to closing this part of the Committee proceedings, I hope

that he will be able to explain and differentiate for those of us who are not accountants how vans and cars come into the benefit-in-kind provisions under clause 7. Having had a company car for many years with two different employers, I understand how they come in under subsequent clauses—that is not to say that I know the whole regime, but I am broadly familiar with that territory—but not under clause 7. Will the Minister tell us, therefore, to what extent the Treasury has found that there has been a misuse of the original rules, thereby necessitating the clarifications under clause 7—Government amendments 22 to 26? The explanatory notes, which the Minister will know are my lodestar in these matters, refer to “uncertainty”. I hope the Minister can explain from whence that uncertainty comes, so that we can be a little clearer on that.

I will now come on to meatier matters on cars and vehicles. We are all aware that the use of the tax regime to encourage certain behaviours and discourage others is well known to have an effect when it comes to the purchase and use of vehicles, unlike in some other areas where the efficacy or otherwise of tax reliefs is not so clear. As I look around the Chamber, I can see that there are not many Members present who will remember the campaign for lead-free petrol, but I remember it and supported it. In the bad old days, lead was added to petrol as a mechanism for increasing its octane rating and therefore its power output. Initially, when the excise regime was the same for leaded and unleaded petrol, unleaded cost more. The then Conservative Government, under some pressure from the campaign for lead-free petrol and others, wisely changed the excise regime so that unleaded petrol at the pump, with a lower excise duty than leaded petrol, cost less, which meant that many motorists made the switch within a period of about two years. That was achieved by using excise levers to change behaviour in the use of vehicles.

In recent years, we have also seen the explosion in the United Kingdom of the purchase and use of diesel vehicles. That was started under a Labour Government who were trying to cut CO₂ emissions, because, mile for mile, diesel engines generally emit lower CO₂ per mile driven. That policy succeeded, but it was always contradictory, because there was also a 3% loading—in other words more tax payable—for those who had a diesel-powered company car in contradistinction to a petrol-powered company car.

Clause 8 increases quite markedly the percentage of the purchase price, which is then counted as taxable income for somebody who is provided with a company car. For low-emission vehicles, or those with 76 to 94 grams of CO₂ per kilometre—I hope that, when we leave the European Union, we will not revert to imperial—the appropriate percentage goes from 19% to 22%. Under clause 8, the range goes up 3% each time, with a delay, as the Government have announced, for two years. Broadly, that looks to us like a tax-raising measure—there is nothing wrong with that as Her Majesty's Revenue and Customs is about levying taxes so that the Government have sufficient income to provide the service that our constituents want.

6.15 pm

I hope the Minister will be able to give us an estimate of how much the increase in those bandings in clause 8 will bring to the Exchequer and tell us whether it will have any effect, positive or negative, on the types of

vehicles purchased. Most people—I concede not everybody—would agree that a vehicle purchased with lower CO₂ emissions per kilometre is generally less dirty and more socially acceptable than a vehicle with higher CO₂ emissions per kilometre.

As I understand it, clause 9 is, in part, a correction of problems in the Finance Act 2015—I confess that I am not sure whether it was the second Finance Act of that year—in relation to vehicles that cannot emit CO₂. For most of us, that probably means electric cars as they are the most common vehicles, although there may be other types of vehicles. As it is a correction, there will not be the two-year lead-in that the Government, generally and quite properly, wish to have so that manufacturers and purchasing managers for fleet operators can plan. Will the Government tell us a bit about how that error crept in? I know that these things happen, but a little explanation of how the error arose would be helpful. I think provisions were overlooked and omitted in the 2015 Act, which led to this correction in clause 9.

Clause 10 gets us on to the much meatier issue of the appropriate percentages for diesel cars. I think that it was always the case—I may be corrected on this—that there was an additional 3% to be paid as a benefit-in-kind assessment for those who had diesel-powered company cars in contradistinction to petrol-powered ones. As I understand it, the Government had enacted a provision abolishing that 3% loading—I am not sure why because I was not in the House then—and clause 10 abolishes the abolition, so that the 3% loading continues. Overall, that seems to Labour to be a good thing to do given the increasing evidence that is emerging of the particularly deleterious effect of diesel vehicles—not just diesel cars but many, many commercial vehicles which, because of their size and weight, tend to do far fewer miles to the gallon. That is a particular problem in certain parts of the country as it has an effect on air quality.

Let me talk about the number of vehicles that this measure will affect. The Library has been very helpful in this matter. As always, I am most grateful to my excellent researcher, Imogen Watson, who has done a huge amount of work on this with a great deal of help from the Library. The latest figures that the Library could find—any mistakes that I make at the Dispatch Box are of my making—show that about 313,000 company cars are replaced each year, but those figures go back to 2012-13. That is around 14% of total car sales, which is a considerable drop compared with 30 years ago when it was nearer 50%. Because of the ratcheting of the tax regime on company vehicles, however, that proportion has lessened.

As we now know, diesel cars are particularly noxious, and there are, in fact, standards—Euro 6—that came in for new type approvals from September 2014 and for all new cars from September 2015. When sold in the UK, new vehicles have to be compliant with Euro 6, unless a subsequent Government decided to change that—and I rather suspect they would not. Regardless of the UK leaving the EU, one would expect Euro 6 to continue to apply in this country. If a Euro 7 were to be introduced by a post-Brexit European Union, it is likely, I suggest, that the UK would then comply with that, because our manufacturers would have to do so in order to sell in the continental market. At the moment, as I say, we are on Euro 6. The standards of Euro 6 are set out in terms of grams per kilometre. I confess that I do not understand

all the science, but while the metrics for petrol and diesel are the same under Euro 6, the targets that the vehicles have to reach are somewhat different.

The 3% surcharge for loading, which the Government wish to retain and we support, will somewhat discourage fleet managers from allowing company cars to be diesel, even though those cars will get more miles to the gallon. I believe that the Minister referred to an estimate of 23,500 deaths per year brought about by poor air quality—he will correct me if I am wrong. No one knows for sure, but I see the Minister nodding helpfully. That is a shocking figure. From memory, I believe the number of road traffic collision fatalities each year to be in the order of 2,750—I stand to be corrected again, but that is the rough order of magnitude—so it is apparent that that is not much more than a tenth of the premature deaths caused by air quality.

To the interested observer, it appears that the UK has quite rightly invested huge amounts in passive and active safety to cut down on the number of road traffic collisions and on their severity—whether or not there are fatalities—yet when it comes to air quality, while we have been a member of the EU, we have been in breach of EU legislation. In this case, the EU does make rules for the UK, and we have been in breach of these air quality standards for years.

The World Health Organisation has ambient air quality guidelines, with which I am sure the Minister and his ministerial colleague are intimately familiar, that are based on micrograms per cubic metre. There are two ways of measuring these standards: one is the annual mean and the other is the 24-hour mean, which shows the peaks. There are two broad categories of particles about which there is concern: PM10, which is particles of less than 10 micrometres in diameter, and PM2.5, which—surprise, surprise—is for particles of less than 2.5 micrometres in diameter. These are very small, and it is these fine particles of less than 2.5 that are considered by many to be much more damaging to health than the PM10 particles. They are found in dust, dirt, soot, smoke and liquid droplets.

Without detaining the Committee at great length, let me explain that a large number of cities in England, Wales and Scotland—I have no figures before me for Northern Ireland—have an air quality that consistently breaches the WHO guidelines on the annual mean. The annual mean recommendation for PM2.5, the smaller particles, is less than 10 micrograms per cubic metre. In Birmingham, just down the road from my beloved constituency in Wolverhampton, it is 14 micrograms—well above the 10 limit. In Leeds, it is 15; in London 15; in Stoke-on-Trent, where I used to work and just up the road from Wolverhampton, 14; and in Glasgow, I am afraid, it is 16—well above the 10 limit. This is very bad news.

Frankly, London has a shocking record. The former Mayor of London, now the hon. Member for Uxbridge and South Ruislip (Boris Johnson), bears considerable responsibility for not having done enough in this regard. In January 2016, London breached the annual air quality limit in eight days. If we think of this as an annual allowance, London used it all up and more within eight days of the start of the year. Under EU rules, sites are allowed to breach the hourly limits of 200 micrograms of nitrous dioxide per cubic metre of air 18 times in a year. Call these what we will—I think they are legislative guidelines from the EU—they allow for certain peaks,

exceptional circumstances and so forth, but having 18 of them in eight days means that they were not exceptional circumstances for the city of London, but everyday circumstances. During that particular period, this was happening on average more than twice a day.

We have already mentioned the 23,500 estimated annual premature deaths, but there are huge financial costs as well. Of course the loss of life will be the key indicator for all hon. Members, but the costs are estimated at between £15 billion a year on the basis of Scottish Government sources and £20 billion a year in a report in February this year by the Royal College of Physicians and the Royal College of Paediatrics and Child Health. It is now estimated that England's air and water are sufficiently polluted in 96% of sensitive habitats to pose risks to their ecosystem. This is a cost to farmers as well because of the ground level ozone produced by nitrogen oxides reacting with other atmospheric pollutants to lessen crop yields. This is a huge problem.

Amendments 2 and 3 are designed simply to address this problem in a small way. They deal with company cars rather than all cars and they are intended to encourage manufacturers to act in a certain way. Under the amendments, if a vehicle with a diesel engine meets the same Euro 6 standard as a petrol engine, the same tax regime should apply to it. Dozens and dozens of hon. Members who were, of course, paying attention earlier, will remember that I referred to Euro 6, which used the same measurement yardsticks for both types of vehicle but provided different points on them for diesel and petrol vehicles. For carbon monoxide, for example, it stipulates 1 gram per kilometre for petrol and 5 for diesel, while for nitrous oxide emissions—the key problem—it is 0.06 for petrol and 0.08 for diesel. As I understand it, the PM_{2.5} or less particles principally come from such emissions.

The amendments thus provide a very small but important and symbolic step for the Government, who could move towards lessening the appalling—and, arguably under EU rules—illegal air quality in the 38 cities of the United Kingdom that are in breach of the WHO's recommended regulations for PM_{2.5} levels, and in the 10 UK cities that are in breach of the PM₁₀ WHO guidelines. This is literally killing people, so I urge the Government to rethink this measure. Accepting amendments 2 and 3 would not transform air quality, but it would be a step towards that and it would be an important symbol, showing that the Government took this issue seriously.

I have to say to the Ministers that the mood music from both the present Government and the coalition Government has not exactly suggested that they have taken air quality from vehicle emissions very seriously. The fact that vehicles can be bought in one part of the United Kingdom and driven in another—quite properly, given that we are still, at the moment, a United Kingdom—requires measures to be taken principally at Westminster or national level, whatever the Scottish Parliament or the Welsh Assembly might wish to do in order to improve air quality, and, unless we were to be incredibly draconian, to be taken through a Finance Bill rather than some kind of diktat.

6.30 pm

Clause 11 is entitled “Cash equivalent of benefit of a van”, and I hope that the Minister will be able to tell us where the Government are going with their vans. I may

have misunderstood, but where they seem to be going is towards discouraging people from buying electric vans, and, if I have understood correctly, that does seem a bit odd. At present, the charge for zero-emission vans is 20% of the benefit-in-kind tax that would apply to vans that emit carbon dioxide. If I understand clause 11 correctly, the Government will gradually abolish that differential, so that over five or six years the 20% will become 40%, 60%, 80%, 90%, and then 100% by 2022-23. Someone who wants to buy a van in 2022-23 will say, “If I buy an electric van, I shall have to pay as much benefit-in-kind tax as I would if I bought a diesel or petrol van.”

If I have understood correctly, that does seem a rather odd way to deal with benefit-in-kind vehicle taxation. Perhaps the Financial Secretary will either explain that I have misunderstood, or explain the Government's thinking. Many of us would conclude that they are going in the wrong direction in environmental terms, and that the differential should, *prima facie*, be maintained.

Clause 12 deals with sporting testimonial payments. As the Minister said, careers in sport can be short. In my experience, that is sometimes the case in politics as well. According to the Chartered Institute of Taxation—and I thank the institute for its help—the arrangement whereby the £100,000 on which, as the Government have clarified, tax is not payable if it is income from a testimonial obtains when the testimonial is neither contractual nor customary. For those of us who are lawyers, like the Financial Secretary, “contractual” is a fairly straightforward term, but “customary” is a bit woolly. It is the kind of word that lawyers and accountants like, because they can make a living charging people for interpreting it so that they can plan their affairs. Again, I may be wrong, but I cannot see a definition of “customary” in the Bill, and I urge the Financial Secretary to have another look at that. Perhaps, either today or later, he will also give us an indication of how much revenue has been missed by the Exchequer in the last five years from testimonials that are contractual or customary, in which case we would expect them to be liable to income tax.

Clause 13, entitled “Exemption for trivial benefits provided by employers”, concerns rewards for services. The Chartered Institute of Taxation has helpfully suggested that it would be useful to everyone if the Financial Secretary could clarify the difference between a reward for services and a reward for “particular services”. They appear to be very similar, but the Government and HMRC must think that there is a difference. I hope that the Financial Secretary will be able to clarify that difference today, if he cannot do so in the Bill.

Clause 14 is entitled “Travel expenses of workers providing services through intermediaries”. This is a difficult issue for all of us, because it involves questions of equality between those who are workers but not necessarily employees, and those who are employees. I should explain to those who are not familiar with the terrain that there are people who are workers for tax purposes, and indeed for minimum wage purposes, but who are not employees.

Successive Governments have attempted to prevent employers—*de facto* employers—from getting around the law by using devices that lessen the amount of tax that is payable. It is difficult to clamp down on the

overnight costs and travel costs of workers who are employed by various organisations, because people are very inventive. However, it is quite common for people working on building sites as skilled workers hundreds of miles from home to have been engaged through an agency, or to be self-employed, and, if they have been engaged through an agency, to have their travel expenses and the cost of their overnight accommodation paid week by week. Clause 14 is an attempt to clarify and clamp down on what the Government consider to be a misuse of the arrangements, or, if not a misuse, a lack of equality between those who might be described as “true” employees and non-employee workers.

I declare an interest as a proud member of the trade union Unite, which is affiliated to the Trades Union Congress, as is the Union of Construction, Allied Trades and Technicians, which is strong throughout Britain but particularly in Scotland. UCATT believes that the Government’s estimate that 430,000 workers will be affected by the changes in the Bill is, in fact, a gross underestimate, and that when travel expenses and overnight accommodation become assessable for the purposes of income tax or national insurance, some of its members in the construction trade who are employed by umbrella companies could be more than £3,300 a year worse off.

Having met representatives of the Freelancer and Contractor Services Association, I wrote to the Financial Secretary twice about its proposals, and he helpfully replied on both occasions. I thank him for that, but I still think that the Government ought to have another look at the position. The FCSA made three proposals. The first concerned a radius allowance: a person’s main address would have to be a certain distance further away from the place of work than the average commute, which, apparently, is 16.7 miles a day. I do not know whether you were aware of that, Sir Roger; I was not. The second concerned the 24-month rule, which is the yardstick according to whether an employment position is regarded as temporary. The third proposal would, I suppose, hurt some people, including, possibly, politicians: the removal of food and drink costs from eligibility for subsistence expenses. We did that in this place some time ago, when food and drink was removed from what used to be called the additional costs allowance, and quite right too.

The Scottish National party has tabled new clause 1, and my hon. Friends and I have tabled new clause 3. It will not surprise Members to learn that I prefer new clause 3. While both new clauses call for a review and an assessment by the Chancellor of the Exchequer of this whole area of the tax system, new clause 3 also includes umbrella companies, which, arguably, are a growing problem or, at least, a growing phenomenon.

Labour supports clause 15, which deals with taxable benefits and PAYE. Clause 16 deals with employee share schemes, of which there are currently about five. The Minister helpfully referred to the issue of productivity. One of the justifications for having employee share ownership schemes is that they will encourage people to work harder for their company and be more committed to it. Of course we want people to be committed to the company where they work hard, unless they have a terrible employer.

The Minister cited the Office of Tax Simplification earlier. I have here a report from the OTS—I confess I cannot recall the date of the report but I think it was probably 2012—which states:

“Interestingly, despite the fact that increased productivity has been repeatedly used by previous governments as a rationale for using share schemes, none of the companies or advisers we spoke to told us that they used a share scheme primarily as a way to improve productivity, albeit some accepted that this could be a by-product of participation.”

In a written parliamentary reply on 1 April this year, the noble Lord O’Neill of Gatley basically said that the Government did not know the answer because it was all a bit complicated to work out. I appreciate that that is the case, but I say this in the context of the National Audit Office report on the roughly 1,200 measures that could be called tax reliefs. It found that only in the case of about 300 of them did the Government have any idea whether they had the effect on behaviour that they were designed to have. Employee share ownership schemes might be socially worth while but they are quite costly, and whether they have any positive effect on productivity is at best unclear. I think the Government ought to look into that some more.

New clause 10 relates to the value for money of employee share schemes. Given the uncertainty as to the efficacy or otherwise of such schemes, the new clause calls for a report from the Chancellor of the Exchequer giving the Treasury’s assessment of the value for money provided by each type of employee share benefit scheme. I hope that the Minister will accept the new clause and, if not, rather than simply saying that the Government keep these matters under review—which of course they do, and that is good—acknowledge that a specific report on this matter would be helpful. Clause 17 relates to securities options. It is also unclear what effect those options have, but we broadly welcome them.

