PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

DORMANT ASSETS BILL [*LORDS*]

First Sitting

Tuesday 11 January 2022

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Saturday 15 January 2022

The Committee consisted of the following Members:

Chairs: † Ms Nusrat Ghani, Dr Rupa Huq

† Afolami, Bim *(Hitchin and Harpenden)* (Con)
† Ansell, Caroline *(Eastbourne)* (Con)
† Bailey, Shaun *(West Bromwich West)* (Con)
† Collins, Damian *(Folkestone and Hythe)* (Con)
† Davies-Jones, Alex *(Pontypridd)* (Lab)
† Grant, Peter *(Glenrothes)* (SNP)
† Grundy, James *(Leigh)* (Con)
† Huddleston, Nigel *(Parliamentary Under-Secretary of State for Digital, Culture, Media and Sport)*
† Johnson, Dame Diana *(Kingston upon Hull North)* (Lab)
† Lewis, Clive *(Norwich South)* (Lab)
† Morden, Jessica *(Newport East)* (Lab)
† Robinson, Mary *(Cheadle)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Tolhurst, Kelly *(Rochester and Strood)* (Con)
† Wheeler, Mrs Heather *(South Derbyshire)* (Con)
† Winter, Beth *(Cynon Valley)* (Lab)
† Young, Jacob *(Redcar)* (Con)

Sarah Ioannou, Bradley Albrow, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 11 January 2022

[Ms Nusrat Ghani *in the Chair*]

Dormant Assets Bill [*Lords*]

9.25 am

The Chair: Order. We are now sitting in public and the proceedings are being broadcast. Before we begin, I have a few preliminary announcements. I remind Members that they are expected to wear a face covering except when they are speaking or unless they are exempt, in line with the recommendations of the House of Commons Commission. Please give each other space when entering or exiting the room. I also remind Members that they have been asked by the House to have a covid lateral flow test twice a week if they are coming on to the parliamentary estate. This can be done at the testing centre in the House or at home. *Hansard* colleagues would be grateful if Members could email their speaking notes to hansardnotes@parliament.uk. Please switch electronic devices to silent, and tea and coffee are not allowed during the sitting.

Ordered,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 11 January) meet—

(a) at 2.00 pm on Tuesday 11 January;

(b) at 11.30 am and 2.00 pm on Thursday 13 January;

(2) proceedings on consideration of the Bill in Committee shall be taken in the following order: Clauses 1 to 32; Schedule 1; Clause 33; Schedule 2; Clause 34; new Clauses; new Schedules; remaining proceedings on the Bill;

(3) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 13 January.—*(Nigel Huddleston.)*

Ordered,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Nigel Huddleston.)*

The Chair: Copies of the written evidence that the Committee receives will be made available in the Committee Room and will be circulated to Members by email.

We now begin line-by-line consideration of the Bill. The selection list for today's sitting is available in the room and shows how selected amendments have been grouped together for debate. Amendments grouped together are generally on the same or similar issue. Please note that decisions on amendments do not take place in the order that they are debated but in the order they appear on the amendment paper. The selection and grouping list shows the order of debates. Decisions on each amendment are taken when we come to the clause to which the amendment relates, and the Member who has put their name to the lead amendment in a group is called first. Other Members are then free to catch my eye to speak on any or all of the amendments within the group. A Member can also speak more than once in a single debate.

At the end of a debate on a group of amendments, I shall call the Member who moved the lead amendment again. Before they sit down, they will need to indicate to me whether they wish to withdraw the amendment or seek a decision. If any Member wishes to press any other amendment in a group to a vote, they need to let me know.

Clause 1

The dormant assets scheme: overview

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

The Parliamentary Under-Secretary of State for Digital, Culture, Media and Sport (Nigel Huddleston): It is a pleasure to serve under your chairmanship for the first time, Ms Ghani. I am sure you will keep us all in order.

I thank colleagues on both sides of the Chamber, and indeed in the other place, for the co-operative and constructive way in which we have proceeded so far with the Bill. There is broad support across the House for the Bill, and although there are some areas of disagreement, I am aware that they tend to be on details of implementation, rather than on the substance, purpose or intent of the Bill. To that extent, I will commit to moving at speed on the non-controversial parts of the Bill while ensuring that there is opportunity for discussion. Indeed, hopefully I will be able to address colleagues' questions and concerns, some of which I am aware of already. I am sure that others will come up during the course of our discussions.

Clause 1 provides an overview of the operation of the scheme, which enables eligible participants to transfer money from dormant assets to an authorised reclaim fund. Having determined how much it must retain in order to meet any future reclaims, the reclaim fund distributes the surplus to the national lottery community fund, in accordance with part 1 of the Dormant Bank and Building Society Accounts Act 2008. The clause confirms that the scheme will be expanded as a whole, encompassing the new assets alongside bank and building society accounts while ensuring that this does not affect the continued operation of the provisions in the 2008 Act.

Subsection (3) sets out the main features of the dormant asset scheme, which mirror those specified in the 2008 Act. For example, beneficial owners can always reclaim the full amount owed to them. Participants transfer the dormant money to the reclaim fund, and owners therefore engage with participants, rather than the reclaim fund, in order to make a reclaim. The clause also confirms that relevant activities can be undertaken by anyone acting on the institution's behalf. For example, an insurance provider can outsource tracing exercises to a tracing agency working to find the owner on its behalf.