Clause 18 deals with employment income provided through third parties. Most of this is fairly technical stuff. That does not mean that we should not scrutinise it, but I understand that there will be a consultation on this. Perhaps the Minister could provide a little more detail on that. Will he address the question of lower-paid individuals in small businesses, some of whom feel that these proposals are retrospective because they refer to pre-2011 arrangements? We in this House are always wary of anything that smacks of retrospectivity.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): I rise to speak to amendment 180 and new clause 1, and to indicate our support for the Opposition on amendment 2. The hon. Member for Wolverhampton South West (Rob Marris) gave his reasoning behind amendment 2 with such typical eloquence that I have nothing of any substance to add to his remarks, other than to say that we will support the amendment when it is pressed to a vote.

Earlier, I raised a point of order with the Speaker, who encouraged me to say a few words at the beginning of my speech in this debate, so I hope you will indulge me, Sir Roger. We have just had an extraordinary and historic statement from the Prime Minister, in terms of the economy and Government finances, that served merely to clarify the fact that there is no clarity. We know that we face great challenges that will be relevant to much of the Bill, yet we do not know the detail of what the Treasury and its Ministers plan to do or how their actions are likely to affect the measures in the Bill.

6.45 pm

I am particularly concerned about how some of these provisions will affect small business people in my constituency and other small businesses, in different legal guises, throughout the whole of the UK. At Prime Minister's questions just before the referendum, I raised the case of two of my constituents who ran small businesses, Thomas and Elke Westen, who are of German descent. They have now left the country, such were their feelings about the way in which the immigration debate had been handled. They had been hoping to build their businesses and to engage in share ownership schemes, and I know that at least one of them had been engaged as an intermediary and would therefore have been affected by this Bill. So although my remarks tonight on the amendment and the new clause could apply to many people, I have a particular concern about those people in our society who want their small businesses to contribute to productivity but who are feeling disadvantaged because of the wider ramifications of Brexit.

Amendment 180 deals with the impact of HMRC's abandonment of its valuation check services for small and medium-sized enterprises. I am aware of the Minister's earlier words of comfort and his opinion that this was not a matter of great significance because the service was poorly used. He suggested that it was of little consequence that it had been abandoned by HMRC in the past few weeks.

Sammy Wilson (East Antrim) (DUP): Given the reduction in the number of people employed by HMRC, and the level of satisfaction with the service it provides, does the hon. Gentleman agree that it is understandable that many businesses turn to professionals whom they employ themselves rather than relying on HMRC?

Roger Mullin: I entirely agree with the hon. Gentleman, but the smallest enterprises—those employing perhaps their first or second employee and engaging in some kind of share ownership—are not in a position to pay a professional company £1,000 or £2,000 for the necessary valuation service, which was provided at no cost by HMRC. Organisations such as ProShare, which I think is based at University College London, have said that they are aware of a number of small businesses being discouraged from engaging in small-scale share ownership schemes precisely because the assistance that they were once afforded has been removed. If the demand for such services was so low, only a few people would have been needed to deliver them. The cost to the Government cannot therefore have been very great, so it seems somewhat perverse to abandon the service at a time when people are seeking to expand the number of share ownership schemes in society.

The hon. Member for Wolverhampton South West, for reasons that defy all understanding, did not think that our new clause 1 was dramatically superior to his new clause 3. No doubt he will attempt to convince the Committee of that argument later. New clause 1 proposes a review of the income tax treatment of workers providing services through intermediaries. We believe that this is particularly relevant in Scotland. The hon. Gentleman suggested earlier that the average return journey to and from work was 16.7 miles. Well, try telling that to people who live on the Isle of Skye and have to commute to places such as Fort William and Inverness. Try telling

it to people who have to hop from island to island, such as the health workers who travel on ferries to service the islands and often need to stay overnight. Their situation is not remotely close to the average of 16 miles to travel to work.

A recent article in *The Times Educational Supplement* pointed out the proposal's likely negative impact on the many aspects of the education sector that rely on people on particular types of contracts who do not enjoy the benefits of full-time employment. The Minister argued calmly, as he always does, that the change is a simply a matter of ensuring a level playing field. If he wanted a level playing field, he would be ensuring that workers employed through intermediaries benefit from sickness pay, holiday pay and many of the other advantages of full-time employment. They do not get those same benefits and cannot be compared with people in traditional forms of employment.

Indeed, I suspect that part of the problem is that the Government have misunderstood the needs of the modern labour market. People are no longer employed either in traditional ways or entirely self-employed in the way it is traditionally understood. Flexibilities in the labour market have developed in many ways over the past 10 or 20 years. Many such flexibilities play to and enable local economies, such as rural areas in Scotland or Northern Ireland, and specialist sectors, such as oil and gas, which need to import specialist services. These people might be based not in Scotland, but down here near London and may have to fly to provide their services. The proposal might have impacts that have not been thought through by the Government.

Rob Marris: Does the hon. Gentleman agree with UCATT, which says that such workers should be directly employed if possible? For example, UCATT has obtained agreements on behalf of workers to get employment rights in workplaces such as the Olympics or Hinkley Point. While there is a place, as the hon. Gentleman says, for employing specialist workers on oil rigs, for example, not permanently but through an intermediary, the starter for 10 or opening position should be to try to have direct employment so that people get the full panoply of rights.

Roger Mullin: I agree with the hon. Gentleman that it would be better for some in this community to achieve traditional forms of employment, but that is not the situation for the in excess of 1 million people in the UK who fall into this category.

Despite the Minister's warm words, we intend to press new clause 1. It relates to a matter of some real import for the communities and the economy of Scotland. I have indicated that we are simply speaking to amendment 180, which we will not press, and we will support the Opposition's amendment 2.

Kelvin Hopkins (Luton North) (Lab): I rise to speak briefly on these amendments and new clauses. The hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) was absolutely right to mention HMRC. Successive Governments have consistently understaffed HMRC, consistently arguing that they would make it more efficient or whatever. When I was first elected to this House 19 years ago, I remember going to my local VAT office and being told that every member of staff collects

[Kelvin Hopkins]

five times their salary. Being a logical sort of person, I wrote to the then Chancellor of the Exchequer and suggested that it was a good idea to employ more staff to collect more revenue for the Government. I received a letter back not from the Chancellor and not even from a junior Minister but from a civil servant, suggesting that HMRC was to save money by cutting staff. It was so irrational that it was just nonsense. That kind of nonsense has continued ever since—reducing the number of offices, making things more remote and so on. I was also not terribly impressed by the idea of having a benefits-distributing service—tax credits—going through HMRC rather than through the Department for Work and Pensions. I was not the only Opposition Member who was uneasy about that change.

I want to discuss new clause 3 and the tax treatment of workers employed through intermediaries and support my hon. Friend the Member for Wolverhampton South West (Rob Marris) on the Front Bench. It has long occurred to me that intermediaries and private agencies make lots of money out of both the public purse and the people they employ. That could be overcome if we instituted a substantial public ownership programme for agencies, particularly when the public sector is involved. If there was a local authority or NHS agency for nurses, the money would either go into the pockets of the staff employed through the agency or would be saved in public spending by the health service—everyone would benefit. However, the people who would lose would be in the private sector, which could not make profits out of employing people in this way. In that way, staffing and taxation could be properly regulated. There would be no cheating, irregularities or tax fiddles, because it would all be within the publicly accountable public sector.

Rob Marris: I have considerable sympathy with my hon. Friend on organisations such as agencies that deal with supply teachers. As he will remember from his background in education, that function was commonly done by the local education authority before, sadly, a Labour Government started changing things. LEAs were then gutted by the current Government and their predecessor. Will my hon. Friend concede that in certain areas, such as construction or oil rigs, there is a role for specialist agencies and that it would be rather Stalinist to look at nationalising them or having them run by national Government bodies, as he appeared to suggest?

Kelvin Hopkins: In the public sector, not everything that was in the past was bad. Some people say that we cannot go back to the past, but a succession of Governments have gone back to the 19th century in the way they run the economy, and neoliberalism was invented then. Since then, we have had social democracies and managed economies that worked well, but that has all been thrown away and we have gone back to the 19th century. Some things from the past that we can return to might actually improve things. I suggest that public agencies for temporary staff would be a good thing.

I might even debate with my hon. Friend that such a proposal could be employed in the private sector as well, because the staff involved would at least be properly

protected, the companies would know that they are not being ripped off, and the Treasury would know that it is getting a fair deal through collecting its proper taxes. We could even have them properly organised with the trade unions, ensuring that they are properly paid and so on. We could go back to a splendid world of active social democracy. My hon. Friend's new clause does not go quite that far, but I support it.

Rob Marris: I must say to my hon. Friend that I am quite in favour of a world of active social democracy. I am unsure whether my definition is quite the same as his if he seriously suggests that construction agencies should be run by some kind of state body—that is a step too far for me. I also caution my hon. Friend that, having got his way last Thursday, he is pushing his luck somewhat on this somewhat Stalinist approach.

Kelvin Hopkins: My hon. Friend suggests that my proposal is Stalinist, but we are talking about a world in which we had several splendid democratically elected Labour Governments after the second world war that did wonderful things. Nobody would call them Stalinist. They submitted themselves to the electorate every five years and were sometimes defeated—sometimes even in this House—so I do not think “Stalinist” is the right word.

I do think, however, that there should be a bigger role for the public sector in regulating employment, making sure that people are properly paid and securely employed, even if they are temporary staff, that taxes are fully paid and that private sector agencies do not rip off both the public purse and employees. I will leave that suggestion with my hon. Friend. I hope that he will bring forward even more radical proposals along the lines that I have suggested.

Kirsty Blackman: I shall be brief, as I know nobody wants a lengthy debate tonight. I have a couple of specific points to make about reviewing the income tax treatment of workers who provide services through intermediaries. We are asking for a review. I understand the Government's point that they feel that their approach is sensible for the majority of workers and that it is levelling the playing field for the majority of people, but there will be unintended consequences on specific issues and in specific areas, and they are going to be a major problem.

We have mentioned that this will have a disproportionate impact on rural communities. That is partly because of geography, as those communities are further away and it is more difficult for people to make cheap travel arrangements to go there and for people to find reasonably priced overnight accommodation. That will have a disproportionate financial impact. We do not want specialist contractors to choose not to go to a rural community on the basis that it will disproportionately cost them money, as that will mean our rural communities will lose out; they will not have the ability to get whatever it is that needs to be done in that community because the contractor will choose to go somewhere cheaper. That is a major issue, particularly in the oil industry, as has been said, and in the whisky industry. The whisky industry may have specialist contractors that need to go to rural locations in order to do things, and we do not want those areas to be disproportionately affected.

7 pm

One big issue for rural communities is that the Brexit scenario means that they will lose out on huge amounts of European funding, and we do not want them to be further negatively impacted by this regime, so we are asking for a review. I understand that studies have been done and predictions have been made, but we all know from last week that predictions can go horribly wrong. We do not know how this will work in practice. The Government know how much it currently costs, but they do not know what impact there will be on workers' behaviour when this is introduced. We therefore want the Government to look at this in a few months' time to see whether it has had that negative effect, particularly on rural communities.

The last thing I want to say is that the reduction in net income has a disproportionate effect on those on lower incomes, so this is a regressive measure. I wonder whether that could be looked at in any review to see whether contractors doing lower-paid jobs are less likely to choose to go to rural communities on that basis.

Rob Marris: Some of those lower-paid workers may be working for umbrella companies, and a difference between the wording in new clause 3 and in new clause 1 is that Labour's new clause 3 mentions umbrella companies. New clause 1 refers to "different types of worker". Does the hon. Lady envisage that concept as including those who are engaged through intermediary or umbrella companies?

Kirsty Blackman: Absolutely we do. When we talk about "intermediaries" and "different types of worker", we mean all those who will be impacted by this change in the taxation measures.

Mr Gauke: I am grateful for the various points made in this debate. I will not repeat everything I said in my opening remarks, but I will try to address the questions raised, and we have had plenty of those. Perhaps I should begin by saying how pleased I was to see the hon. Member for Wolverhampton South West (Rob Marris) join us, as one never knows these days who will be on the Labour Front Bench. Given the considerable work that he clearly put into his speech—not forgetting the considerable work put in by Imogen Watson—it would have been a great pity were he not to have been on the Front Bench to ask those questions, so I am delighted to see him.

Rob Marris: I would not have missed it for the world.

Mr Gauke: The lengths people will go to in order to avoid attending a parliamentary Labour party meeting are clearly considerable.

Let me address the lengths the hon. Gentleman went to. I will also try to address the other points raised in the debate, and I will run through this in clause order—at least I will attempt to do so. Let me start by discussing clause 7, as he asked about the extent to which there have been problems and uncertainty with the tax law it addresses. There has been some uncertainty about the application of the current tax law in respect of fair bargain from a number of employers and advisers. This clause has been introduced to put the matter beyond doubt. It will give employers certainty about when

fair bargain should not be applied to benefits in kind, and these issues have been recently rehearsed by the Court of Appeal. He raised a particular issue as to why there was special provision for cars and vans. Company cars and vans are a particularly valuable benefit, so the codes specify how to calculate the value to apply so that a fair and equitable tax treatment results. We have these provisions because this benefit is particularly valuable.

Rob Marris: There may be a bit of to-ing and fro-ing on this for clarification, and this may well be due to my ignorance, but is this to do with the sale, possibly at an undervalue, of a van or a car, in contradistinction to one that is supplied as a benefit in kind—the classic sales rep's company car? Is clause 7 talking about a different scenario, such as a potential sale with it undervalued—or how does it overlap?

Mr Gauke: No, it is not talking about that. I hope that provides some clarity.

On clause 8, we were asked why the Government were imposing tax increases on drivers of low-emission cars. The company car tax system encourages people to choose the most fuel-efficient cars while ensuring that the benefit is fairly taxed. It is fair that all company car users, including those in zero-carbon and low-carbon cars, make a fair contribution to the public finances. The tax differential between ultra-low emission and conventionally fuelled cars will be widened in 2019-20 compared with previous plans announced at Budget 2013. If Members so wish, I could provide examples of that.

The question put is, "Why are the Government increasing rates on conventionally fuelled cars by three percentage points after years of two-percentage-point increases?" People also ask about the impact on the type of cars purchased. These increases ensure that the taxation of company cars continues to reflect changes in emissions technology. The rate increase, together with the extra incentive of ultra-low-emission vehicles, promotes the continued move to the cleanest cars. In 2013, there were 1,900 company ultra-low-emission vehicles, which was about 0.1% of the company car fleet, whereas in 2015 there were more than 8,000. That supports the Government's approach. Over the course of this Parliament, increases in company car tax rates have broadly maintained revenues in real terms, in the face of continued improvements in new car fuel efficiencies, and this will support the move to cleaner, zero-emission and ultra-low-emission cars.

Rob Marris: I think I have asked this before, and the Minister may not have the figure to hand, but can he give us an estimate of how much he thinks the changes introduced by clause 8 will raise, given that for each of the four bands the percentages are going up by 3%?

Mr Gauke: If I may, I will write to the hon. Gentleman and provide him with those details.

On clause 11, the Government will review the van benefit charge support for zero-emission vans, again in the light of market developments, at Budget 2018. This clause is keeping the level at 20%—it is not increasing it as planned—and the review occurs before any further increase beyond 20%. I hope that reply is helpful to the hon. Gentleman. As for what the impact will be on the

[Mr Gauke]

sales of zero-emission vans, extending the van benefit charge support for zero-emission vans will continue to reduce barriers to the uptake of new vehicle technologies. The Government's enhanced capital allowances scheme for zero-emission vans and the plug-in van grant that helps with the up-front cost of buying a new ultra-low-emission van will also help to reduce barriers to the uptake of these new technologies. Together these incentives will help sales of zero-emission vans. This in turn will help the development and manufacture of clean vehicle technologies in the UK, consistent with the Government's wider plans to promote economic growth. However, it is not possible to estimate precisely the impact on sales at this stage.

The hon. Gentleman made a point about EU air quality requirements and whether we should be doing more. The Government are committed to improving air quality, reducing health impacts and complying with legal obligations. Last December, DEFRA published the Government's plan to achieve these aims. Under this plan, by 2020 the most polluting diesel vehicles will be discouraged from entering the centres of Birmingham, Leeds, Southampton, Nottingham and Derby. The Mayor of London has responsibility for London and his own plans for reductions. I accept that the hon. Gentleman's amendment is well intentioned, but no vehicles would currently be caught by it and we are instead pursuing these aims more effectively elsewhere.

Rob Marris: Maybe I missed it, and I apologise in advance if I did, but when the Minister referred to stuff going through DEFRA and so on, I understood the milestone to be 2020, but 2020 seems an awfully long way away given that we should have been complying with this air quality stuff in about 2011 or 2012. It seems to be a case of kicking the can down the road while literally tens of thousands of people are dying prematurely. That is worrying.

Mr Gauke: I understand why the hon. Gentleman raises that point, but no vehicles would currently be caught by the amendment. It is a question of finding the most effective means by which to do this. As I have said, last December DEFRA published the Government's plans to achieve these aims and I accept that further work needs to be done, but we have set out a realistic and achievable target, and by 2020 the most polluting diesel vehicles will be discouraged from entering a number of cities.

7.15 pm

Rob Marris *rose*—

Mr Gauke: I will give way, although I am keen to make progress as a number of points have been made.

Rob Marris: The Minister says that no vehicles would be caught. My understanding of what he means by that is that no vehicles that are currently manufactured would be able to take advantage of the measure set out in amendments 2 and 3. The Minister is, I think, nodding, which is helpful. That is precisely the point of the amendments; it is to drive the market.

Mr Gauke: I appreciate that that is the intention of the amendments, and of course the hon. Gentleman would be the first to accept that it would require some time for that to take effect, but there are other measures elsewhere that the Government are taking that I believe achieve those objectives more effectively.

Kelvin Hopkins: There is a proposal to build a railway line that would take 5 million lorry journeys off our roads every year, transforming current levels of emissions, particularly in towns. This has widespread support apart from in the Department for Transport and the Government. Will the Government look seriously at the scheme and see it as a positive way forward?

Mr Gauke: This Government are committed to a very substantial investment in our railways—the biggest rail building programme since Victorian times. As a Government, we have great ambitions; we intend to spend £60 billion on transport infrastructure over the course of this Parliament.

Turning to supporting testimonials, a point was raised about the definition of “customary”. To reassure the hon. Member for Wolverhampton South West, I point out that HMRC is committed to working with external bodies in the production of guidance on this, which will cover issues such as the definition of “customary”. He also asked about the numbers of testimonials that fall within the contractual or customary categories, or fall outside that. No figures are available, as employers have not had to report this to HMRC. It is worth pointing out that contractual and customary payments are treated as earnings and it is therefore not possible to disaggregate them from the PAYE system.

A number of points were raised on clause 14. It was asked whether this change would disadvantage rural communities. Workers in rural communities who are contracted directly cannot claim travel and subsistence on their ordinary home to work commute. This change equalises the tax treatment of workers employed through employment intermediaries with that of other workers. It addresses an imbalance in our tax system, ensuring that it is fair. It is a long-standing principle of the tax system that tax relief is not allowable for the expense of ordinary commuting—travelling from home to a permanent workplace. I made that point earlier.

In terms of whether it would reduce contractors' ability to travel, creating a skills shortage or reducing flexibility and preventing growth, where businesses wish or need to recruit workers living some distance away, the Government expect businesses to pay a wage sufficient to attract workers without any special tax subsidy being necessary. This forms part of the Government's plan to move to a high-wage economy with businesses meeting the costs of paying their workers a wage which does not require a top-up from the state. I should also make the point in this context that this change puts supply teachers—an example that I think was used in the course of the debate—who are engaged through an intermediary on the same terms as other supply teachers who are contracted directly or through an agency. Like other workers, supply teachers not engaged in this way would not receive tax relief on their travel and subsistence expenses on regular home to work travel.

Prior to the last general election, the Labour party said that it would stop umbrella companies exploiting tax relief. It stated this both in its published plan to

tackle tax avoidance and subsequently in Parliament, and that is exactly what this change does, so I hope our measures in this area will have cross-party support.

The hon. Member for Aberdeen North (Kirsty Blackman) made a point about the impact on the Scottish oil industry. Employees with a permanent workplace at an offshore oil or gas installation are already exempt from income tax where they are provided with transfer transport, related accommodation, subsistence or local transport. These changes will not affect that exemption.

Roger Mullin: The only time in my life I had to operate through an umbrella company and would have been caught by these changes was when it was at the requirement of the Government because of the way in which they had constructed a contract. Do they intend going through every Department of the UK Government to ensure they no longer contract in this way?

Mr Gauke: The Government have done considerable work in recent years to ensure that Departments do not engage in arrangements that drive down the tax bill in a way that is not the intention of Parliament.

On clauses 16 and 17 and the issue of the withdrawal of the valuation check service, the Government believe that the impact will be negligible on employee share ownership. The Government do not expect the withdrawal of these services to have an impact on the take-up of employee ownership schemes. The valuation service has not been withdrawn for the most relevant two employee ownership schemes, including enterprise management incentives, company share option plans, savers who earn share option schemes, share incentive plans and the employee shareholder status.

This rather raises the question raised by the hon. Member for Wolverhampton South West as to why we have so many different schemes. Well, each of the tax advantage share schemes has a specific policy objective, reflected in the specific qualifying conditions. Share reward schemes are greatly valued by both companies and employees, and the Government believe that these schemes can have a positive impact on productivity.

Finally, on clause 18 and the concerns that this is retrospective legislation and that it is too complex, let me be clear that the changes introduced here are relatively straightforward. More complex proposals that were announced at the Budget will instead be legislated for in Finance Bill 2017, after the Government have consulted on the technical detail over the summer. One of the main purposes of the consultation will be to ensure that genuinely innocent arrangements are not affected. On the suggestion that the legislation is retrospective, the Government expect those who have avoided tax to pay their fair share. The Government intend to legislate for the new charge in Finance Bill 2017, following the consultation that I have just mentioned. The public and tax practitioners will be able to comment on that consultation.

Normal hard-working people do pay their taxes. They are paid a salary; they are not paid in loans. It is not right that those who use these schemes receive remuneration without paying tax on it. All affected scheme users will have the opportunity to repay their loans or to pay tax on them before the changes come into effect. This is in addition to the previous settled opportunities which closed in 2015.

I hope those points of clarification are helpful to the House. I hope, therefore, that the Government clauses and amendments can be supported, and I urge hon. Members proposing their own new clauses or amendments not to press them. If not, I urge my hon. Friends to oppose them.

Amendment 22 agreed to.

Amendments made: 23, page 14, line 10, at end insert—

“() In section 109 (priority of Chapter 5 over Chapter 1), after subsection (3) insert—

“(4) In a case where the cash equivalent of the benefit of the living accommodation is nil—

(a) subsections (2) and (3) do not apply, and

(b) the full amount mentioned in subsection (1)(b) constitutes earnings from the employment for the year under Chapter 1.”

Amendment 24, page 14, leave out lines 13 to 16 and insert —

“(1A) Where this Chapter applies to a car or van, the car or van is a benefit for the purposes of this Chapter (and accordingly it is immaterial whether the terms on which it is made available to the employee or member constitute a fair bargain).”

Amendment 25, page 14, line 35, at end insert—

“() In section 120 (benefit of car treated as earnings)—

(a) in subsection (2) after “case” insert “(including a case where the cash equivalent of the benefit of the car is nil)”, and

(b) after subsection (2) insert—

“(3) Any reference in this Act to a case where the cash equivalent of the benefit of a car is treated as the employee’s earnings for a year by virtue of this section includes a case where the cash equivalent is nil.”

() In section 154 (benefit of van treated as earnings)—

(a) the existing text becomes subsection (1) of that section, and

(b) after that subsection insert—

“(2) In such a case (including a case where the cash equivalent of the benefit of the van is nil) the employee is referred to in this Chapter as being chargeable to tax in respect of the van for that year.

(3) Any reference in this Act to a case where the cash equivalent of the benefit of a van is treated as the employee’s earnings for a year by virtue of this section includes a case where the cash equivalent is nil.”

Amendment 26, page 14, leave out lines 37 to 39 and insert—

“(1A) Where this Chapter applies to a loan—

(a) the loan is a benefit for the purposes of this Chapter (and accordingly it is immaterial whether the terms of the loan constitute a fair bargain), and

(b) sections 175 to 183 provide for the cash equivalent of the benefit of the loan (where it is a taxable cheap loan) to be treated as earnings in certain circumstances.”

—(Mr Gauke.)

Clause 7, as amended, ordered to stand part of the Bill.

Clauses 8 and 9 ordered to stand part of the Bill.

Clause 10

DIESEL CARS: APPROPRIATE PERCENTAGE

Amendment proposed: 2, page 15, line 29, after “omit”, insert

“, except in the case of a low emissions vehicle.”—(Rob Marris.)

Question put, That the amendment be made.

The Committee divided: Ayes 251, Noes 314.

Division No. 22]

[7.22 pm

AYES

Abrahams, Debbie
 Ali, Rushanara
 Allen, Mr Graham
 Allin-Khan, Dr Rosena
 Anderson, Mr David
 Austin, Ian
 Bailey, Mr Adrian
 Bardell, Hannah
 Beckett, rh Margaret
 Benn, rh Hilary
 Berger, Luciana
 Betts, Mr Clive
 Blackford, Ian
 Blackman, Kirsty
 Blackman-Woods, Dr Roberta
 Blenkinsop, Tom
 Blomfield, Paul
 Boswell, Philip
 Bradshaw, rh Mr Ben
 Brake, rh Tom
 Brennan, Kevin
 Brock, Deidre
 Brown, Alan
 Brown, Lyn
 Brown, rh Mr Nicholas
 Bryant, Chris
 Buck, Ms Karen
 Burden, Richard
 Burgon, Richard
 Butler, Dawn
 Byrne, rh Liam
 Cadbury, Ruth
 Campbell, rh Mr Alan
 Campbell, Mr Ronnie
 Carmichael, rh Mr Alistair
 Champion, Sarah
 Chapman, Douglas
 Cherry, Joanna
 Clegg, rh Mr Nick
 Clwyd, rh Ann
 Coaker, Vernon
 Coffey, Ann
 Cooper, Julie
 Cooper, Rosie
 Cooper, rh Yvette
 Corbyn, rh Jeremy
 Cowan, Ronnie
 Coyle, Neil
 Crawley, Angela
 Creagh, Mary
 Creasy, Stella
 Cruddas, Jon
 Cryer, John
 Cunningham, Alex
 Cunningham, Mr Jim
 Dakin, Nic
 Danczuk, Simon
 David, Wayne
 Davies, Geraint
 Day, Martyn
 Docherty-Hughes, Martin
 Donaldson, Stuart Blair
 Doughty, Stephen
 Dowd, Jim
 Dowd, Peter
 Dromey, Jack
 Dugher, Michael
 Durkan, Mark
 Eagle, Ms Angela
 Edwards, Jonathan
 Elliott, Julie
 Elliott, Tom
 Ellman, Mrs Louise
 Esterson, Bill
 Evans, Chris
 Farrelly, Paul
 Fellows, Marion
 Ferrier, Margaret
 Field, rh Frank
 Fitzpatrick, Jim
 Ffello, Robert
 Flint, rh Caroline
 Flynn, Paul
 Fovargue, Yvonne
 Foxcroft, Vicky
 Gapes, Mike
 Gardiner, Barry
 Gethins, Stephen
 Gibson, Patricia
 Glass, Pat
 Glindon, Mary
 Goodman, Helen
 Grady, Patrick
 Grant, Peter
 Gray, Neil
 Green, Kate
 Greenwood, Lilian
 Greenwood, Margaret
 Gwynne, Andrew
 Haigh, Louise
 Hamilton, Fabian
 Hanson, rh Mr David
 Harman, rh Ms Harriet
 Hayes, Helen
 Healey, rh John
 Hendry, Drew
 Hillier, Meg
 Hodge, rh Dame Margaret
 Hodgson, Mrs Sharon
 Hoey, Kate
 Hollern, Kate
 Hopkins, Kelvin
 Hosie, Stewart
 Hunt, Tristram
 Huq, Dr Rupa
 Hussain, Imran
 Jarvis, Dan
 Johnson, Diana
 Jones, Graham
 Jones, Helen
 Jones, Mr Kevan
 Kane, Mike
 Keeley, Barbara
 Kendall, Liz
 Kerevan, George
 Kerr, Calum
 Kyle, Peter
 Lamb, rh Norman
 Lavery, Ian
 Law, Chris
 Leslie, Chris
 Lewell-Buck, Mrs Emma
 Lewis, Clive
 Lewis, Mr Ivan

Long Bailey, Rebecca
 Lucas, Caroline
 Lucas, Ian C.
 Lynch, Holly
 Mactaggart, rh Fiona
 Madders, Justin
 Mahmood, Mr Khalid
 Mahmood, Shabana
 Malhotra, Seema
 Mann, John
 Marris, Rob
 Marsden, Mr Gordon
 Maskell, Rachael
 Matheson, Christian
 Mc Nally, John
 McCabe, Steve
 McCaig, Callum
 McCarthy, Kerry
 McDonagh, Siobhain
 McDonald, Andy
 McDonald, Stewart Malcolm
 McDonald, Stuart C.
 McDonnell, John
 McFadden, rh Mr Pat
 McGarry, Natalie
 McGinn, Conor
 McGovern, Alison
 Glass, Pat
 McInnes, Liz
 McKinnell, Catherine
 McMahan, Jim
 Meale, Sir Alan
 Mearns, Ian
 Monaghan, Carol
 Monaghan, Dr Paul
 Moon, Mrs Madeleine
 Morris, Grahame M.
 Mulholland, Greg
 Mullin, Roger
 Murray, Ian
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Oswald, Kirsten
 Owen, Albert
 Paterson, Steven
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Pound, Stephen
 Qureshi, Yasmin
 Rayner, Angela
 Reed, Mr Jamie
 Reed, Mr Steve
 Rees, Christina
 Reeves, Rachel
 Reynolds, Emma
 Reynolds, Jonathan

Rimmer, Marie
 Ritchie, Ms Margaret
 Robertson, rh Angus
 Robinson, Mr Geoffrey
 Rotheram, Steve
 Ryan, rh Joan
 Saville Roberts, Liz
 Shannon, Jim
 Sheerman, Mr Barry
 Sheppard, Tommy
 Sherriff, Paula
 Shuker, Mr Gavin
 Skinner, Mr Dennis
 Slaughter, Andy
 Smeeth, Ruth
 Smith, rh Mr Andrew
 Smith, Angela
 Smith, Cat
 Smith, Jeff
 Smyth, Karin
 Spellar, rh Mr John
 Starmer, Keir
 Stephens, Chris
 Stevens, Jo
 Streeting, Wes
 Stringer, Graham
 Stuart, rh Ms Gisela
 Tami, Mark
 Thewliss, Alison
 Thomas-Symonds, Nick
 Thompson, Owen
 Thomson, Michelle
 Thornberry, Emily
 Timms, rh Stephen
 Trickett, Jon
 Turley, Anna
 Turner, Karl
 Twigg, Derek
 Twigg, Stephen
 Umunna, Mr Chuka
 Vaz, Valerie
 Watson, Mr Tom
 Weir, Mike
 West, Catherine
 Whiteford, Dr Eilidh
 Whitehead, Dr Alan
 Whitford, Dr Philippa
 Williams, Hywel
 Williams, Mr Mark
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Dame Rosie
 Wishart, Pete
 Woodcock, John
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Ayes:

**Sue Hayman and
 Judith Cummins**

NOES

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter
 Allan, Lucy
 Allen, Heidi
 Amess, Sir David
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Baldwin, Harriett
 Barclay, Stephen
 Baron, Mr John
 Barwell, Gavin

Bebb, Guto	Fernandes, Suella	Kennedy, Seema	Poulter, Dr Daniel
Bellingham, Sir Henry	Field, rh Mark	Kirby, Simon	Pow, Rebecca
Benyon, Richard	Foster, Kevin	Knight, rh Sir Greg	Prentis, Victoria
Beresford, Sir Paul	Fox, rh Dr Liam	Knight, Julian	Prisk, Mr Mark
Berry, Jake	Francois, rh Mr Mark	Kwarteng, Kwasi	Pritchard, Mark
Berry, James	Frazer, Lucy	Lancaster, Mark	Pursglove, Tom
Bingham, Andrew	Freeman, George	Latham, Pauline	Quin, Jeremy
Blackman, Bob	Freer, Mike	Leadsom, Andrea	Quince, Will
Blackwood, Nicola	Fuller, Richard	Lee, Dr Phillip	Raab, Mr Dominic
Blunt, Crispin	Fysh, Marcus	Lefroy, Jeremy	Redwood, rh John
Boles, Nick	Garnier, rh Sir Edward	Leigh, Sir Edward	Rees-Mogg, Mr Jacob
Bone, Mr Peter	Garnier, Mark	Leslie, Charlotte	Robertson, Mr Laurence
Borwick, Victoria	Gauke, Mr David	Letwin, rh Mr Oliver	Robinson, Gavin
Bottomley, Sir Peter	Ghani, Nusrat	Lewis, Brandon	Robinson, Mary
Bradley, Karen	Gibb, Mr Nick	Lewis, rh Dr Julian	Rosindell, Andrew
Brady, Mr Graham	Gillan, rh Mrs Cheryl	Liddell-Grainger, Mr Ian	Rudd, rh Amber
Brazier, Mr Julian	Glen, John	Lilley, rh Mr Peter	Rutley, David
Bridgen, Andrew	Goldsmith, Zac	Lopresti, Jack	Sandbach, Antoinette
Brine, Steve	Goodwill, Mr Robert	Lord, Jonathan	Scully, Paul
Brokenshire, rh James	Gove, rh Michael	Loughton, Tim	Selous, Andrew
Bruce, Fiona	Graham, Richard	Mackinlay, Craig	Shapps, rh Grant
Buckland, Robert	Grant, Mrs Helen	Mackintosh, David	Sharma, Alok
Burns, Conor	Gray, Mr James	Main, Mrs Anne	Shelbrooke, Alec
Burns, rh Sir Simon	Green, Chris	Mak, Mr Alan	Simpson, David
Burrowes, Mr David	Green, rh Damian	Malthouse, Kit	Simpson, rh Mr Keith
Burt, rh Alistair	Greening, rh Justine	Mann, Scott	Skidmore, Chris
Cairns, rh Alun	Grieve, rh Mr Dominic	Mathias, Dr Tania	Smith, Chloe
Carmichael, Neil	Griffiths, Andrew	May, rh Mrs Theresa	Smith, Henry
Cartlidge, James	Gummer, Ben	Maynard, Paul	Smith, Julian
Caulfield, Maria	Gyimah, Mr Sam	McCartney, Jason	Smith, Royston
Chalk, Alex	Hall, Luke	McCartney, Karl	Soames, rh Sir Nicholas
Chope, Mr Christopher	Hammond, rh Mr Philip	McLoughlin, rh Mr Patrick	Solloway, Amanda
Churchill, Jo	Hammond, Stephen	Menzies, Mark	Spelman, rh Mrs Caroline
Clark, rh Greg	Hancock, rh Matthew	Mercer, Johnny	Spencer, Mark
Clarke, rh Mr Kenneth	Hands, rh Greg	Merriman, Huw	Stephenson, Andrew
Cleverly, James	Harper, rh Mr Mark	Metcalfe, Stephen	Stevenson, John
Clifton-Brown, Geoffrey	Harrington, Richard	Miller, rh Mrs Maria	Stewart, Bob
Coffey, Dr Thérèse	Harris, Rebecca	Milling, Amanda	Stewart, Iain
Collins, Damian	Hart, Simon	Mills, Nigel	Stewart, Rory
Colvile, Oliver	Haselhurst, rh Sir Alan	Milton, rh Anne	Streeter, Mr Gary
Costa, Alberto	Heald, Sir Oliver	Mitchell, rh Mr Andrew	Stride, Mel
Cox, Mr Geoffrey	Heapey, James	Mordaunt, Penny	Stuart, Graham
Crabb, rh Stephen	Heaton-Harris, Chris	Morgan, rh Nicky	Sturdy, Julian
Davies, Byron	Heaton-Jones, Peter	Morris, Anne Marie	Sunak, Rishi
Davies, Chris	Henderson, Gordon	Morris, David	Swayne, rh Sir Desmond
Davies, David T. C.	Hermon, Lady	Morris, James	Swire, rh Mr Hugo
Davies, Glyn	Hinds, Damian	Morton, Wendy	Syms, Mr Robert
Davies, Dr James	Hoare, Simon	Mowat, David	Thomas, Derek
Davies, Mims	Hollingbery, George	Mundell, rh David	Throup, Maggie
Dinenage, Caroline	Hollinrake, Kevin	Murray, Mrs Sheryll	Timpson, Edward
Djanogly, Mr Jonathan	Hollobone, Mr Philip	Murrison, Dr Andrew	Tolhurst, Kelly
Dodds, rh Mr Nigel	Holloway, Mr Adam	Neill, Robert	Tomlinson, Justin
Donelan, Michelle	Hopkins, Kris	Newton, Sarah	Tomlinson, Michael
Dorries, Nadine	Howarth, Sir Gerald	Nokes, Caroline	Tracey, Craig
Double, Steve	Howell, John	Norman, Jesse	Tredinnick, David
Drax, Richard	Howlett, Ben	Nuttall, Mr David	Trevelyan, Mrs Anne-Marie
Drummond, Mrs Flick	Huddleston, Nigel	Offord, Dr Matthew	Tugendhat, Tom
Duddridge, James	Hunt, rh Mr Jeremy	Osborne, rh Mr George	Turner, Mr Andrew
Duncan, rh Sir Alan	Hurd, Mr Nick	Parish, Neil	Tyrie, rh Mr Andrew
Duncan Smith, rh Mr Iain	Jackson, Mr Stewart	Patel, rh Priti	Vaizey, Mr Edward
Dunne, Mr Philip	Javid, rh Sajid	Paterson, rh Mr Owen	Vara, Mr Shailesh
Ellis, Michael	Jayawardena, Mr Ranil	Pawsey, Mark	Vickers, Martin
Ellison, Jane	Jenkin, Mr Bernard	Penning, rh Mike	Villiers, rh Mrs Theresa
Ellwood, Mr Tobias	Jenkyns, Andrea	Penrose, John	Walker, Mr Charles
Elphicke, Charlie	Jenrick, Robert	Percy, Andrew	Walker, Mr Robin
Eustice, George	Johnson, Boris	Perry, Claire	Wallace, Mr Ben
Evans, Graham	Johnson, Gareth	Phillips, Stephen	Warburton, David
Evans, Mr Nigel	Johnson, Joseph	Philp, Chris	Warman, Matt
Evennett, rh Mr David	Jones, Andrew	Pickles, rh Sir Eric	Wharton, James
Fallon, rh Michael	Jones, rh Mr David	Pincher, Christopher	Whately, Helen
	Jones, Mr Marcus		Wheeler, Heather
	Kawczynski, Daniel		