Alex Davies-Jones (Pontypridd) (Lab): I am grateful to be able to respond to this important Bill on behalf of the Opposition, alongside my hon. Friend the Member for Manchester, Withington.

I remind colleagues that it was a Labour Government who in 2007 first brought forward two consultations into unclaimed assets residing in banks and building societies. This led to subsequent legislation that would

allow for the release of these assets after efforts were made to find their owners. The scheme was first established in 2008 by Labour through the Dormant Bank and Building Society Accounts Act 2008. The scheme has proved to be a huge success, with around £745 million being distributed to good causes across the UK, with funding for the devolved nations being distributed through the Barnett formula.

Currently, 24 banks and building societies participate in the scheme. It was always intended that the dormant assets scheme would broaden the financial products to which the legislation applies. Although the Bill makes some progress and Labour supports the need for consultation, we urge the scheme to go further. With the right safeguards in place to find the owners of assets, unclaimed winnings from gambling, pension assets and physical assets could be considered in the future too.

Labour supports the measures to ensure that all efforts are made to identify asset owners before moving on to the more robust Reclaim Fund Ltd—a public body. The independence of the fund demonstrates confidence in the process, and Labour supports this framework. However, we believe that more can be done to tighten timelines around consultation during the next stages of the Bill, and that greater scrutiny can be brought to assess the rigor of the Reclaim Fund Ltd to prevent it going into any deficit. Robust financial modelling set up under Labour has protected the fund so far, but it must be kept under review.

Labour believes that a community wealth fund should be able to benefit from the fund. Labour is also grateful for the proposed new section 18A in clause 29. This important provision will enable dormant assets to go on to create community wealth funds. These funds are able to make grants and other payments to support the provision of social infrastructure to further the wellbeing of communities suffering from high levels of deprivation. Community wealth funds are integral to levelling up, and the potential for funds generated through dormant assets to transform lives is huge.

The most deprived areas across the country often have the worst third sector infrastructure, and proposed new section 18A in clause 29 paves the way for increased governance and organisation too. Labour believes that the principles of the Bill and the 2008 Act are too broad to provide such a framework without proposed new section 18A and that the principle needs to be framed in primary legislation. We do not need further pilots of consultations, as there are already 150 projects at various stages of development. These projects will continue to be evaluated, whereas clause 29 brings forward the opportunity to pour investment into funds centred around social transformation. I know that many colleagues feel passionately about the benefits that these funds can bring to their constituencies, and hopefully we will hear some of these contributions later. In the meantime I urge the Government to support clause 29, which is absolutely central to their levelling-up agenda.

Labour firmly believes that further scrutiny of the Reclaim Fund Ltd is vital if we are to ensure that assets are used for good causes. New clause 1 is central to ensuring proper scrutiny and calls on the Secretary of State to report to Parliament annually. New clause 2 has the potential to improve how funds are reviewed and distributed to good causes, a move that could see more funding made available to the causes that need it most.

Finally, I am sure that Members will share my thanks to the organisations that have shown their support and have been pivotal in taking the Reclaim Fund Ltd forward. The same sentiments go for those participating in the dormant assets scheme. Their contributions and engagement have ensured that the fund has been made available to a huge range of good causes. Labour has always supported moves to multiply the fund's benefits and will continue to do so as the Bill progresses.

The Chair: Order. May I just point out that you must speak to the clause that we are debating at any particular time? Mr Grant, you indicated that you wished to speak.

Peter Grant (Glenrothes) (SNP): It is a pleasure to see you back in the Chair again, Ms Ghani. There is a saying that we would all do well to remember every day of our political lives; it is amazing what we can achieve if nobody cares who gets the credit. I do not hesitate to give credit to a Conservative Government, who I will often oppose vigorously, for improving what was already a good piece of legislation introduced by a former Labour Government.

Some 20 or 25 years ago, a young SNP councillor and local GP in my home town of Glenrothes picked up on this issue through the work she was doing with constituents and patients—in particular with the families of recently deceased patients. She started pestering all the banks and buildings societies in Glenrothes. Crucially, she started asking officials at Fife Council what they could do about it. It may be a complete coincidence that it was a Labour MP, as Chancellor and then as Prime Minister, who eventually took those concerns and sorted them out on the statute book, because it was Gordon Brown who, as Prime Minister, effectively drove this legislation through. It may be a complete coincidence; it may be that that young SNP councillor and GP had nothing to do with it, but given that I have been married to her for the best part of 40 years, Members may forgive me for saying she had part of the credit.

As I said, the 2008 Act was a good piece of legislation, and the Bill carries out welcome improvements and extensions. We have to realise that the days when most people kept most of their money in a bank account have gone. Even people who do not have significant amounts of money to their name will sometimes spread it over a number of different kinds of places. That means that if someone cannot be traced for whatever reason, it is important that any assets that they had are used for a good cause—if the original owner has no purpose for them.

Probably the biggest administrative burden in the Bill comes from the fact that we have to recognise that this money still belongs to somebody. We might not know if they are alive or dead. We might have no idea where they are. But they have to be allowed at any time to come back and reclaim what is theirs. Some of the quite complicated requirements that are put on the funds will sometimes be a nuisance to administrators of the fund, but they are important because this is not money that has been seized or forfeited due to any wrongdoing. It is money that legally and morally still belongs to someone else.