White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy

Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Jackie Doyle-Price and
Guy Opperman

Question accordingly negatived.

Clauses 10 to 12 ordered to stand part of the Bill.

Schedule 2 agreed to.

Clause 13 ordered to stand part of the Bill.

Clause 14

TRAVEL EXPENSES OF WORKERS PROVIDING SERVICES THROUGH INTERMEDIARIES

Amendment made: 27, page 19, line 19, leave out paragraph (a) and insert—

“(a) in section 51(1)—

- (i) disregard “either” in the opening words, and
- (ii) disregard paragraph (b) (and the preceding or), and”.—(*Mr Gauke.*)

Clause 14, as amended, ordered to stand part of the Bill.

Clauses 15 and 16 ordered to stand part of the Bill.

Schedule 3

EMPLOYEE SHARE SCHEMES: MINOR AMENDMENTS

Amendment made: 28, page 274, line 20, leave out “(1) does” and insert “(1)(a) and (b) do”.—(*Mr Gauke.*)

Schedule 3, as amended, agreed to.

Clauses 17 and 18 ordered to stand part of the Bill.

New Clause 1

REVIEW OF INCOME TAX TREATMENT OF WORKERS PROVIDING SERVICES THROUGH INTERMEDIARIES

“The Chancellor of the Exchequer must conduct a strategic review of the impact on workers defined as providing services through intermediaries of their treatment for income tax purposes, including the differential impact on different types of worker, and must publish the report of the review within six months of the passing of this Act.”—(*Roger Mullin.*)

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 247, Noes 316.

Division No. 23]

[7.37 pm

AYES

Abrahams, Debbie
Ali, Rushanara
Allen, Mr Graham
Allin-Khan, Dr Rosena
Anderson, Mr David
Arkless, Richard
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret

Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom

Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Cherry, Joanna
Clegg, rh Mr Nick
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Cooper, Rosie
Cooper, rh Yvette
Corbyn, rh Jeremy
Cowan, Ronnie
Coyle, Neil
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
Danczuk, Simon
David, Wayne
Davies, Geraint
Day, Martyn
Docherty-Hughes, Martin
Donaldson, Stuart Blair
Dowd, Jim
Dowd, Peter
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Ferrier, Margaret
Field, rh Frank
Fitzpatrick, Jim
Fliello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Goodman, Helen
Grady, Patrick

Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendry, Drew
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Jarvis, Dan
Johnson, Diana
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Kane, Mike
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kyle, Peter
Lamb, rh Norman
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lucas, Ian C.
Lynch, Holly
Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McMahon, Jim
Meale, Sir Alan

Mearns, Ian
 Monaghan, Carol
 Monaghan, Dr Paul
 Moon, Mrs Madeleine
 Morris, Grahame M.
 Mulholland, Greg
 Mullin, Roger
 Murray, Ian
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Oswald, Kirsten
 Owen, Albert
 Paterson, Steven
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Qureshi, Yasmin
 Rayner, Angela
 Reed, Mr Jamie
 Reed, Mr Steve
 Rees, Christina
 Reeves, Rachel
 Reynolds, Emma
 Reynolds, Jonathan
 Rimmer, Marie
 Ritchie, Ms Margaret
 Robertson, rh Angus
 Robinson, Mr Geoffrey
 Rotheram, Steve
 Ryan, rh Joan
 Saville Roberts, Liz
 Sheppard, Tommy
 Sherriff, Paula
 Shuker, Mr Gavin
 Skinner, Mr Dennis
 Slaughter, Andy
 Smeeth, Ruth
 Smith, rh Mr Andrew

Smith, Angela
 Smith, Cat
 Smith, Jeff
 Smyth, Karin
 Starmer, Keir
 Stephens, Chris
 Stevens, Jo
 Streeting, Wes
 Stringer, Graham
 Stuart, rh Ms Gisela
 Tami, Mark
 Thewliss, Alison
 Thomas-Symonds, Nick
 Thomson, Michelle
 Thornberry, Emily
 Timms, rh Stephen
 Trickett, Jon
 Turley, Anna
 Turner, Karl
 Twigg, Derek
 Twigg, Stephen
 Umunna, Mr Chuka
 Vaz, Valerie
 Watson, Mr Tom
 Weir, Mike
 West, Catherine
 Whiteford, Dr Eilidh
 Whitehead, Dr Alan
 Whitford, Dr Philippa
 Williams, Hywel
 Williams, Mr Mark
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Dame Rosie
 Wishart, Pete
 Woodcock, John
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Ayes:
Owen Thompson and
Marion Fellows

NOES

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter
 Allan, Lucy
 Allen, Heidi
 Amess, Sir David
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Baldwin, Harriett
 Barclay, Stephen
 Baron, Mr John
 Barwell, Gavin
 Bebb, Guto
 Bellingham, Sir Henry
 Benyon, Richard
 Beresford, Sir Paul
 Berry, Jake
 Berry, James
 Bingham, Andrew
 Blackman, Bob
 Blackwood, Nicola
 Blunt, Crispin

Boles, Nick
 Bone, Mr Peter
 Borwick, Victoria
 Bottomley, Sir Peter
 Bradley, Karen
 Brady, Mr Graham
 Brazier, Mr Julian
 Bridgen, Andrew
 Brine, Steve
 Brokenshire, rh James
 Bruce, Fiona
 Buckland, Robert
 Burns, Conor
 Burns, rh Sir Simon
 Burrowes, Mr David
 Burt, rh Alistair
 Cairns, rh Alun
 Carmichael, Neil
 Cartlidge, James
 Caulfield, Maria
 Chalk, Alex
 Chope, Mr Christopher
 Churchill, Jo
 Clark, rh Greg
 Clarke, rh Mr Kenneth
 Cleverly, James

Clifton-Brown, Geoffrey
 Coffey, Dr Thérèse
 Collins, Damian
 Colville, Oliver
 Costa, Alberto
 Cox, Mr Geoffrey
 Crabb, rh Stephen
 Davies, Byron
 Davies, Chris
 Davies, David T. C.
 Davies, Glyn
 Davies, Dr James
 Davies, Mims
 Dinenage, Caroline
 Djanogly, Mr Jonathan
 Dodds, rh Mr Nigel
 Donelan, Michelle
 Dorries, Nadine
 Double, Steve
 Drax, Richard
 Drummond, Mrs Flick
 Duddridge, James
 Duncan, rh Sir Alan
 Duncan Smith, rh Mr Iain
 Dunne, Mr Philip
 Elliott, Tom
 Ellis, Michael
 Ellison, Jane
 Ellwood, Mr Tobias
 Elphicke, Charlie
 Eustice, George
 Evans, Graham
 Evans, Mr Nigel
 Evennett, rh Mr David
 Fallon, rh Michael
 Fernandes, Suella
 Field, rh Mark
 Foster, Kevin
 Fox, rh Dr Liam
 Francois, rh Mr Mark
 Frazer, Lucy
 Freeman, George
 Freer, Mike
 Fuller, Richard
 Fysh, Marcus
 Garnier, rh Sir Edward
 Garnier, Mark
 Gauke, Mr David
 Ghani, Nusrat
 Gibb, Mr Nick
 Gillan, rh Mrs Cheryl
 Glen, John
 Goldsmith, Zac
 Goodwill, Mr Robert
 Gove, rh Michael
 Graham, Richard
 Grant, Mrs Helen
 Gray, Mr James
 Green, Chris
 Green, rh Damian
 Greening, rh Justine
 Grieve, rh Mr Dominic
 Griffiths, Andrew
 Gummer, Ben
 Gymnah, Mr Sam
 Halfon, rh Robert
 Hall, Luke
 Hammond, rh Mr Philip
 Hammond, Stephen
 Hancock, rh Matthew
 Hands, rh Greg
 Harper, rh Mr Mark

Harrington, Richard
 Harris, Rebecca
 Hart, Simon
 Haselhurst, rh Sir Alan
 Heald, Sir Oliver
 Heapey, James
 Heaton-Harris, Chris
 Heaton-Jones, Peter
 Henderson, Gordon
 Hermon, Lady
 Hinds, Damian
 Hoare, Simon
 Hollingbery, George
 Hollinrake, Kevin
 Hollobone, Mr Philip
 Holloway, Mr Adam
 Hopkins, Kris
 Howarth, Sir Gerald
 Howell, John
 Howlett, Ben
 Huddleston, Nigel
 Hunt, rh Mr Jeremy
 Hurd, Mr Nick
 Jackson, Mr Stewart
 Javid, rh Sajid
 Jayawardena, Mr Ranil
 Jenkin, Mr Bernard
 Jenkins, Andrea
 Jenrick, Robert
 Johnson, Boris
 Johnson, Gareth
 Johnson, Joseph
 Jones, Andrew
 Jones, rh Mr David
 Jones, Mr Marcus
 Kawczynski, Daniel
 Kennedy, Seema
 Kirby, Simon
 Knight, rh Sir Greg
 Knight, Julian
 Kwarteng, Kwasi
 Lancaster, Mark
 Latham, Pauline
 Leadsom, Andrea
 Lee, Dr Phillip
 Lefroy, Jeremy
 Leigh, Sir Edward
 Leslie, Charlotte
 Letwin, rh Mr Oliver
 Lewis, Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lilley, rh Mr Peter
 Lopresti, Jack
 Lord, Jonathan
 Loughton, Tim
 Mackinlay, Craig
 Mackintosh, David
 Main, Mrs Anne
 Mak, Mr Alan
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 May, rh Mrs Theresa
 Maynard, Paul
 McCartney, Jason
 McCartney, Karl
 McLoughlin, rh Mr Patrick
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen

Miller, rh Mrs Maria
 Milling, Amanda
 Mills, Nigel
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mowat, David
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newton, Sarah
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 Offord, Dr Matthew
 Osborne, rh Mr George
 Parish, Neil
 Patel, rh Priti
 Paterson, rh Mr Owen
 Pawsey, Mark
 Penning, rh Mike
 Perrose, John
 Percy, Andrew
 Perry, Claire
 Phillips, Stephen
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Mr Laurence
 Robinson, Gavin
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Sandbach, Antoinette
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec
 Simpson, David
 Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Chloe

Smith, Henry
 Smith, Julian
 Smith, Royston
 Soames, rh Sir Nicholas
 Solloway, Amanda
 Spelman, rh Mrs Caroline
 Spencer, Mark
 Stephenson, Andrew
 Stevenson, John
 Stewart, Bob
 Stewart, Iain
 Stewart, Rory
 Streeter, Mr Gary
 Stride, Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Sir Desmond
 Swire, rh Mr Hugo
 Syms, Mr Robert
 Thomas, Derek
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Tredinnick, David
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williamson, rh Gavin
 Wilson, Mr Rob
 Wilson, Sammy
 Wollaston, Dr Sarah
 Wood, Mike
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
Jackie Doyle-Price and
Guy Opperman

Question accordingly negated.

Clause 132

CCL: ABOLITION OF EXEMPTION FOR ELECTRICITY
 FROM RENEWABLE SOURCES

Question proposed. That the clause stand part of the Bill.

The Temporary Chair (Sir Roger Gale): With this it will be convenient to discuss clauses 133 and 134 stand part.

Amendment 183.

Clauses 135 and 136 stand part.

The Exchequer Secretary to the Treasury (Damian Hinds): Clauses 132 to 136 set out changes to the climate change levy, or CCL, which is a tax levied on the supply of energy to businesses and the public sector. It was introduced in 2001 to incentivise industrial and commercial energy efficiency. The Finance Act 2015 removed the climate change levy exemption for renewable electricity generated on or after 1 August 2015. A consultation was then held to seek views from industry on the appropriate length of time for the transitional period.

Clause 132 sets the length of the transitional period during which electricity suppliers can continue to exempt from the climate change levy renewably sourced energy generated before 1 August 2015. The clause provides for an end date for the transitional period of 31 March 2018. Setting a transitional period will minimise the administrative impact on electricity suppliers by giving them time to retain the benefit of renewably sourced electricity acquired before the date of the change.

Following a review of the business energy tax landscape and consultation with industry, it was announced at Budget 2016 that the Government would abolish the complex and unduly burdensome carbon reduction commitment energy efficiency scheme and move to a single tax—the existing climate change levy—from 2019. Moving to one tax will provide a clearer price signal for business energy use, incentivising energy efficiency while reducing administrative burdens.

Clauses 133 and 134 set the main rates of the CCL from 1 April 2017 and 1 April 2018 to increase by the retail prices index. Legislating for those increases now provides certainty for businesses before the wider business energy market reforms take place.

Clause 135 will increase the climate change levy rates above RPI from 1 April 2019, to recover the revenue that will be lost from abolishing the CRC. Increasing climate change levy rates will strengthen the incentive for businesses with the greatest potential to save energy. At the same time, rebalancing the rates for different taxable commodities from 1 April 2019 will update an outdated ratio and more closely reflect the carbon content of the energy used. That will help to deliver on our commitment to achieve greater carbon savings.

Clause 136 will increase the levy discount for energy intensive sectors with climate change agreements. That will ensure that businesses in those sectors will pay no more in the climate change levy than the expected RPI increase in April 2019, thereby enabling them to maintain their international competitiveness. Those reforms will take place in 2019, providing a three-year lead-in time for businesses to adjust to the new business energy tax landscape.

Several hon. Members have in the past voiced concern over the impact of the clause to remove the climate change levy exemption from renewably sourced electricity, so allow me, if you will, Sir Roger, to repeat the reasoning for the removal of that exemption. There is no doubt that the exemption was increasingly providing poor value for money for British taxpayers. Without action,

the exemption would have cost almost £4 billion over the course of this Parliament, providing only indirect support to renewable generators.

Other Government support for UK low-carbon generators demonstrates this Government's commitment to renewable energy. Since 2010, nearly £52 billion has been invested in renewables, and that has led to a trebling of the UK's renewable electricity capacity. There was another record year in 2015, with £13 billion invested in renewable electricity. Removing the exemption will provide better value for money for UK taxpayers, contribute to fiscal consolidation and maintain the climate change levy price signal necessary to incentivise business energy efficiency.

The Government's consultation with industry showed that the current business energy tax landscape was too burdensome and complex. Clauses 132 to 136 demonstrate the Government's commitment to simplify and improve the effectiveness of business energy taxes in order to meet our environmental targets.

Amendment 183 stands in the name of the hon. Member for Salford and Eccles (Rebecca Long Bailey) on behalf of the Opposition. If I may pause for a moment, I want to take this opportunity to congratulate her on her elevation today. It is an extremely well-deserved promotion and we wish her all the best in her new role. On this occasion, however, I am afraid that her amendment has slightly less merit. It would require the Chancellor to publish a report detailing the impact of the climate change levy in reducing carbon emissions within 12 months from the passing of the Finance Bill, but such a review is unnecessary.

Following a hearing on the 2015 summer Budget, the Chancellor wrote to the Treasury Committee on the impact of the removal of the CCL exemption. He made it clear that the exemption would not directly affect our commitment to reduce carbon emissions. In addition, the Department of Energy and Climate Change already intends to publish a consultation on a simplified energy and carbon reporting framework later this year. That will be accompanied by an impact assessment, which will examine the removal of the carbon reduction commitment and propose adjustments to reporting requirements.

The impact of ending the exemption from the climate change levy for renewable electricity has been discussed at length over the course of debates. It has been confirmed to Parliament in writing by the Chancellor that removal of the exemption will not impact on the UK's ability to meet its carbon budget targets. I therefore urge the hon. Lady to withdraw the amendment, but should she be minded not to do so, I urge the Committee to reject it.

Rebecca Long Bailey (Salford and Eccles) (Lab): I thank the Minister for his kind comments and for being a fantastic duelling partner in these debates. He has been nothing less than respectful and I have enjoyed debating with him.

I rise to speak to clauses 132 to 136, which make various changes to the climate change levy, and to amendment 183, which stands in my name and those of my hon. Friends the Members for Hayes and Harlington (John McDonnell), for Feltham and Heston (Seema Malhotra), for Wolverhampton South West (Rob Marris) and for Leeds East (Richard Burgon).

Clause 132 relates to the removal of the exemption for electricity from renewable sources. Since the climate change levy's inception in 2001, electricity from renewable sources has been exempt when supplied under a renewable source contract agreed between an energy supplier and its customer. In Budget 2015, the Chancellor announced that that exemption for renewable electricity would be removed from 1 August 2015 and that there would be a "transitional period for suppliers...to claim the CCL exemption on any renewable electricity that was generated before that date." Following an informal consultation, which received 18 responses, the Government announced that the transitional period would end on 31 March 2018, legislated for in this Finance Bill.

The House will be aware that we, along with several Government Members, opposed the removal of that exemption in the Finance Act 2015, and we maintain that position. We will therefore abstain on the clause, but I would like the Minister to address one particular point. In answer to written questions, the Government have refused to publish a summary of responses to the informal consultation, as they contained "commercially sensitive information", and they refuse to publish an average of suggested timescales. Will the Minister give us an assurance that the length of the transitional period was, in fact, in line with the recommendations of the respondents?

Clauses 133 and 134 will increase the main rates of the climate change levy in line with inflation in April 2017 and again in April 2018. It has been standard practice to increase the rates in line with inflation in each year's Finance Bill since 2007 and, as the explanatory notes set out, wider changes to the CCL from 2019 are being legislated for in this Bill, so it makes sense to make provision for the next two years at the same time.

Those wider changes are the subject of clause 135, which significantly increases the main rates of the climate change levy to recover Exchequer revenue lost from the abolition of the carbon reduction commitment. In doing so, the ratio of electricity to gas is rebalanced somewhat to 2.5:1, and it is the Government's intention to rebalance the ratio further to 1:1 by 2025, to reflect the fall in gas prices and the expected increase in consumption as a result.

The following clause increases the CCL discount available to energy intensive businesses subject to climate change agreements, to compensate equivalently for the increase to the main rates. The CCL discount for electricity will increase from 90% to 93%, and the discount for gas will increase from 65% to 78% from 1 April 2019. That provision mitigates a knock-on effect from clause 135.

Our amendment to clause 135 would require the Government to conduct a review of the impact of the climate change levy on carbon emissions. The review will have particular reference to the removal of the exemption for electricity generated from renewable sources, the abolition of the carbon reduction commitment and the reporting requirements for companies and public sector bodies.

8 pm

In order to explain the reasoning behind our amendment, it might be helpful to outline briefly how the Government arrived at the changes implemented by clause 135. In Budget 2015, a consultation on the business energy

efficiency tax landscape was announced to consider approaches to simplify and improve the effectiveness of the regime. Launched in September, the consultation set out the current range of business energy efficiency policies and regulations, and it received 356 responses from a variety of businesses, energy providers and trade associations.

The consultation sought to improve the effectiveness of the policy framework by: first, simplifying reporting and taxes to reduce administrative burden; secondly, targeting policy levers at cost-effective energy efficiency potential identified in business sectors and heat use; thirdly, using policy instruments to help to raise the profile of energy efficiency on carbon reduction with decision makers; and, fourthly, improving the case for investment in energy efficiency and low-carbon alternatives. As a result of that consultation exercise, the Chancellor announced in his March Budget that the carbon reduction commitment would be abolished and the climate change levy increased to recover the lost revenue—the purpose of this clause. In the Treasury's written response to the consultation exercise, the Government also committed to consulting later in the summer on a new, simplified energy and carbon reporting framework for introduction by April 2019.

My hon. Friends and I fail to see how these measures meet the objectives outlined previously, except the first one. Let me stress that we acknowledge comments from businesses that indicate that the current overlapping tax and reporting requirements are burdensome, and we do not disagree with the principle of streamlining energy taxation to make it less cumbersome. However, it must be done in such a way as to make the regime equally, or preferably more, effective at reducing carbon emissions and improving energy efficiency.

We feel quite strongly that the Government have missed a perfect opportunity to make some really radical changes to the energy policy landscape—a sentiment shared by the UK Green Building Council, which has indicated that such slight reform is disappointing when a three-pronged approach to taxation, reporting and incentives would have really driven change. I want to stress to the House and the Government how necessary such radicalism is.

The game-changing United Nations COP 21 conference held in Paris at the latter end of last year marked a watershed moment in tackling climate change, because it became a priority on the world stage. The final agreement provided for a limit on the temperature rise to below 2°, because the consensus among scientists is that a greater increase in temperature would be incredibly dangerous. The UK signed up to that agreement, and the Prime Minister even delivered a speech in Paris, in which he said that

“instead of making excuses tomorrow to our children and grandchildren, we should be taking action against climate change today.”

The Secretary of State for Energy and Climate Change played an integral part in the negotiations. I understand that she was responsible for the section of the talks that dealt with immediate actions to tackle global warming between now and 2020, together with Pa Ousman Jarju of Gambia.

Unfortunately, the Prime Minister, the Secretary of State and the Government are better at talking the talk than they are at walking the walk. In the six months

before the Paris discussions, they had reneged on many of their environmental and climate change commitments. They are in the process of privatising the UK Green Investment Bank without protecting the requirement to invest in green projects, and they have scrapped its zero-carbon homes pledge. They have cut the feed-in tariff, a subsidy for solar, by 64%, and tax relief for clean energy projects has been abolished. That could lead, as the Government freely admit, to more than 18,600 job losses. New onshore wind farms will not receive subsidies after 2016. Changes have been made to vehicle excise duty that severely reduce the incentives for low emissions vehicles by introducing a flat rate of VED, regardless of CO₂ emissions, after the first year.

I could go on. A £1 billion fund to invest in carbon capture and storage technology has been scrapped, breaking a manifesto pledge. The Government have stripped away safeguards to reduce the environmental risks of fracking and they have green-lighted fracking under national parks. Finally, the Government have still not committed to maintaining for the long term a reduced rate of VAT on solar panels, wind turbines and water turbines, an amendment on which we will discuss another day.

Time and time again, the Government pay lip service to the world's appetite for better climate change policy, but they will not commit to any substantive action in Whitehall. That is not good enough. We need radical thinking if we are to achieve radical change. Around the world, Governments are supporting and promoting green energy. Germany's energy transition policy has taken it to the point where, last year, 33% of its electricity was generated from renewable sources and the sector supported 355,000 jobs. In France, all new roofs must be nature or solar. In California, all new buildings up to 10 floors must be solar PV or solar thermal. Those are great examples of why radical policy is so important and the Government's failures are so disappointing.

That lack of ambition is integral to our amendment. The climate change levy in its current form is an inadequate driver for the reduction of carbon emissions and energy usage at a time when we desperately need more radical action. It has become a tax-raising measure that is levied on energy, not on carbon. Until very recently that was not the case; electricity from renewable sources was exempted from the climate change levy. As we have seen, that exemption was removed by last year's Finance Act, despite an outcry from the renewables industry. We are not aware of any assessment of the efficacy of the climate change levy since the removal of the exemption, which is why our amendment would require the report to make particular reference to it.

The second point of reference for the review will be the abolition of the carbon reduction commitment, which is why the rates of the levy are being increased. The carbon reduction commitment contained a requirement for participants to measure and report electricity and gas supplies annually, after which their carbon dioxide emissions would be calculated. Participants had to buy allowances for every tonne of carbon they emitted as calculated under the scheme. The CRC scheme therefore forced companies to be proactive, making participants think about and acknowledge their carbon emissions and actively work to reduce them in order to reduce their allowances. Labour Members are concerned that because the climate change levy has become a

straightforward consumption tax, it will just be absorbed into a company's costs and will not require the same level of proactive thought.

The Government's response to their consultation on energy taxation stated that respondents supported financial incentives to drive energy efficiencies and that views on the mechanism to deliver effective incentives were mixed. But the Government

"decided not to introduce a financial incentive at this stage as it believes a simplified tax in the form of the CCL is a sufficiently robust signal".

Will the Minister confirm exactly why the Government decided not to introduce a financial incentive when it was popular with respondents, and why they believe that the climate change levy is a "sufficiently robust signal"?

A recent ENDS report stated:

"It remains to be seen whether CCL alone will drive energy-saving effort and investment among the 2,000 or so CRC participants. To date, while there is evidence the CRC has driven change, there has been no clear evidence that CCL has done so outside Climate Change Agreements, other than through an 'awareness effect' when it was first introduced. The other concern has to be that the link between CCL and carbon reduction was weakened in the 2015 summer budget after business exemption for renewable electricity was removed."

We would, therefore, like the Government to assess properly how effective the CCL will be in replacing the advantages of the carbon reduction commitment, as outlined.

The final point of reference for the review will be the reporting requirements by companies and public sector bodies for energy usage and carbon emissions. I am aware that the Government have, as the Minister mentioned, committed to consulting on a new, simplified energy and carbon reporting framework to be introduced by April 2019 and to be published later this summer. The Government will propose

"mandatory annual reporting for the organisations within its scope, with board or senior level sign-off and some public disclosure of data".

We would certainly welcome that, but we are concerned that scrapping the CRC scheme may leave a few gaps whereby companies that previously had to report carbon emissions and energy usage no longer have to do so.

Indeed, the Committee on Climate Change highlighted the fact that the CRC scheme covered a range of large energy consuming organisations and energy intensive small and medium-sized enterprises. It said that the evidence suggests there is a gap in the overall policy framework to encourage energy efficiency and carbon reduction in SMEs. The committee recommended that if the CRC scheme is abolished, that should be accompanied by measures to enhance the policy landscape to stimulate energy efficiency and carbon reduction in SMEs.

If the Government think that simply raising the climate change levy will make up for scrapping the carbon reduction commitment, we would like to see their evidence. Does the climate change levy provide an equal incentive specifically to reduce carbon emissions? Will some companies that were required to report not now be required to do so? It is not good enough for the Government to streamline the regime if all they are doing is taking organisations out of having to address their emissions altogether. Labour Members therefore want assurances that the reporting requirements on

businesses included in the CRC scheme will be considered when assessing how effective the climate change levy will be in reducing emissions.

The Government are tinkering around the edges of existing climate change policy without a clear strategy for how to meet our targets agreed on the world stage. If we are to have any chance of meeting the said targets, we simply must take more radical action, as evidenced in other nations across the world. The Opposition do not necessarily oppose scrapping the carbon reduction commitment or increasing the rates of the climate change levy, if doing so will be effective in reducing emissions. However, we remain to be convinced that that will be effective, and we will therefore push for a proper assessment from the Government before we support the measure in full. I therefore urge hon. Members to support amendment 183.

Kirsty Blackman: I rise to support amendment 183 on the changes to the climate change levy. The UK Government's idea to have a climate change levy was admirable. It was introduced in 2001, and it has been a positive step. It is completely reasonable that companies should be made to think about their energy usage, and the best way to do that is to tax them on it. The hon. Member for Salford and Eccles (Rebecca Long Bailey) made a wide-ranging speech on a series of matters, some of which I was going to speak about, so I will curtail my speech somewhat.

Although reducing companies' energy consumption and usage is a great idea, it fails to take into account the fact that some methods of generating electricity are better than others, particularly in terms of climate change. We cannot tax energy usage across the board given that energy generated from, say, onshore wind is much cleaner and better than energy generated from, say, a coal-fired power station. Those two things are very different, and it is completely reasonable to have variable tax rates for those two things.

The hon. Lady spoke about some of the impacts that the Government's energy policy is having on low-carbon energy. This Government do not have a good record on supporting low-carbon energy. Their support for nuclear has been widely reported, but the situation is very difficult for companies that are innovating in providing other forms of low-carbon energy in this ever-changing climate and in the UK Government's current policy framework.

It was announced in June that the Scottish Government had managed to meet their target for reducing greenhouse gas emissions by 2014. The target was a reduction of 42%, and it happened six years early. That was an excellent achievement for the Scottish Government and for Scotland as a whole, with everyone working together to reach it. However, it will be very difficult for us to keep up that level of achievement with the UK Government's current energy policy. For example, there is no clarity about when there will be a new pot 1 for contracts for difference. That pot is for onshore wind, which is very important. It is very clear that onshore wind is an established technology for generating electricity cleanly, and the UK Government need to provide greater clarity about when the next CFD round for it will be.

With Brexit, Scotland will have a major problem in that the funding for low-carbon energy and low-carbon energy projects, particularly the groundbreaking ones,

[Kirsty Blackman]

has come from the EU. I know that this is slightly outside the remit of this debate, but I would appreciate it if the UK Government looked at whether this funding will continue to be provided because we should continue to innovate in low-carbon energy in Scotland, which has massive natural resources.

8.15 pm

The hon. Lady also mentioned the absolutely shameful decision on carbon capture and storage, with the rug simply being pulled out from under the feet of investors. I tackled the Minister of State, Department of Energy and Climate Change, about this in the Scottish Affairs Committee a couple of weeks ago, and I was not happy with her response. I am not happy that I cannot see a climate in which carbon capture and storage can now be taken forward. The UK Government should have provided more certainty. If they suddenly decided they supported carbon capture and storage, I could completely understand it if nobody took it up, because the Government might change their mind again.

The climate change levy is penalising low-carbon electricity and putting barriers in the way of reducing carbon emissions within the climate change targets. That is not what we want: we should be moving forward, but this is a regressive step. The Government should produce a further report, as amendment 183 suggests, and I back that Opposition amendment.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): I will focus on clauses 132 to 136, in part 9, and amendment 183, which pertain to the climate change levy. Both the hon. Member for Salford and Eccles (Rebecca Long Bailey) and my hon. Friend the Member for Aberdeen North (Kirsty Blackman) have spoken comprehensively on this subject, so I will keep my speech relatively short.

I have particular concerns about the removal of the exemption for electricity generated from renewable sources. I believe that this counterproductive decision will grossly undermine the development of the UK's energy sector. The long-term future of our energy market is in renewables. The UK, and Scotland in particular, has extraordinary potential in the renewables sector

Scotland has 25% of the wind and tidal potential in all of Europe, and 10% of the wave potential in Europe. For a small country—in both landmass and population, although it none the less represents a third of the UK landmass—these figures represent enormous potential not just for leading the world in renewable energy production, but in creating tens of thousands of jobs and ushering in substantial economic growth.

However, this Conservative UK Government seem determined to tear down any progressive policies that are designed to encourage and incentivise the production of green energy. Just this year, the Government have begun the process of privatising the Green Investment Bank, as the hon. Lady said. In addition, this Government have cut subsidies for small-scale solar panels by 65%, which is a massively damaging blow to the industry that can save households a few pounds.

As the hon. Lady and my hon. Friend the Member for Aberdeen North did, I will mention the scrapping of support for onshore wind, the removal of the biomass

renewables obligation subsidy level guarantee, the killing of the flagship green homes scheme and the cancellation of the carbon capture initiative, which I was heavily involved in. What about the future? What hope is there for the Swansea Bay tidal programme, given the track record of this Government?

The climate change levy was a positive step in the right direction. It was a policy designed to provide a disincentive for polluting technologies. It is perverse that the climate change levy has been applied to green, clean energies. That is not what it was intended for. This change will have a disproportionate impact on Scotland, which despite having under 10% of the UK population, as my hon. Friend said, produces a third of the UK's renewable energy.

Despite the austerity implemented by this UK Government, Scotland has continued to drive forward in reducing its carbon footprint and increasing the use of green electricity. As my hon. Friend also said, earlier this month it was announced that we in Scotland had reached our target of making a 42% reduction in carbon emissions by 2020, which is six years earlier than expected. The SNP Scottish Government have now set a more ambitious target of a 50% reduction in carbon emissions by 2020. However, I fear that despite our progress, unfortunate choices by the Conservative UK Government—both their ill-advised and counterproductive austerity obsession and the mishandling of the EU referendum, leading to a vote for Brexit—will mean regression, rather than progress on climate change and the promotion of renewable energy.

For those reasons, I wholeheartedly support amendment 183, in the name of the hon. Member for Salford and Eccles.