It is appropriate for Parliament to legislate to attempt to use that money for a good cause if all indications are that the person who originally owned it has no further interest in it. On that basis, I will have a few brief

[Peter Grant]

comments to make on particular parts of the Bill, but I welcome it and hope it will be given a speedy passage in its remaining stages.

Nigel Huddleston: I will briefly respond. The hon. Members make some important points about why there is such broad support for the Bill. It is because it has such a fundamental impact on improving people's lives across the country on a day-to-day basis. It is therefore very important, and it is not surprising that it has such support.

It is good to hear from the hon. Member for Glenrothes about not only the political support, but the emotional support that exists for various reasons. He raises an important point about the Bill's fundamental underlying principles, of reuniting and repatriating the money first and foremost to owners—the principle of always being able to reclaim the money; of course, it is a voluntary scheme and we therefore thank the participants—and of additionality. Those core principles are still pervasive throughout the Bill.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2

TRANSFER OF ELIGIBLE INSURANCE PROCEEDS TO RECLAIM FUND

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

The Chair: With this it will be convenient to consider clauses 3 and 4 stand part.

Nigel Huddleston: Clauses 2 to 4 define the insurance assets and participants in scope of the scheme. They also set out an owner's right to reclaim and the definitions of dormancy for insurance assets. Clause 2 provides that an insurance institution can transfer dormant insurance proceeds to an authorised reclaim fund. It also defines the type of insurance institutions that are not eligible to participate in the scheme.

Clause 3 defines the insurance assets in scope of the scheme. These are dormant proceeds of a long-term insurance contract, provided that it is not a with-profits policy, an industrial branch policy, or a policy that is the subject of a trust. They also cannot be held in a lifetime ISA.

Clause 4 defines dormancy for insurance assets. Insurance assets are classed as dormant if any of the following four conditions are met: first, that the person whose life is insured is deceased and the participant is satisfied that there is no owner; secondly, that at least seven years have passed since the participant was notified that the person whose life was insured has died, and there has been no communication from the owner, anyone acting on their behalf, or anyone administering the deceased person's estate; thirdly, that records indicate that the person whose life was insured would be at least 120 years old; or, fourthly, that at least seven years have passed since the end of the contractual term and there has been no communication from the owner or anyone acting on their behalf since that time. I therefore beg to move that clauses 2 to 4 stand part of the Bill.

Jeff Smith (Manchester, Withington) (Lab): It is a pleasure to see you in the Chair, Ms Ghani.

I will be very brief. It can be a temptation in Committee for the Opposition spokespeople to get up and repeat what the Minister has said, and say, "We agree"—so, we agree. *[Laughter.]*

In the section on insurance assets, there is a lot of potential to use money for good causes. We therefore support all the clauses in this section and indeed in the other sections in part 1, so we will not repeat the fact that we think these clauses are generally appropriate safeguards and appropriate processes to go through to ensure that these assets are used in the right way. We support this clause and future clauses.

The Chair: As there seems to be agreement, Minister, do you wish to respond?

Nigel Huddleston *indicated dissent.*

Question put and agreed to.

Clause 2 accordingly ordered to stand part of the Bill.

Clauses 3 and 4 ordered to stand part of the Bill.

Clause 5

TRANSFER OF ELIGIBLE PENSION BENEFITS TO RECLAIM FUND

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

The Chair: With this, it will be convenient to consider clauses 6 and 7 stand part.

Nigel Huddleston: Clauses 5 to 7 define the pensions assets and participants that are in scope of the scheme. They also set out an owner's right to reclaim pensions assets and the definitions of dormancy for pension assets.

Contract-based defined contribution personal pensions will be included in the scheme, in line with industry's recommendation, with the exception of any products in which the policyholder has been automatically enrolled. Income withdrawals as a stand-alone product, as well as when they are owed as part of a personal pension scheme, are also included. Occupational pension schemes are out of scope of the Bill.

Clause 5 provides that a pension institution can transfer dormant pension benefits to an authorised reclaim fund. Clause 6 defines the pension assets that are in scope of the scheme, which are: dormant income withdrawals that have become payable; personal pensions with money purchase arrangements that have become payable; and personal pensions with money purchase arrangements available to become payable.

Personal pension schemes whose owners were automatically enrolled are excluded, as is any scheme with sums invested in with-profit funds. As I have mentioned, occupational pension schemes are out of scope of the Bill. Personal pension schemes are only in scope of the scheme if the conversion to cash happens because the owner is deceased.

Clause 7 defines dormancy for pension assets, in a way that is consistent with the principles that I outlined in my previous speech.

I therefore beg to move that clauses 5 to 7 stand part of the Bill.

Alex Davies-Jones: I am grateful to the Minister for introducing these clauses. We welcome the first step towards inclusion of pension assets in this legislation. However, I will press him on the potential for expansion of the clause to include further pension assets, as he has outlined. After all, broadening the Bill to include further pension assets will allow further funding to reach the huge range of good causes that are currently benefiting from this process.

As the Minister knows, pension assets were recommended for transfer in consultation. However, the Government have instead decided to restrict the Bill to just cash assets for the time being. I understand from exchanges on Second Reading and in the other place that the Government are reluctant to make this expansion while we wait for the pensions dashboard to be properly up and running, but given the long delays around the introduction of the pensions dashboard, I would be grateful if he could make some commitment as to the timetable for the further widening of this scheme with regard to pension funds.