Damian Hinds: The climate change levy makes a significant contribution to the Exchequer's revenues. It had been on a declining path, but with the changes that have come in, its path has been stabilised. It had been providing increasingly poor value for money, partly because a third of its value was going to generators overseas: that generation does not contribute to UK targets, and quite often benefits from subsidies and other benefits at home.

There was also only indirect support for renewables. This is a really important point that goes to the heart of what the hon. Members for Aberdeen North (Kirsty Blackman) and for Coatbridge, Chryston and Bellshill (Philip Boswell) were saying. The renewables obligation and contracts for difference are much more effective at providing direct support, at a higher level than the £5.54 per hour, to bring on the generation that we need.

The success of the deployment of renewables in this country paradoxically has an adverse impact on the effectiveness of the CCL exemption, such that by the early 2020s it would not be effective in stimulating new capacity to come on stream. Its value to generators would be declining, because the supply of renewables and therefore of the levy exemption certificates would exceed in volume the total potential demand from eligible customers in business and the public sector.

Kirsty Blackman: If the Minister is saying that the exemption will not be effective after 2020, does he concede that it would therefore be effective to keep it in place now?

Damian Hinds: Sir Roger, he does not. As I was trying to say, this is not a cliff-edge thing. Its effectiveness has been declining over time and a lot of the value leaks overseas. Most important of all, there are other ways of directly stimulating new renewables provision. Without getting too far into the weeds and the details of what goes where, those other ways make sure that the benefit goes directly to the generators rather than being split between different parts of the value chain. CfDs stabilise the price relative to some of the fluctuations of the wholesale market, which in turn increases investor confidence and can help drive investment.

The hon. Member for Salford and Eccles (Rebecca Long Bailey) asked about the transitional period, and her various parliamentary questions about the responses received to the informal consultation on that. Suppliers were invited to respond; of those that did, only one requested a transitional period in excess of three years. All others were content with an end date of 31 March 2018. Most said that they would have used their levy exemption certificates within a year. We have not published the results of that consultation because, as she rightly said, it included commercially sensitive information. The size of the sample and the number of responses mean that it does not make sense to speak in terms of the average period that was called for.

I turn to the abolition of the carbon reduction commitment and changes to the climate change levy main rates. Those are major simplifying moves. We had extensive consultations—both written consultations and meetings, a number of which I sat in on—and businesses said loud and clear that they wanted to simplify how it all worked. They valued the discussions that had taken place and the elevation of the role and salience of energy efficiency within their companies. But the CCL as a single tax will be a straightforward price signal. We will also be removing some of the additional administrative burden.

The Government will also consult on a simplified reporting framework this year, to encourage large businesses to identify energy efficiency savings. In addition to the tax changes, that will further enhance the UK's ability to reduce its carbon emissions. The Department of Energy and Climate Change intends to publish an impact assessment of the changes later this year, alongside its consultation on a simplified reporting framework. That will include analysis of the impact on carbon emissions. Rebalancing CCL rates towards gas will better incentivise emissions reductions from that fossil fuel, as well.

I will finish by restating, lest there be any doubt, the very firm commitment and strong track record of this Government on reducing emissions. Since 2010 we have reduced the UK's greenhouse gases by 14% and outperformed our closest European counterparts with the largest cuts in greenhouse gas emissions since 1990. As the hon. Member for Aberdeen North mentioned, we secured the first truly global, legally binding agreement, the Paris agreement, COP21, with our Secretary of State playing a key role. Annual support for renewables will more than double, to more than £10 billion in 2020-21. We are the first major developed economy in the world to commit to phasing out unabated coal, the dirtiest fossil fuel, by 2025. We are the world's leading player in offshore wind, with just over 5 GW installed, a figure that is forecast to double by the end of the Parliament.

There can be no doubt about the Government's credentials when it comes to our commitment to reduce

emissions. With these tax changes, we have reformed a tax that was proving less effective, over time, with regard to its original aim as stated in 2001, when of course the proportion of renewable electricity generation was so much lower—I believe it was 2.5% in those days. With the changes to business taxation we are keeping the price signal very firm—indeed, making it sharper—by reducing administrative burden. I encourage all hon. Members to support the clauses but not amendment 183.

Question put and agreed to.

Clause 132 ordered to stand part of the Bill.

Clauses 133 and 134 ordered to stand part of the Bill.

Clause 135

CCL: MAIN RATES FROM 1 APRIL 2019

Amendment proposed: 183, page 189, line 13, at end add—

(3) The Chancellor of the Exchequer shall conduct a review of the impact of the Climate Change Levy in reducing carbon emissions within 12 months of the passing of this Act.

(4) The report shall have particular reference to—

- (a) the removal of the exemption for electricity generated from renewable sources;
- (b) the abolition of the Carbon Reduction Commitment; and
- (c) reporting requirements by companies and public sector bodies for energy usage and carbon emissions.”—
(*Rebecca Long Bailey.*)

The Committee divided: Ayes 237, Noes 303.

Division No. 24]

[8.28 pm

AYES

Abbott, Ms Diane	Campbell, rh Mr Alan
Abrahams, Debbie	Campbell, Mr Ronnie
Ali, Rushanara	Champion, Sarah
Allen, Mr Graham	Chapman, Douglas
Allin-Khan, Dr Rosena	Cherry, Joanna
Anderson, Mr David	Clegg, rh Mr Nick
Arkless, Richard	Coaker, Vernon
Austin, Ian	Coffey, Ann
Bailey, Mr Adrian	Cooper, Julie
Bardell, Hannah	Cooper, Rosie
Barron, rh Kevin	Cooper, rh Yvette
Beckett, rh Margaret	Cowan, Ronnie
Benn, rh Hilary	Coyle, Neil
Berger, Luciana	Crawley, Angela
Betts, Mr Clive	Creagh, Mary
Blackford, Ian	Creasy, Stella
Blackman, Kirsty	Cruddas, Jon
Blackman-Woods, Dr Roberta	Cryer, John
Blenkinsop, Tom	Cummins, Judith
Blomfield, Paul	Cunningham, Alex
Boswell, Philip	Cunningham, Mr Jim
Brennan, Kevin	Dakin, Nic
Brock, Deidre	Danczuk, Simon
Brown, Alan	David, Wayne
Brown, Lyn	Davies, Geraint
Brown, rh Mr Nicholas	Day, Martyn
Bryant, Chris	Docherty-Hughes, Martin
Buck, Ms Karen	Donaldson, Stuart Blair
Burden, Richard	Dowd, Jim
Burgon, Richard	Dowd, Peter
Butler, Dawn	Dromey, Jack
Byrne, rh Liam	Dugher, Michael
Cadbury, Ruth	Durkan, Mark
Cameron, Dr Lisa	Eagle, Ms Angela

Edwards, Jonathan
 Elliott, Julie
 Elliott, Tom
 Ellman, Mrs Louise
 Esterson, Bill
 Evans, Chris
 Fellows, Marion
 Ferrier, Margaret
 Field, rh Frank
 Fitzpatrick, Jim
 Ffello, Robert
 Flint, rh Caroline
 Flynn, Paul
 Fovargue, Yvonne
 Foxcroft, Vicky
 Gapes, Mike
 Gardiner, Barry
 Gethins, Stephen
 Gibson, Patricia
 Glass, Pat
 Glindon, Mary
 Goodman, Helen
 Grady, Patrick
 Grant, Peter
 Gray, Neil
 Green, Kate
 Greenwood, Lilian
 Greenwood, Margaret
 Gwynne, Andrew
 Haigh, Louise
 Hamilton, Fabian
 Hanson, rh Mr David
 Harman, rh Ms Harriet
 Hayes, Helen
 Healey, rh John
 Hendry, Drew
 Hillier, Meg
 Hodge, rh Dame Margaret
 Hodgson, Mrs Sharon
 Hollern, Kate
 Hopkins, Kelvin
 Hosie, Stewart
 Hunt, Tristram
 Huq, Dr Rupa
 Hussain, Imran
 Jarvis, Dan
 Johnson, Diana
 Jones, Graham
 Jones, Helen
 Jones, Mr Kevan
 Kane, Mike
 Keeley, Barbara
 Kerevan, George
 Kerr, Calum
 Kyle, Peter
 Lamb, rh Norman
 Lavery, Ian
 Law, Chris
 Leslie, Chris
 Lewell-Buck, Mrs Emma
 Lewis, Clive
 Lewis, Mr Ivan
 Long Bailey, Rebecca
 Lucas, Caroline
 Lynch, Holly
 Mactaggart, rh Fiona
 Madders, Justin
 Mahmood, Mr Khalid
 Malhotra, Seema
 Mann, John
 Marris, Rob
 Marsden, Mr Gordon

Matheson, Christian
 Mc Nally, John
 McCabe, Steve
 McCaig, Callum
 McCarthy, Kerry
 McDonald, Andy
 McDonald, Stewart Malcolm
 McDonald, Stuart C.
 McDonnell, John
 McFadden, rh Mr Pat
 McGarry, Natalie
 McGinn, Conor
 McGovern, Alison
 McInnes, Liz
 McKinnell, Catherine
 McMahan, Jim
 Meale, Sir Alan
 Mearns, Ian
 Monaghan, Carol
 Monaghan, Dr Paul
 Moon, Mrs Madeleine
 Morris, Grahame M.
 Mulholland, Greg
 Mullin, Roger
 Murray, Ian
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Oswald, Kirsten
 Owen, Albert
 Paterson, Steven
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Pugh, John
 Qureshi, Yasmin
 Rayner, Angela
 Reed, Mr Jamie
 Reed, Mr Steve
 Rees, Christina
 Reeves, Rachel
 Reynolds, Jonathan
 Rimmer, Marie
 Ritchie, Ms Margaret
 Robertson, rh Angus
 Robinson, Mr Geoffrey
 Rotheram, Steve
 Ryan, rh Joan
 Saville Roberts, Liz
 Shah, Naz
 Sheppard, Tommy
 Sherriff, Paula
 Shuker, Mr Gavin
 Skinner, Mr Dennis
 Slaughter, Andy
 Smeeth, Ruth
 Smith, rh Mr Andrew
 Smith, Angela
 Smith, Cat
 Smyth, Karin
 Spellar, rh Mr John
 Starmer, Keir
 Stephens, Chris
 Stevens, Jo
 Streeting, Wes
 Stringer, Graham
 Stuart, rh Ms Gisela
 Tami, Mark

Thewliss, Alison
 Thomas-Symonds, Nick
 Thompson, Owen
 Thomson, Michelle
 Thornberry, Emily
 Trickett, Jon
 Turley, Anna
 Turner, Karl
 Twigg, Derek
 Twigg, Stephen
 Umunna, Mr Chuka
 Vaz, Valerie
 Watson, Mr Tom
 Weir, Mike

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter
 Allan, Lucy
 Allen, Heidi
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Benyon, Richard
 Beresford, Sir Paul
 Berry, Jake
 Berry, James
 Bingham, Andrew
 Blackman, Bob
 Blackwood, Nicola
 Boles, Nick
 Borwick, Victoria
 Bottomley, Sir Peter
 Bradley, Karen
 Brady, Mr Graham
 Brazier, Mr Julian
 Bridgen, Andrew
 Brine, Steve
 Brokenshire, rh James
 Bruce, Fiona
 Buckland, Robert
 Burns, Conor
 Burns, rh Sir Simon
 Burrowes, Mr David
 Burt, rh Alistair
 Cairns, rh Alun
 Carmichael, Neil
 Cartledge, James
 Caulfield, Maria
 Chalk, Alex
 Chope, Mr Christopher
 Churchill, Jo
 Clark, rh Greg
 Clarke, rh Mr Kenneth
 Cleverly, James
 Clifton-Brown, Geoffrey
 Coffey, Dr Thérèse
 Collins, Damian
 Colvile, Oliver
 Costa, Alberto
 Cox, Mr Geoffrey

Whiteford, Dr Eilidh
 Whitehead, Dr Alan
 Whitford, Dr Philippa
 Williams, Hywel
 Williams, Mr Mark
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Dame Rosie
 Wishart, Pete
 Woodcock, John
 Zeichner, Daniel

Tellers for the Ayes:
 Sue Hayman and
 Jeff Smith

NOES

Crabb, rh Stephen
 Davies, Byron
 Davies, Chris
 Davies, David T. C.
 Davies, Glyn
 Davies, Dr James
 Davies, Mims
 Dinenage, Caroline
 Djanogly, Mr Jonathan
 Dodds, rh Mr Nigel
 Donelan, Michelle
 Dorries, Nadine
 Double, Steve
 Doyle-Price, Jackie
 Drax, Richard
 Drummond, Mrs Flick
 Duddridge, James
 Duncan, rh Sir Alan
 Duncan Smith, rh Mr Iain
 Dunne, Mr Philip
 Ellis, Michael
 Ellison, Jane
 Ellwood, Mr Tobias
 Elphicke, Charlie
 Eustice, George
 Evans, Graham
 Evans, Mr Nigel
 Evennett, rh Mr David
 Fallon, rh Michael
 Fernandes, Suella
 Field, rh Mark
 Foster, Kevin
 Fox, rh Dr Liam
 Francois, rh Mr Mark
 Frazer, Lucy
 Freeman, George
 Freer, Mike
 Fuller, Richard
 Fysh, Marcus
 Garnier, Mark
 Ghani, Nusrat
 Gibb, Mr Nick
 Gillan, rh Mrs Cheryl
 Glen, John
 Goldsmith, Zac
 Goodwill, Mr Robert
 Graham, Richard
 Grant, Mrs Helen
 Gray, Mr James
 Green, Chris
 Green, rh Damian
 Greening, rh Justine
 Grieve, rh Mr Dominic
 Griffiths, Andrew
 Gummer, Ben

Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kirby, Simon
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Mackinlay, Craig
Mackintosh, David
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick

Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalf, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, David
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry
Smith, Julian
Smith, Royston
Soames, rh Sir Nicholas
Solloway, Amanda
Spelman, rh Mrs Caroline
Spencer, Mark

Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Sir Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew

Vara, Mr Shailesh
Vickers, Martin
Villiers, rh Mrs Theresa
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy

Tellers for the Noes:
Margot James and
Guy Opperman

Question accordingly negated.

Clause 129

INSURANCE PREMIUM TAX: STANDARD RATE

Question proposed. That the clause stand part of the Bill.

The Economic Secretary to the Treasury (Harriett Baldwin): Clause 129 increases the standard rate of insurance premium tax from 9.5% to 10% to raise revenue to invest in flood defence and flood resilience.

Insurance premium tax is due on general insurance premiums related to risks located in the UK regardless of where the insurer is based. It is charged as a percentage of the gross premium that an insurer charges, including any broker commissions and other directly related costs—so it is a charge on the insurer, not on the individual.

Insurance premium tax is due on general insurance, which accounts for approximately 20% of total insurance premiums. General insurance includes motor insurance, home insurance, employers' liability insurance and medical insurance. Approximately 80% of insurance premiums are exempt from insurance premium tax. Exempt insurance includes long-term insurance such as life insurance and critical illness cover. Long-term insurance products are exempt from insurance premium tax to avoid creating a distortion between savings products and long-term insurance products, which can serve the same purpose for consumers. Reinsurance is also exempt to avoid double taxation.

8.45 pm

Most insurance subject to insurance premium tax is taxed at the standard rate, which will be increased to 10%. There is also a higher rate of insurance premium tax that applies to travel insurance and to certain warranty insurance. This is charged at the higher rate of 20% to prevent VAT avoidance and it is unaffected by this change. Although insurance premium tax is charged on general insurance, there is no VAT at all on any sort of insurance.

Clause 129 sets out an increase in the standard rate of IPT from 9.5% to 10%, which will raise around £210 million a year to be used to fund investment in flood defences and resilience. Over this spending review period, we will spend an extra £700 million on flood defence and resilience measures in England. This is in addition to our existing £2.3 billion flood defence capital programme.

As announced in the Budget, the additional investment in flood defences will be split between maintenance and capital spending. Maintenance funding will be increased by £40 million a year, taking it to more than £1 billion in total over this Parliament. This will help to protect an extra 20,000 homes by keeping existing defences operational. In the Budget, the Government also announced over £150 million of additional capital spending, which will fund schemes in areas affected by last December's floods. This will include £115 million for Yorkshire with schemes in Leeds, York and the Calder valley better to protect 3,000 homes and 1,700 businesses. Some £33 million will be invested in Cumbria better to protect 1,700 properties and key local infrastructure.

The findings of the national flood resilience review, which is considering the resilience of our communities and infrastructure, will help the Government to decide how remaining funding is to be spent. It will report in the autumn. As flood defence spending is a devolved matter, the Barnett formula will be applied in the normal way, and funding will be provided to the devolved Administrations in line with that being spent in England.

The new standard rate of IPT will be 10% and will take effect from 1 October 2016. This change will directly affect all insurers who write premiums for general insurance. It may also affect businesses and households that purchase general insurance, if those insurers choose to pass on the additional cost of the tax on to their customers. As I said, IPT is a tax on insurers, so it is for insurers to decide whether to adjust their prices in response to this rate change.

Many factors affect the cost of insurance. These include the insurer's assessment of risk, competition in the market and how well insurers' investments are performing. Insurers' costs also affect pricing and, in common with other businesses, they have benefited from cuts to corporation tax. Even if insurers decide to pass on the entire impact of the rate change, this would add only about £1 to the average home and contents insurance policy and £2 to the average motor insurance policy.

Increasing the standard rate of IPT by 0.5% will raise revenue to invest in flood defence and resilience, which will enable us better to protect against floods such as those we saw last winter. This clause should therefore stand part of the Bill.

Kirsty Blackman: I appreciate the chance to deal with insurance premium tax. Reducing tax was raised by the SNP at some length last year, when the Government increased it by about 3.5%, from 6% to 9.5%. We were a bit concerned that this amounted to an incredible hike with very little warning, possibly setting a precedent.