The Chair: Does the Minister wish to respond?

Nigel Huddleston: Very briefly.

Of course, further on in the Bill there are processes in place, which I am sure we will come to, to enable the further expansion of additional assets into the scheme. I understand what the hon. Lady is saying. On Second Reading and elsewhere, the potential expansion to other schemes, including to non-cash and non-financial assets, has been proposed. There is a mechanism to enable that expansion to happen in the future. Therefore, this Bill will enable that to happen. However, I am afraid that at this moment in time we cannot make a commitment to that in the Bill. Nevertheless, I certainly understand the hon. Lady's intent. Again, I think that there is cross-party support for us to investigate those options in the future.

Question put and agreed to.

Clause 5 accordingly ordered to stand part of the Bill.

Clauses 6 and 7 ordered to stand part of the Bill.

Clause 8

TRANSFER OF ELIGIBLE AMOUNT OWING BY VIRTUE OF A COLLECTIVE SCHEME INVESTMENT TO RECLAIM FUND

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

The Chair: With this it will be convenient to consider clauses 9 to 11 stand part.

9.45 am

Nigel Huddleston: Clauses 8 to 11 define the investment assets and participants in scope of the scheme. Clause 8 provides that an investment institution can transfer a dormant eligible amount owing by virtue of a collective scheme investment to an authorised reclaim fund. Clause 9 defines the investment assets in scope of the scheme. These are dormant proceeds of shares or units in collective scheme investments, and distributions, redemption proceeds and orphan moneys attributable to collective scheme investments. Client money is also in scope, but is covered separately in clauses 12 and 13.

Clause 10 defines dormancy for investment assets. Reflecting market practice and Financial Conduct Authority rules, this clause provides that share or unit conversion proceeds can be classed as dormant if the shareholder has been "gone-away" for 12 years. The clause defines "gone-away" broadly to accommodate a range of industry practices that are expected to evolve over time.

Clause 11 defines the right to payment that the owner of a dormant investment asset has against an authorised reclaim fund.

Peter Grant: I have no objection to these clauses standing part of the Bill, but will the Minister clarify one query? The Bill excludes lifetime ISAs, if their transfer would incur any kind of tax liability to Her Majesty's Revenue and Customs, which is understandable. Will the Minister explain in what kinds of circumstances that might happen? On the face of it, there appears to be an inconsistency in that a lifetime ISA might be liable to tax on transfer, when the whole assumption is that the person who owns that lifetime ISA is probably dead, although we cannot prove that for certain. Is there an inconsistency there? If not, what are the circumstances in which there might be a tax liability that would emerge from the transfer of an asset belonging to somebody when, in the eyes of the law, that person is probably dead?

Nigel Huddleston: There was extensive consultation on what should and should not be included. The hon. Gentleman raises the point that some assets may in the future be potentially included. We want to be careful at this stage and not include things where potential liabilities could incur. We got to this point after extensive consultation with industry, and I think we are comfortable with it. As I said to the hon. Member for Pontypridd earlier on, there is potential scope to change what assets and financial products may or may not be included, but given the advice of the industry, at the moment, we are being cautious; I think that is the appropriate approach.

Question put and agreed to.

Clause 8 accordingly ordered to stand part of the Bill.

Clauses 9 to 11 ordered to stand part of the Bill.

Clause 12

TRANSFER OF ELIGIBLE CLIENT MONEY TO RECLAIM FUND

The Chair: With this it will be convenient to consider clause 13 stand part.

Nigel Huddleston: Clauses 12 and 13 define the client money assets and participants in scope of the scheme. Clause 12 provides that an investment institution can transfer dormant client money to an authorised reclaim fund. Client money is only captured by clauses 12 and 13 if it is held by an investment institution and cannot be transferred to the scheme under any other provisions in the Bill.

[Nigel Huddleston]

Clause 13 defines dormancy for client money assets. Again, this clause defines "gone-away" broadly to accommodate a range of industry practices that are expected to evolve over time.

Question put and agreed to.

Clause 12 accordingly ordered to stand part of the Bill.

Clause 13 ordered to stand part of the Bill.

Clause 14

TRANSFER OF ELIGIBLE PROCEEDS OR DISTRIBUTION TO RECLAIM FUND

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

The Chair: With this it will be convenient to discuss clauses 15 and 16 stand part.

Nigel Huddleston: Clauses 14 to 16 define the securities assets and participants in scope of the scheme. Clause 14 provides that a traded public company can transfer dormant proceeds or a distribution relating to a share to an authorised reclaim fund.

Clause 15 defines the securities assets in scope of the scheme: dormant share conversion proceeds; cash distributions from a share; and proceeds from corporate actions. As practice varies, share conversion proceeds in the securities sector are in scope only on the condition that the terms governing them enable a gone-away shareholder to reclaim the price of the share at the point at which it was converted to cash.

Clause 16 defines dormancy for securities assets. Share conversion proceeds or a distribution can be classed as dormant if the shareholder has been defined as "gone-away" for at least 12 years. This clause defines "gone-away" broadly, to accommodate a range of industry practices that are expected to evolve over time, as with other products.

Question put and agreed to.

Clause 14 accordingly ordered to stand part of the Bill.

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

Clause 17

TRANSFERS: GENERAL

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

Nigel Huddleston: The proceedings so far may have seemed very dry, but I can assure hon. Members that actually what we have done is to enable potentially hundreds of millions, if not billions, of pounds to be expended from the scheme to go to good causes. The clauses may sound dry, but actually that was a fundamentally important aspect of the Bill.

Clause 17 makes cross-cutting provisions on transfers into the scheme. This clause provides that a transfer into the scheme is not in itself a breach of trust or fiduciary duties. The clause also confirms that the right to reclaim accommodates situations in which that right has been passed on after the previous owner has died. Finally, if an institution has been succeeded by another—for example, through a takeover—following a transfer into the scheme, the transfer provisions in clauses 2, 5, 8, 12 and 14 will apply to the successor.

Question put and agreed to.

Clause 17 accordingly ordered to stand part of the Bill.

Clause 18

INTERPRETATION OF PART 1

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

The Chair: I call Minister Huddleston—delivering without being dry, I believe.

Nigel Huddleston: I will try, Ms Ghani. Very simply, clause 18 defines and clarifies terms used in part 1 of the Bill that are relevant to more than one section.

Question put and agreed to.

Clause 18 accordingly ordered to stand part of the Bill.

Clause 19

POWER TO EXTEND THE DORMANT ASSETS SCHEME TO COVER NEW DORMANT ASSETS

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

The Chair: The pressure is back on you, Minister Huddleston.

Nigel Huddleston: Thank you, Ms Ghani. Clause 19 is an important clause. It provides a power to the Secretary of State or the Treasury to bring additional asset classes within scope of the scheme, as we alluded to earlier. That might include ones that have already been proposed for inclusion but whose suitability needs further exploration, new ones, or ones where dormancy has not yet been identified as an issue. The power also enables the Secretary of State or the Treasury to amend the current asset classes so that they can cover new types of assets, and make consequential amendments.

This clause allows the Secretary of State or the Treasury to amend part 1 of the Bill or the 2008 Act by regulations for that purpose, and makes further provision about what such regulations must and can include—for example, identifying when dormancy exists and ensuring that the owner has a right to payment against an authorised reclaim fund. It provides that the Secretary of State or the Treasury may make regulations to enable participants to convert a dormant non-cash asset into cash in order for it to be transferred into the scheme where the asset's terms do not provide for this. It then makes further provision about the use of this power—for example, that it can be used only with a view to the cash being transferred into the dormant assets scheme.

The clause also ensures that all assets currently in scope cannot be excluded or have their associated definitions of dormancy altered using this power. Finally, it provides that any regulations made under the power must be approved by both Houses of Parliament.

Jeff Smith: As the Minister says, this important clause goes to the heart of the Bill and what we are trying to achieve with it, and we supports its aims. Like the Minister, I welcome the millions of pounds that could go to good causes as a result of the assets that we have just agreed, as well as those that could be agreed as a result of the clause.

Having seen the success of the scheme, we want to build on and expand it. We agree that it makes sense to give the Secretary of State or the Treasury the ability to expand the potential of the fund not by bringing back primary legislation, but by consulting—that is important—and proposing new assets to add to the scheme by regulations. We welcome the approval and the important oversight of those regulations by both Houses of Parliament. Indeed, the clause has the potential to save future generations of MPs from sitting in a future Bill Committee for another dormant assets Bill. *[Laughter.]*

We particularly welcome the measures as a first step towards the potential inclusion of future pension assets in the legislation. May I press the Minister a little more on that? I think the Minister agreed in principle to the inclusion of additional pension assets, but my hon. Friend the Member for Pontypridd asked for an indication on when those might be included, because we are keen to expand the fund appropriately. The Minister talked about a mechanism for that inclusion, but he did not want to put a commitment on the face of Bill. It would be nice to know what sort of timescale we are looking at for including future pension assets.

The clause really goes to the heart of the Bill's purpose: how can we expand the good work the scheme has done, and what other assets can we use to benefit good causes? People have talked about all kinds of different assets that could be included in future, including foreign currency cash balances, empty properties, national savings, proceeds of crime, trust funds and lifetime ISAs, which the hon. Member for Glenrothes mentioned.

We are keen for all those ideas to be explored to build on the good work of the scheme, and we hope to hear in future suggestions that we have not yet discussed. We agree that the Government should be free to explore them, and we believe that the Bill contains appropriate safeguards and oversight, so we welcome this clause.

Peter Grant: It is important to place on the record that I—and, I hope, every Member of Parliament—have a very strong presumption against the concept of Henry VIII powers. It should be an important principle that when Parliament passes primary legislation, only Parliament should be allowed to change it by actively and positively choosing to do so.

In this particular circumstance, the proposed solution is appropriate because it is very tightly constrained. As the hon. Member for Manchester, Withington, pointed out, there are strict limits on the circumstances in which and the process by which the powers can be used. Just as a lot of careful drafting has had to go into the extensions to the scheme that are included in the legislation, it is important to recognise that none of us knows what kinds of financial assets people will hold in 10 or 15 years' time. People might have significant amounts of money in assets of types that we cannot imagine. For those circumstances, secondary legislation is the more appropriate way to bring those assets in scope.