I want to make it clear that we are not against spending additional money on flood defences. Given the climate change issues that we face and the devastating impact of floods on communities, we think that is a good idea and we completely understand why the UK Government are choosing to spend money on it. My issue is that raising

insurance premium tax might be the wrong way of doing so—I do not want people to be discouraged from taking out insurance. The Minister said that the clause might mean only a minor change in people's bills, but I am concerned less about the 0.5% increase than about the precedent that has been set by what is happening this year and what happened last year. My main fear is that the UK Government will decide on a further increase.

This morning the Chancellor said that the UK economy was affected by the fact that the markets were currently volatile, and that that volatility would continue. In such circumstances, we do not want people to worry about their future finances, and not to take out insurance because the economy is uncertain and they do not know how the financial situation will develop. It is necessary to have home insurance, just as it is necessary to have motor insurance, but premiums have increased significantly, mostly because of problems caused by climate change. Although the average increase will be £1, people who have been hit by flooding are having to pay massive premiums, and the 0.5% increase is likely to have a disproportionate impact on them.

We do not intend to press the clause to a vote, because we do not want Members to have to stay here longer than they have to, but I appreciate the opportunity to speak about it. Let me end by emphasising that our concern relates to the longer term. Although 0.5% is a fairly minor hike, if the amount continues to rise year on year there will be an additional problem for household budgets, and a negative impact every year.

Richard Burgon (Leeds East) (Lab): I am pleased to be able to add my contribution to those already made by Members on both sides of the Committee.

As my hon. Friend the shadow Financial Secretary has said, the Bill is rooted in unfairness, and we fear that this tax change may engender further unfairness if it is passed on to customers. Clause 129 increases the standard rate of insurance premium tax from 9.5% to 10%, initially from this October, and all premiums, including those in the special accounting scheme, will be subject to it from February 2017. The Chancellor also announced in the Budget that the funds generated by the increase would be allocated to increased spending on flood defences. What concerns us is how this will affect the insurance market, how it will affect the millions of customers who need access to insurance, and how effectively it will deliver the flood defences that we so desperately need.

This is the third increase in insurance premium tax under the current Chancellor, following increases in 2011 and in last year's Finance Bill. The first increase was from 5% to 6%, a comparative leap of 20%. Last year's increase was from 6% to 9.5%, and there was then a 58% leap. This year's 0.5% increase to 10% is therefore comparatively smaller. Some insurance companies have welcomed the fact that it was not larger, but it follows hot on the heels of the previous change. The frequency of increases is picking up, and that frequency is causing concern.

In March, Ben Flockton of PricewaterhouseCoopers said that of "concern to many insurers is the prospect of gradual but frequent rate rises." David Jorderson, of the Association of British Insurers, said recently that the association had urged

“HM Treasury and HMRC to revisit the arrangements for how rises are implemented”

in order to

“put members on a clearer footing when future rises come”.

Perhaps the Minister will put us straight on whether the Government expect to hold the current rate where it is after the Finance Bill, for the next five years or for just one year—or will we see a further change in the autumn statement? I am sure that the industry, consumer groups and policyholders will be hanging on to our words in this debate.

The latest increase brings the standard rate of the tax up to a total of 10%, which is a doubling—a 100% increase—since 2011. Cumulatively, these three rate rises being passed on to customers would have a real impact on disposable incomes and on policy uptake. We understand that this change will have an impact on 26 million drivers and 20 million households. It will also hit 3 million pet policies and 3 million private medical policies. Our concern is that the industry will pass on this cost to its customers. Moneysavingexpert.com put it bluntly when it said:

“Millions of households and motorists will pay more...a further rise in the cost of pet, car, mobile, contents, buildings and private medical insurance”.

James Dalton, director of general insurance policy at the Association of British Insurers, said:

“Another increase in Insurance Premium Tax would be a raid on the responsible that laser-targets those who do the right thing. It will hit those on low incomes and increase the risk that some people reduce their cover or stop insuring altogether.”

Chas Roy-Chowdhury of the Association of Chartered Certified Accountants said that

“the rise will affect anyone who has home or car insurance wherever they live.”

More recently, in the last few weeks, the AA has published its latest British insurance premium index, covering the first few months of 2016. It found that the average quoted “shop-around” premium—that is, the average of the five cheapest quotes for each customer in a variety of scenarios—had jumped by 5.4% to £114.52 a year at the end of March 2016. So the emerging evidence is of an increase in cost of insurance to the customer.

I will come to the issue of flood defences later, but the Chancellor stated in his Budget speech that this measure was also intended to help to fund the cost of flood defences. I want to raise the issue of flood insurance, including that provided through the Flood Re scheme, which is already increasing costs for customers. Of course we on these Benches support the introduction of Flood Re, but insurers are having to pay a total of £180 million to Flood Re, and that is being passed on. In a survey by the *Financial Times*, seven out of the 10 largest home insurers said they would pass all or some of the levy directly to customers. I understand that 350,000 properties are currently expected to benefit. We believe it is vital that those in flood-prone areas can access the insurance they need, particularly as the instances of flooding as a result of climate change appear to be on the increase.

What will be the impact of the insurance premium tax and the Flood Re levy being passed on to customers? Our concern is the effect on take-up for those on the margins—that is, those hit by other attacks on income in this Finance Bill, in the Chancellor’s Budget and,

who knows, in his emergency Budget yet to come, as well as those hit by successive cuts to pay, pensions and protection of welfare payments over the past six years. The Government’s policy paper relating to the change in the Bill states:

“The measure is expected to have a small impact on individuals and households purchasing insurance which is not exempt from IPT, if insurers choose to pass on the IPT rate rise to customers”.

I would like to take this opportunity to ask the Minister what the term “small impact” means. Which individuals and households will be impacted upon? What discussions did the Treasury hold on the likelihood of the increase being passed on to customers, both with insurance providers and with consumer groups?

The Government’s policy paper also says that no equalities impacts have been identified. The Association of British Insurers has highlighted the fact that many families face insurance bills around £100 higher as a result of last year’s increase. We are concerned that this is a tax burden that will ultimately be paid by ordinary people taking the responsible approach and insuring their homes and motor vehicles. What will it mean for those on lower incomes? Will younger or older drivers be disproportionately adversely affected? How will the change’s impact be monitored? Our worry is about the impact of rising costs, contributing to our overall concern about the Finance Bill as a whole. That is why, when the last change to insurance premium tax was discussed in the previous Finance Bill just a few months ago, my hon. Friend the Member for Worsley and Eccles South (Barbara Keeley) tabled an amendment.

9 pm

On the first day in Committee of last year’s Finance Bill, Labour tabled an amendment seeking a review of the impact of the then more significant rise. The review would have happened within three months of the passing of the Act and would have looked into the impact of any further rise in the standard rate of insurance premium tax, with particular attention paid to the impact on the price charged for insurance policies and the take-up of insurance policies. Those concerns still stand.

When the coalition Government first increased IPT in 2011, the Financial Secretary said that

“the increase in insurance premium tax, which is payable by insurers, is likely to be passed on to consumers. We are not denying that; in simple terms, we need the money.”—[*Official Report*, 15 July 2010; Vol. 513, c. 1131.]

In September last year, the Minister said that

“we expect that any impact on consumers will be modest”

and that

“the average household expenditure on insurance would increase by 70p per week.”—[*Official Report*, 8 September 2015; Vol. 599, c. 311.]

So here we are again. Can the Minister confirm, to the best of her knowledge, whether this year’s increase will be passed on to consumers? Does she still stick to those figures?

We have already asked that the previous increase be subject to a review and still believe that such a review is important, so that we have the clear evidence before us of the impact on customers. That is our position and that is why we are not supporting clause 129 tonight and recognise the concerns of the SNP. So much of the Bill requires change that we are already obliged to reject it.

Turning to the flood defence spending this tax raise will fund, around 5.4 million properties in England are at risk of flooding from rivers, the sea or surface water. Annual flood damage costs for the whole of the UK are estimated to be in the region of £1.1 billion. There was a significant increase in flood defence spending from 1997 to 2010—an increase of three quarters in real terms. We all remember which party was in government then. Spending on maintaining flood defences fell by 6% a year from 2010-11 to 2014-15, and we all know which Governments were in power then. Given the cuts that have been imposed on flood defences under the current Chancellor, will the £700 million bonus from the insurance premium tax deliver sustainable and equitable funding? The Committee on Climate Change recently concluded that a £500 million gap has emerged between what the coalition spent between 2011 and 2015 and what is required to keep pace with climate change. Friends of the Earth acknowledged that the Chancellor has closed the gap, which is welcome, but he still needs to ensure that future investment keeps pace with rising flood risk.

A £700 million increase on top of the announced £2.3 billion spend is welcomed by the Opposition, but does it deliver what we need and is it sustainable? Will the Minister comment on how the decision was made to “technically hypothecate” the funds raised for flood defences by the measure and what the rationale is? There are few instances of hypothecated taxation in the UK. While the obvious link between the need for flood insurance and the provision of flood defences can be argued, that is not the case so much for those paying other forms of insurance, such as pet insurance. Currently, flood defences are funded through general taxation. Why could the £700 million increase not be found that way? Huw Evans at the Association of British Insurers has argued against the “technical hypothecation”, writing in his reflection on the Budget that

“it is a slippery slope and we have to continue to argue for all flood defence spending to come from central expenditure”.

Can the Minister say something about the decision to fund flood defence spending through this new tax increase? Was it discussed with flood insurers in advance? How will she monitor it to ensure that it delivers the £700 million stated? As the number of floods increase, will the rate be increased? Fundamentally, just so that this is on the record, can she confirm whether or not hypothecation will take place?

In his Budget speech, the Chancellor highlighted representations from the hon. Members for Calder Valley (Craig Whittaker) and for Morley and Outwood (Andrea Jenkyns) for flood defence funds, saying that this measure would include funding for schemes in Yorkshire and Cumbria. I would highlight recent contributions by my hon. Friends the Members for Leeds West (Rachel Reeves) and for York Central (Rachael Maskell), who have raised on a number of occasions in recent months the issue of the sufficiency—or otherwise—of the Government’s funding plans. The Government have since clarified that the extra funding meant £115 million for Yorkshire, covering Leeds, York and Calder Valley, and £33 million extra in Cumbria. Forgive me for talking about my home city, Mr Chairman, but that translates as £65 million for Leeds, when the Environment Agency in 2011 said the River Aire in Leeds needed a £160 million plan.

As climate change continues, through the inaction of the Government in this area, we are increasingly likely

to need to identify resources to fund flood prevention measures. Once the funds from the increase in insurance premium tax are exhausted, will the Government simply continue to raise it? I would question whether this is enough and whether seeking to provide extra cash through IPT is a stop-gap to patch things up. Patching things up is not enough, given the impact of climate change and the increasing likelihood of further flooding, but patching up is all we get from a Government who are prepared to slash spending on welfare while giving freebies to the wealthiest in capital gains tax. We are therefore going to monitor the impact of the rise in IPT, its effect on the industry and on customers, and its effectiveness in delivering the flood defences we need. We will not vote on the clause stand part, but we will continue to oppose this Finance Bill.

Harriett Baldwin: I know the Opposition are having a hard time being an Opposition at the moment, but it can only be left to the imagination how hard they might find some of the difficult choices people have to make in government. We all agree that flood defence spending is an incredibly important part of what we need to do to help our communities. The hon. Member for Leeds East (Richard Burgon) is a Leeds MP, so I would have liked more of a welcome from him for the millions of pounds of additional funding this measure will give fund flood defences in his constituency. I, too, represent a very flood-prone area, with it containing the confluence of the Rivers Severn, Avon and Teme, and nobody in government argues for more money for flood defences more than I do. It is very important that we continue to find ways to make our country more resilient to what will occur on unpredictable occasions when we have the kind of weather that we had last winter.

The hon. Member for Aberdeen North (Kirsty Blackman) was right to point out the importance of flood defence spending. She was concerned about the fact that this Budget raises IPT by 0.5% and asked whether it was our policy to make any further changes to IPT. On that, I will have to give her the standard Treasury Minister answer, which she can probably guess: the Government keep all taxes under review. As others have pointed out, this 0.5% increase is considerably less than was feared at the time of the Budget announcements.

In terms of the availability of flood insurance for homeowners, the Flood Re initiative has been very helpful and beneficial in making sure that homeowners who perhaps in the past found it difficult to access affordable flood insurance are able to continue to access that. That has been very widely welcomed by those homeowners across the country, and I can certainly say in terms of my constituency experience that it is important that people shop around. If their existing insurer is causing difficulties in terms of price changes, it is worth getting in touch with the excellent British Insurance Brokers Association, who can be very helpful in terms of alternatives.

The hon. Member for Leeds East asked about hypothecation and about rate increases. We need to keep this in perspective. Although I welcome the Labour party’s sudden welcoming of lower taxes—something I hope all parties can subscribe to—we do need to raise tax revenues. The hon. Gentleman asked what this will actually cost. For average annual combined contents and buildings insurance, this would add just £1 to the

annual bills, or 2p a week. For the average motor insurance premium, it will add just £2 a year or 4p a week. Just going from one petrol station to a slightly better value petrol station can save considerably more than that, which puts this measure into perspective.

I cannot imagine that there is anything more exciting to watch on television at the moment than this debate, but if there is, it may explain why the Chamber is not particularly vigorously attended. However, with those points answered, and given that the link we have made—rather than the explicit hypothecation—means that these measures have been pretty widely welcomed by all commentators, without any further ado, given rival attractions on television, I would like to commend this clause to the House.

Question put and agreed to.

Clause 129 accordingly ordered to stand part of the Bill.

To report progress and ask leave to sit again.—(*Margot James.*)

The Deputy Speaker resumed the Chair.

Progress reported; Committee to sit again tomorrow.

Business without Debate

ESTIMATES

Motion made, and Question put forthwith (Standing Order No. 145(3)),

That this House agrees with the Report of the Liaison Committee of 15 June:

That a day not later than 5 August be allotted for the consideration of the following Estimates for financial year 2016-17:

Ministry of Justice, insofar as it relates to courts and tribunal fees.

Department of Energy and Climate Change, insofar as it relates to energy spending priorities: impacts on investors and consumers.—(*Margot James*)

Question agreed to.

BUSINESS OF THE HOUSE (29 JUNE)

Ordered,

That, at the sitting on Wednesday 29 June—

(1) notwithstanding paragraph (2)(c) of Standing Order No. 14 (Arrangement of public business), opposition business may be entered upon at any hour and may be proceeded with, though opposed, for three hours; proceedings shall then lapse if not previously disposed of; and Standing Order No. 41A (Deferred divisions) shall not apply; and

(2) proceedings on the business determined by the Backbench Business Committee relating to the centenary of the Battle of the Somme may be entered upon at any hour, may continue for three hours and shall then lapse if not previously disposed of.—(*Margot James.*)

Student Loan Repayments

Motion made, and Question proposed, That this House do now adjourn.—(Margot James.)

9.13 pm

Valerie Vaz (Walsall South) (Lab): This debate comes against the backdrop of the tumultuous events that took place in the UK following the referendum last Thursday. I applied for the debate before that time, so I am grateful I was granted it and I am here today. I also want to thank the Library for providing timely responses to some of the queries I had.

Just before the historic vote on the EU, students were receiving statements of their loans with a total figure that left many of them in shock. On a loan of £27,000, the figure was £45,000. I want to acknowledge the fact that young people between the ages of 18 and 25 voted overwhelmingly—by 75%—to stay in the EU, so we need to make sure we do not forget them and their future.

I want to focus on the regulations, the threshold and concerns about the contract. The regulations that brought in the changes to the threshold and interest rates were enacted in 2012. They were the Education (Student Loans) (Repayment) (Amendment) (No. 2) Regulations, which came into force in June 2012, so the first students to take up the loans affected by these regulations have just graduated. In those regulations tuition fees were trebled, a higher threshold of £21,000 was established, above which the loan had to be repaid, and a new maximum rate of interest for the loans was set, using the retail prices index plus 3%. Not content to treble tuition fees, the Government in the summer Budget of 2015 froze the threshold of £21,000. I shall focus on that threshold.

In November 2010 the then Minister, David Willetts, made a statement in which he said:

“We will increase the repayment threshold to £21,000, and will thereafter increase it periodically to reflect earnings. The repayment will be 9% of income above £21,000 . . . raising the threshold will reduce the monthly repayments for every single graduate.”—[*Official Report*, 3 November 2010; Vol. 517, c. 924.]

Then in July 2015 the Government consulted on freezing the repayment threshold. In November 2015 the responses showed that 84% were against freezing the repayment threshold for all post-2012 borrowers, but the Government went ahead against the evidence to freeze the repayment threshold until April 2021.

Why did the Government do that in the face of all the evidence? Is that not a *prima facie* case of misleading Parliament? In his statement Minister Willetts said that he would increase the threshold, yet the Government acted against all the evidence and the consultation responses. The Government's own figures on the repayments show the inequity of this. The new scheme is far from progressive, as some Ministers claimed. Graduates earning £21,000 to £30,000 will have to pay £6,100 more, those earning over £40,000 will pay only £400 extra, and those on £50,000 will pay only £200.

Jim Shannon (Strangford) (DUP): Will the hon. Lady give way?

Valerie Vaz: I will.

Jim Shannon: Mr Deputy Speaker, I did seek permission from the hon. Lady.

Mr Deputy Speaker (Mr Lindsay Hoyle): I have absolutely no problem with the hon. Gentleman intervening, but he should wait a little longer, rather than walking into the Chamber to intervene. Come on, Mr Shannon—the night would not be the same without you.