There are two fundamental requirements in the Bill that have to stay there. First, if Henry VIII are being used, the scheme must always be entirely voluntary, and secondly, the owner must always retain the absolute and indefinite right to come back and reclaim assets that are rightfully theirs. As long as those two requirements are in the Bill, I think that, on this very rare occasion, the use of Henry VIII powers is appropriate and justified.

10 am

Nigel Huddleston: As discussed, the Bill includes a provision to allow expansion into new asset classes by secondary legislation in the future. As the hon. Member for Glenrothes suggested, it will not therefore require primary legislation; therefore we may save colleagues from some painful processes in the future. However, it will still have the scrutiny of both Houses, which is really important.

Before any power is extended, further work will need to be undertaken to identify new asset classes and facilitate their inclusion, and regulations are subject to draft affirmative procedure, allowing for parliamentary scrutiny. I cannot commit to a particular timeline at the moment, but of course the overall operation of the Bill will be reviewed three years and five years after Royal Assent. However, that does not preclude ongoing activity or review; when we debate later clauses and proposed new clauses, we will discuss in detail the scrutiny and review, annual reporting and so on that can take place. Those will enable review to happen, and therefore proposals for change could happen organically.

I cannot outline a specific timeline at the moment, because of course that will depend on what is proposed by the House and others, but there is a mechanism for ongoing review in the Bill for the important reasons that hon. Members have outlined. There may well be future asset classes, perhaps products that we are not even aware of or do not even exist at the moment, that should and could be included in future versions of the dormant asset scheme.

Question put and agreed to.

Clause 19 accordingly ordered to stand part of the Bill.

Clause 20

RETURN OF SURPLUS ALTERNATIVE SCHEME ASSETS

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

Nigel Huddleston: Clause 20 introduces a means for the reclaim fund to transfer additional surplus money from the alternative scheme back to the participant to be distributed to its chosen charity, in accordance with section 2 of the 2008 Act. The alternative scheme enables firms with balance sheets below £7 billion to transfer an agreed proportion of dormant account funds to the reclaim fund, and nominate a local or aligned charity to receive the surplus. As it has with the main scheme, Reclaim Fund Ltd may review, in time, the proportion of assets it reserves from the alternative scheme on an ongoing basis and, where prudent, reduce reserve rates to release surplus funds.

Currently, such surplus funds from the alternative scheme can go only to the National Lottery Community Fund. Clause 20 will ensure that the funds are directed to charities of the participants' choice for the benefit of local communities, in line with the principles of the alternative scheme. Aside from this, the alternative scheme will remain as it is. I commend clause 20 to the Committee.

Jeff Smith: Labour supports the provisions in clause 20 relating to the alternative scheme, which enables eligible smaller building societies and banks to support local causes of their choice. It is right that, if an authorised reclaim fund remodels the proportion of funds that it

[Jeff Smith]

reserves for reclaims, any surplus money should go back to organisations participating in the alternative scheme, to be distributed to their chosen local charities.

We actively encourage authorised reclaim funds to assess whether a greater proportion of the fund could go to good causes, based on what we now know about how many people are likely to reclaim their assets and how they can manage their funds. That is the intention of Labour's new clause 2, which we will discuss later. We support measures in the Bill that will allow that to work in practice.

Nigel Huddleston: I do not have much further to add. I know that this topic will be debated later in Committee, but I completely agree with the principles that the hon. Gentleman outlines.

Question put and agreed to.

Clause 20 accordingly ordered to stand part of the Bill.

Clause 21

UNWANTED ASSETS

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

Nigel Huddleston: The dormant assets scheme requires participants to have attempted to reunite an asset with its owner before it can be classed as dormant and transferred to the scheme. When reunification efforts are successful, the owner may decide that they no longer want their asset. That could be, for example, because the asset is of low value and the owner does not want the administrative effort of reclaiming it—such as, say, £5 in a deposit account, a share worth £2 and so on. Clause 21 enables these unwanted assets to be donated to the scheme. The owner must declare that no other person has a right in or over the asset, and an authorised reclaim fund must consent to the transfer. Finally, this clause provides that unwanted assets cannot be reclaimed from unauthorised reclaim funds, given that they have been donated by the owner.

Jeff Smith: I am starting to do what I said I would not do. We agree with the clause, and think that it will encourage more charitable giving, resulting in more money going to the scheme and meaning more money for good causes. We support the clause—I am going to stop repeating and agreeing.

The Chair: Agreement is good, Mr Smith.

Question put and agreed to.

Clause 21 accordingly ordered to stand part of the Bill.

Clause 22

THIRD PARTY RIGHTS AND INTERESTS

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

Nigel Huddleston: Clause 22 ensures that third-party rights and interests are preserved when an asset is transferred into the scheme. A participant or the reclaim fund will not always know whether third-party rights or interests exist in relation to an asset. Therefore, if a third party legitimately asserts their rights or interests in relation to a dormant asset following transfer, they will have an equivalent right of reclaim.

Jeff Smith: Briefly, this clause and the following two are essentially tightening up the arrangements for the management of the scheme, and we are very happy with them. In some cases, they are firming up in legislation what is already happening in practice. We think these provisions have an appropriate level of processes and safeguards and we support them.

The Chair: I assume, Mr Smith, that you will not be commenting on the next two clauses as you have made your contribution now?

Jeff Smith: That is correct.

Question put and agreed to.

Clause 22 accordingly ordered to stand part of the Bill.

Clause 23

ARRANGEMENTS BETWEEN RECLAIM FUND AND INSTITUTIONS

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

Nigel Huddleston: I have no problem with the Opposition agreeing on things—it is quite nice to hear. I think that it speaks to the broad support for the Bill, and therefore it is important that we get on record that there is such agreement in so many areas of the Bill.

Clause 23 introduces requirements on the reclaim fund and participating institutions to have appropriate arrangements in place before the transfer of funds into the dormant assets scheme. The Government want to ensure—as do the Opposition—that only genuinely dormant assets are transferred into the scheme. The clause therefore specifies that the agreements must require participants to take steps to reunite asset owners with their lost assets. The requirement is not new, but making provision for it in the Bill will strengthen existing practices that have ensured the scheme's success over the past decade.

Question put and agreed to.

Clause 23 accordingly ordered to stand part of the Bill.

Clause 24

EFFECT OF INSOLVENCY ETC OF INSTITUTIONS

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

Nigel Huddleston: Clause 24 sets out the effect of a participating institution becoming insolvent on an owner's right to reclaim. The reclaim fund will be liable for meeting a reclaim for an asset it receives, even if the participant that transferred it becomes insolvent or winds up. However, in those cases, an owner's entitlement will be limited to the amount that they would have received from the participant in its insolvency. That may result in the owner's entitlement being reduced.

Question put and agreed to.

Clause 24 accordingly ordered to stand part of the Bill.

Clause 25

DISCLOSURE OF INFORMATION

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

Nigel Huddleston: Very simply, clause 25 provides that common law or other obligations relating to confidentiality do not prevent the disclosure of information.

Question put and agreed to.

Clause 25 accordingly ordered to stand part of the Bill.

Clause 26

MEANING OF "AUTHORISED RECLAIM FUND"

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

Nigel Huddleston: Clause 26 names RFL as the authorised reclaim fund and provides the Treasury with the power to add, substitute and remove the name of reclaim funds from the Bill in the future, should that be required.

Jeff Smith: We accept the definition of authorised reclaim fund and Reclaim Fund Ltd being conferred with that status. It makes sense, I guess, for the Treasury to be able to add or remove companies as appropriate or as required. Can the Minister clarify as to whether he foresees that being used only in the event of Reclaim Fund Ltd ceasing to function or becoming insolvent, or whether he would wish to give several companies at a time the status of an authorised reclaim fund? If it is the latter, what are the merits of that process?

The clause also gives the Treasury the power to specify which assets a reclaim fund can manage through secondary legislation. We agree that is necessary but believe that any changes must be made following a proper and timely consultation and in line with the overarching principles of the Bill. That is the intention of amendment 5 to clause 29, which we will discuss shortly.

Nigel Huddleston: The hon. Gentleman is right; we will discuss some of those features later on in the Bill. The definition of an authorised reclaim fund came into effect under the 2008 Act. Since then, RFL has been the only company to fulfil that function and therefore plays an integral role in the scheme's success. In recognition of that and given RFL's new status as a Treasury arm's-length body, the clause names RFL as the only current authorised reclaim fund for the purpose of the dormant assets scheme. Naming RFL as the only authorised reclaim fund in that way prevents additional competing reclaim funds being set up without Treasury consent and ensuring that the reclaim fund for the scheme is fit for purpose and is essential in maintaining the principle of customer protection.

The clause allows the Treasury to remove RFL as an ARF in the future, in case RFL ever became unable or unwilling to fulfil the function of a reclaim fund. It also enables the Treasury to add the name of a new reclaim fund to the Bill, should another reclaim fund ever need to be set up in the future for circumstances which, again, we may not be aware of at the moment. The clause also gives the Treasury the power to specify which assets a reclaim fund is responsible for managing. As for some of the other features mentioned by the hon. Gentleman, we will discuss them later.

Question put and agreed to.

Clause 26 accordingly ordered to stand part of the Bill.

Clause 27

TREASURY LOANS

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

Nigel Huddleston: In recognition of Reclaim Fund Ltd's new status as an NDPB of the Treasury, clause 27 enables the Treasury to provide a loan to RFL or any authorised reclaim fund that may be established in the future, as just discussed, if it ever becomes or is likely to become unable to meet its reclaim liabilities. That would support the reclaim fund until such a time as it is able to cover its cost with its own income. At that point, the Government would look to recoup their costs. That will ensure that customers continue to reclaim their assets in full at any time.

Question put and agreed to.

Clause 27 accordingly ordered to stand part of the Bill.

Clause 28

EXCLUSION OF REPAYMENT CLAIMS FROM FINANCIAL SERVICES COMPENSATION SCHEME

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

Nigel Huddleston: In the light of the Reclaim Fund's establishment as an NDPB, it is no longer appropriate for RFL's activities to be covered by the financial services compensation scheme. Clause 28 therefore removes repayment claims from that compensation scheme and clause 27 replaces that protection with a Government guarantee in the form of a Treasury loan.

Peter Grant: If we take the two clauses together, it is clear why clause 28 is there. My concern is that clause 28 in isolation may be seen to be removing protection from investors. I know the answer to this question, but for the purpose of the record, I would be grateful if the Minister could confirm that clauses 27 and 28, taken together, do not create any circumstance in which an investor's money would be any more at risk than it would be if it were left in the original investment. Can the Minister give that assurance?