Jim Shannon: You are most kind, Mr Deputy Speaker. I spoke to the hon. Lady beforehand. I want to put on record the fact that in Northern Ireland loans begin to be paid back when the student enters employment and earns more than £17,335 a year. The interest rate for loans is currently 1.5% and the more a graduate earns, the greater the proportion of their loan they repay, ensuring that those who benefit most from their degree pay the most, and those who do not benefit as much are not unreasonably punished for it. Does the hon. Lady agree that perhaps the Minister should look at the system that we have in Northern Ireland, which seems to be fairer?

Valerie Vaz: I thank the hon. Gentleman for his intervention. I can say in his defence that most of us were taken by surprise that the Adjournment started so early. I agree with him that the Northern Ireland system seems to be much fairer.

I do not call the figures that I have just given progressive, and nor does the Institute for Fiscal Studies, which found that the impact of freezing the threshold was that the largest increase as a proportion of earnings was among lower earners. Can the Government explain why they have chosen to make the student funding system less progressive by removing the central elements of the 2012 reforms?

What of women, black, Asian and minority ethnic and disabled graduates? They are most likely to be on salaries in the region of £21,000 to £30,000. The Government have acknowledged that. Let me give an example. In the 2013-14 cohort, 8,000 more women than men were paid in that range six months after graduation, and 51% of BAME graduates were employed on salaries in that range, compared with 45% of their white graduate counterparts. What measures have the Government implemented to mitigate the disproportionate effect on those on low incomes, women, disabled graduates and BAME graduates? Those groups earn less than other graduates, so they are more likely to be middle earners—those who face the largest absolute increase in repayments.

What of prospective students in the nursing profession, who could be deterred by high levels of debt? The Royal College of Nursing is concerned about the change to a loans-based system, which will leave many nursing students with debts of £60,000 for a three-year degree. We are desperately in need of nurses from this country who are trained and qualified in this country.

The National Union of Students, which represents more than 95% of all higher education and further education unions and more than 7 million students, has expressed concerns. First, the repayment threshold will not increase in line with earnings, so students have to start repaying their loans on a lower income. Secondly, those on lower incomes pay more than they otherwise would. Thirdly, the NUS is concerned about the Government

being able to change terms retrospectively and about the impact that that would have on existing borrowers, which the union says sets a terrifying precedent.

Patrick Grady (Glasgow North) (SNP): I congratulate the hon. Lady on securing the debate. I declare an interest because, despite having graduated in 2001, I am still paying off student loans, although I fall under the old system, where the threshold is the median wage. However, that means that payments can go up or down, depending on someone's earnings. I have paid off student debts for a while, gone back down below the median and then re-accumulated interest, which has negated the payments I previously made. However, does the hon. Lady share my concern about the Government's continual selling-off of student loans? It seems to be a never-ending chain, and it is not entirely clear who benefits, other than the private companies that own these loans.

Valerie Vaz: I absolutely agree with the hon. Gentleman. I am coming to an aspect where student loans are treated differently from any other ordinary loans.

Let me turn to the contract. The Government are asking 17 and 18-year-olds to look at contract terms and understand them. These young people are not financial advisers or lawyers—they are going to university so that they can become financial advisers and lawyers. The role of teachers is to encourage students to go to university, not to give financial advice.

Under the new 2012 system, however, interest rates can vary across the lifetime of a loan, with one rate while the student is studying, another rate when they graduate but are under the repayment threshold, and another rate when they are over the threshold. That is a complicated system, unlike the one described by the hon. Member for Strangford (Jim Shannon), which is much clearer. How can a 17 or 18-year-old be expected to understand these terms, particularly when the table of circumstances is not set out in the contract or attached to it, and students receive no financial advice?

We are told that the guidelines and terms are set out in a separate publication, and the students are told to look at the documents online. The information that is provided and the representations that are made that lead them to sign the contract could be a form of mis-selling. The contract terms could be described as unfair or as “void for uncertainty” because it is not clear on the face of the contract what the student is signing up to—there are no clear terms regarding exactly what they have to repay.

Nor is any financial information provided—for example through a financial adviser. When we take out a mortgage, we have someone sitting down in front of us explaining everything. The students are not given that, but they are expected to sign up to paying back a loan—in some instances, of £45,000. We need to be able to protect our young people.

Worse still, student loans are not subject to financial regulations and consumer protections, as is the case with other loan agreements. That must change, and I say to the Minister that there is an opportunity in the Higher Education and Research Bill to add that extra regulatory protection.

What assessment have the Government made of the exemption of student loan agreements, unlike other loans, from consumer credit protection? Why do the Government not want to protect our young people? Can the Minister confirm whether there are any plans to alter other terms and conditions of the student loans given to existing borrowers? It cannot be right that the Bank of England base rate is 0.5%, when students are paying RPI plus 3% on their loans. How can we treat our young people, who are the future, in this way? No wonder they are bewildered, confused and upset.

A Minister comes to the House to say that there will be an increase in the threshold, and the Government ignore it; the consultation gives an 84% response and the Government ignore it and press ahead with the proposal; and a young person has to sign a form with contract terms in another document online, with three rates of interest. Students should not be burdened by debts but should enjoy the benefits of their hard work and achievements.

9.25 pm

The Minister for Universities and Science (Joseph Johnson): I congratulate the hon. Member for Walsall South (Valerie Vaz) on securing this important debate. Student loans are an important means of ensuring that higher education is open to all. I am glad to have the opportunity to respond to her points and others made in the debate.

This Government have done more than any other to put the financing of higher education on to a secure and sustainable footing. England has some of the finest universities in the world, and it is vital for our future economic prospects that they remain well funded. Total funding for the sector has increased from £22 billion in 2009-10 to £28 billion in 2014-15, and it is forecast to reach £31 billion by 2017-18. We must ensure that our universities have the resources they need and that every student receives a high-quality experience during their time in higher education.

When we reformed student finance in 2011, we put in place a progressive system of student loans that means that higher education is accessible to all who have the potential to benefit from it, irrespective of their ability to pay—and the system is working. Students from disadvantaged backgrounds are going to university at a record rate—up from 13.6% of those from the most disadvantaged backgrounds in 2009 to 18.5% of those same groups today in 2015. Someone from a disadvantaged background is now 36% more likely to go to university than they were under the previous Labour Government. The reforms have supported an increase in participation in higher education across the country. In the hon. Lady's own constituency, participation has increased from 25.1% in 2010 to 31.4% in 2015. Walsall South now sends a higher proportion of 18-year-olds into higher education than the English average—a reversal of the situation that existed under the previous Labour Government.

The student loans system is fair and sustainable. It removes financial barriers for anyone hoping to study and is backed by the taxpayer, with outstanding debt written off after 30 years. Students get a fair deal. Graduates pay back only 9% of earnings above £21,000 and enjoy an average wage premium of £9,500 per year over non-graduates.

Jim Shannon: In my intervention on the hon. Member for Walsall South (Valerie Vaz), I mentioned that the system we have in Northern Ireland is much more manageable than the system here on the mainland. Has the Minister had a chance to look at how the Northern Ireland example works and gives a better response to students when it comes to repayment?

Joseph Johnson: Yes, of course. Higher education has been devolved in Scotland and Wales since 1999 and in Northern Ireland since 2007, and we continue to look at how other nations within the United Kingdom choose to allocate public funds to the higher education system to see what lessons are to be learned from that.

In England, we now have a fair and sustainable system of funding our higher education system. The £21,000 threshold is higher than the one we inherited from Labour, and is fairer on lower earners. The system is also more progressive. Interest rates after graduation increase with income so that higher earners repay more. For someone earning £21,000 or less, the interest rate is set at RPI—the loan balance does not increase in real terms. For graduates who earn more than this, the interest rate increases to a maximum of RPI plus 3%. It is only fair that the graduates who have benefited most from their education should pay the most back into the system.

Student loans are very different from a mortgage or credit card debt. Repayments are determined by income, not the amount borrowed. Graduates are protected; if at any point their income drops, so do their repayments. The loans are income-contingent, so borrowers will repay only if they earn above the threshold, and, as I said, the loans are written off after 30 years, meaning that many graduates will not repay the full amount. This is a crucial part of the taxpayer's investment in our country's skills base.

Our approach is based on the fundamental principle that a borrower's contribution to the cost of their education should be linked to their ability to pay. Graduates generally benefit from higher earnings than those who do not go to university, and we must ensure that we maintain a fair balance between taxpayers and graduates in the costs of higher education.

It is clearly important that students know what they are signing up to when they agree to take out their loans. All students are provided with clear information to help them understand what financial support they may be eligible for, as well as the interest rates and the repayment terms that will apply. They must also confirm that they understand the information before they are granted the loan. All of the information that the Student Loans Company provides to students is reviewed regularly to ensure that it is both accurate and accessible.

Let me turn to the threshold freeze, which the hon. Member for Walsall South has mentioned. To put higher education funding on to a more sustainable footing, we must ask graduates who benefit from university to meet more of the costs of their studies. It is clear that graduates benefit hugely from higher education. On average, graduate earnings are much higher than those of non-graduates. In 2015, graduates' salaries averaged £31,500, compared with a non-graduate average salary of £22,000. The only alternative to asking higher-earning graduates to support higher education is to ask the taxpayer, who on average will earn much less than those graduates.

[Joseph Johnson]

We did not take the decision to freeze the repayments threshold lightly. We consulted on the changes before they were announced last November and conducted a full equalities impact assessment. The changes will mean that graduates earning more than £21,000 will repay about £6 per week more than if we had increased the threshold in line with average earnings. The threshold is higher in real terms than the one we inherited from Labour, meaning that graduates under this system keep more of their earnings before they start to repay.

A sustainable student finance system enabled us to abolish student number controls, lifting the cap on aspiration and enabling more people to receive the benefits of a university education. That is essential if we are to maintain our place as a country with a modern, highly skilled economy. We still send proportionately fewer people to university to study at undergraduate level than our main competitors. Between now and 2022, more than half of job vacancies will be in occupations most likely to employ graduates. If we are to continue to grow our economy, we must equip our young people with the skills and qualifications they will need to fill those roles.

Valerie Vaz: I thank the Minister for his response, but he has not answered my questions and he seems to have ignored the breakdown evidence I have given him, including the fact that those who receive £40,000 pay less. I agree with him that it is very important that more people are going to university, but that does not address the issue of the loans. Moreover, would someone be able to apply for a mortgage with a student loan debt against their name?

Joseph Johnson: The critical thing is that we have put our higher education finance system on a sustainable footing. In order to do that, we had to take some difficult decisions. Freezing the repayment threshold was certainly one of them, but it was rooted in an underlying fairness, which is that graduates, who will go on in their lifetimes to earn significantly more than non-graduates, have to make a contribution towards the cost of running a big, expanding and successful higher education system. If they do not make a bigger contribution, the cost of funding that system will fall back on many of the hon. Lady's constituents who did not go to university and did not get a chance to have a higher-earning career path over their lifetimes as a result. I am sure she will appreciate that fundamental fairness.

Valerie Vaz: This is about a difference in ideology. I was lucky to benefit from a free education. I went to university without having to pay for anything. In fact, because I stayed at home, I actually saved on my grant, which is slightly unusual. The taxpayer does not have to pay, because graduates will pay a higher rate of

tax when they graduate, so they will be putting more back into the economy. Burdening students with a debt of £45,000 when they start their lives is not the right way.

Joseph Johnson: The hon. Lady was fortunate, in that she went to university at a time when the country had a much smaller system. As a percentage of the 18 and 19-year-old cohort, when she went to university, I imagine that a very much smaller proportion went to university at all. Now, we are in the mid-40s as a percentage of that cohort. It is a big system to run.

If we make the cost of that system fall solely on the taxpayer, we will put a much bigger burden on those who have not benefited from the higher earnings path to which being a graduate gives access. For women, as the hon. Lady will be aware, the lifetime earnings of a graduate are likely to amount to some £250,000 more than those of a woman who did not go to university. For a man, the difference is something like £170,000 more over their lifetime. Going to university puts people on a significantly higher earnings path, which makes the amount of debt that they might take on, on an income-contingent basis, look relatively small by comparison. When we think about this, it is important to set the huge lifetime gains from higher education against the sums of debt that people take on to generate them.

England is not unique in grappling with these problems. However, according to experts in the financing of higher education systems, such as the OECD, we are one of a very few countries in the world to have found what is deemed to be a sustainable solution to funding a mass higher education system. That has been recognised internationally. The OECD has praised our student loan system in England as that of

“one of the few countries to have figured out a sustainable approach to higher education finance”.

The hon. Lady mentioned bursaries and funding for health students. The present system is simply not working for patients, for students or for the universities that train them. To deliver more nurses and other health professionals for the NHS, a better funding system for health students and a sustainable model for universities, we need to move health students' grants and bursaries on to the standard student support system, as we have for all other degrees. That will allow us to move away from centrally imposed student number controls and financial limitations. As a result, the Department of Health expects the measure to enable up to 10,000 additional nursing, midwifery and other health professional training places over this Parliament. That is just one example of why we have one of the best and most sustainable higher education systems of anywhere in the world.

Question put and agreed to.

9.37 pm

House adjourned.

Petitions

Monday 27 June 2016

OBSERVATIONS

EDUCATION

Children's Centre services in Corby

The petition of residents of Corby and the surrounding areas,

Declares that children in Corby statistically fair worse in education, income levels, life expectancy and health than children in many other parts of the UK; further that Children's Centres mitigate these challenges; further that many families in Corby depend upon the services provided by their local Children's Centre; further that Northamptonshire County Council is proposing to cut the budget of Corby's Children's Centre services by 25%; further that these additional funding cuts are unfair and indefensible; and further that an online petition on this matter has been signed by over 1,700 individuals.

The petitioners therefore request that the House of Commons urges the Government to encourage Northamptonshire County Council to stop their proposed funding cuts of 25% to the budget of Corby's Children's Centre services.

And the petitioners remain, etc. — [*Presented by Tom Pursglove, Official Report, 04 May 2016; Vol. 609, c. 279.*]

[P001689]

Observations from The Parliamentary Under-Secretary of State for Education (Mr Sam Gyimah):

We have had to make difficult decisions since 2010, and all areas of Government—both central and local—have been asked to make efficiencies. What is important is that services are improving outcomes for the families that need help. 4Children's survey of children's centres suggests that over 1 million families are frequently accessing children's centres in 2015 and this estimate is unchanged since first published in 2013.

Councils have a duty to ensure there are sufficient centres to meet local need, and are best placed to decide on provision in their communities. Local authorities have a duty to consult where changes are planned to local children's centre provision. Any local authority that closes down a children's centre must demonstrate that they have devised ways to ensure that services continue—if not the buildings.

The Government's role is to set a clear framework, which they have done. Funding for children's services (including children's centres) gives local authorities the flexibility to focus on locally determined priorities, and local authorities are making complex choices about how to target resources most effectively. It is right, and expected, therefore, that local authorities spend varying amounts on children's services.

Ultimately, it is up the democratically elected local councils how they are making sure they provide necessary children's services. The Chancellor of the Exchequer announced as part of the spending review that by the end of this Parliament, the local government sector will

be able to retain 100% of local taxes to spend on local government services. This will put local government in control of their finances, allowing them to respond more efficiently to local need.

However, it is vital that every child, regardless of their background, is given the opportunity to realise their potential. Therefore, total Government spend on early years and childcare will increase from £5 billion in 2015-16 to over £6 billion by 2019-20. This includes funding for early years free entitlements, Tax- Free Childcare, Childcare Vouchers, Universal Credit and tax credits.

We want to see strong children's centres services across the country, offering families access to a wide range of local, flexible services, tackling disadvantage. That is why we are considering our future policy on children's centres as part of our life chances strategy due to be published in the summer 2016.

Development on the former Two Trees High School site, Denton

The petition of residents of Haughton Green and Denton,

Declares that the fields of the former Two Trees High School in Denton should be protected from unwanted development; and further that the site should be preserved for the benefit of the environment and future generations.

The petitioners therefore request that the House of Commons urges the Secretaries of State for Education and Communities and Local Government to protect Haughton Green and Denton's open spaces, and prohibit unwanted development on the former site of Two Trees High School.

And the petitioners remain, etc.— [*Presented by Andrew Gwynne, Official Report, 25 May 2016; Vol. 611, c. 649.*]

[P001697]

Observations from The Minister for Schools (Mr Nick Gibb):

The development of any site would require planning permission. The planning process is largely a local matter and the Secretary of State for Education has no role—statutory or otherwise—in it.

I should also make it clear that planning Ministers would not intervene in, or even comment on, a particular planning situation, because their quasi-judicial role in the planning system imposes a strict duty of impartiality. It is for the local authority, in consultation with the local community, to propose policies for the local plan which it considers are right for the area; and then to decide planning applications in accord with the plan adopted and any other relevant consideration, such as policy in the National Planning Policy Framework.

In addition to the planning process, the Education Act 2011 requires that the Secretary of State must give consent prior to the disposal of land which has been used for any school or academy in the last eight years. A key consideration for the Government is whether the land proposed for disposal could be suitable for use by a new academy or free school.

School playing fields are also protected by Section 77 of the School Standards and Framework Act 1998. Schools and local authorities must obtain the Secretary of State's approval before they can dispose of their

land. Applications to dispose of school playing fields are first considered by the school playing fields advisory panel, who make a recommendation to the Secretary of State, before she then makes her final decision.

At this time, we are not aware of an application by Tameside Metropolitan Borough Council to seek approval to dispose of the former Two Trees Sports College, including the playing fields. Should an application be

submitted, the Secretary of State takes into account any groups or organisations with permission to use the playing fields and what suitable alternative provision they may have been offered. Local schools, which are deficient in playing field land, should also be offered the opportunity to use the playing field before any application is presented. She will also take into account local school place needs and any academy requirement.

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PETITIONS

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