10.15 am

Nigel Huddleston: The hon. Gentleman is correct. The Treasury loan replaced the protection established through clause 27 of the Bill, which RFL can use if it becomes, or is likely to become, unable to meet its claims. Therefore, that protection is in place between clauses 27 and 28.

Question put and agreed to.

Clause 28 accordingly ordered to stand part of the Bill.

Clause 29

DISTRIBUTION OF DORMANT ASSETS MONEY FOR MEETING ENGLISH EXPENDITURE

Jeff Smith: I beg to move amendment 5, in clause 29, page 22, line 11, at end insert—

"(1A) An order under subsection (1) must be consistent with criteria published by the Secretary of State setting out the principles to be used when making a determination as to whether restrictions, or no specific restrictions, are to be applied to distributed dormant assets money for meeting English expenditure.

(1B) Prior to publishing the criteria under subsection (1A), the Secretary of State must consult on the purposes for which the dormant assets money may be distributed, and the criteria to be applied therein.

(1C) A consultation under subsection (1B) must conclude not more than 3 months after it is announced."

This amendment would require the Secretary of State to publish and apply criteria to be used when determining the purposes for which dormant assets money can be distributed. The criteria must be the subject of a consultation which must last no longer than 3 months.

I will also speak briefly to amendment 4, which stands in my name and that of my hon. Friend the Member for Pontypridd; to Government amendment 1; and to amendment 3, which stands in the name of my right hon. Friend the Member for Kingston upon Hull North.

Amendment 5 is a probing amendment to test the nature of consultation. The Secretary of State is committed to consultation on the social and environmental focus of the English portion of the funds before making changes to the causes that could be supported by the scheme via secondary legislation. Labour supports the need for consultation: we want to ensure that it is carried out thoroughly and properly, but also promptly. Progress on expanding the dormant assets scheme has been slow over the years. The scheme has worked well, but given that it was set up in 2008, it has taken a long time to come forward and be expanded. We want to make sure that more good causes can benefit more quickly, so we do not want further delays, which is why we support a quick, broad-based consultation when there are proposals to bring new assets forward. We think that the consultation should conclude no longer than three months after it has been announced.

We are also conscious that "social and environmental causes" could mean a number of different things to different people. It could be argued that the lobbying work of a political think-tank could be defined as advancing a social or environmental cause and so, too, could the spending of a Government Department, but I think we would all agree that those would not be appropriate uses of this money. To clarify those issues, amendment 5 requires that the Secretary of State uses the consultation period to define criteria for future uses of the fund, and publishes and keeps to those criteria. We agree that specific causes should be decided upon based on consultation and responding to need, but those decisions can be focused and guided by set principles that will ensure that inappropriate causes are not set up to benefit by the Government of the day, whoever they may be.

Labour is conscious that the four organisations that have so far benefited from the scheme in England, which are Big Society Capital, Access—the Foundation for Social Investment, the Youth Futures Foundation and Fair4All Finance, have all done a really good job. We want those organisations to be able to continue carrying out their important work, so can the Minister assure us that in the event of the Government making future changes to how the money should be spent, those organisations would have nothing to fear, and can he put on record that the broad aims of the scheme remain the same?

I also want to address Government amendment 1. We are disappointed that the Government are proposing to remove the sections relating to community wealth funds. The amendments that were made in the Lords allow the Secretary of State to include community wealth funds—

The Chair: Order. We are moving on to amendment 1 later. Do you want to wait for that discussion?

Jeff Smith: I thought we were doing amendment 1 as part of this group.

The Chair: We are just doing amendment 5 to clause 29.

Jeff Smith: I beg your pardon; I thought we were debating them all together. In which case, I will—

The Chair: You could just sit.

Jeff Smith: I will sit down, yes. *[Laughter.]*

Peter Grant: I feel a bit of a charlatan: after debates on 28 and a half clauses, we finally come to a vote, but it is on something that, ethically, I should not vote on, because it applies to England only. I will make a couple of comments by way of friendly advice to colleagues from all sides of the House before they consider this amendment and others.

First, as the hon. Member for Manchester, Withington mentioned, a fixed amount of money is available to distribute, so any additional purposes can only be implemented if the existing purposes get less money. Allowing new organisations to bid for money can only mean existing organisations run the risk of less funding. That does not mean that that should not be done, but we need to understand the implications. Secondly, it is important to distinguish between the good purposes for which the funding is used and the interests of the organisations that will either deliver the services or administer the funds. Understandably, someone involved with an organisation will think that organisation is the best in the universe at doing a particular thing, but that will not always be the case; there may sometimes be circumstances where a different organisation could deliver the benefits more effectively.

As I say, I do not intend to vote on clause 29 or any of the amendments. I am quite happy now to sit back and watch my friends from England decide on the best way for England to copy the excellent practice that has been in place in Scotland and Wales for a number of years.

Nigel Huddleston: I thank the hon. Members for Pontypridd and for Manchester, Withington for tabling amendment 5. I hope to be able to reassure them that

the Bill, as introduced, already broadly accomplishes their desired effects, and therefore that the amendment is not necessary. I also appreciate the comments from the hon. Member for Glenrothes, who highlights that Scotland does indeed have greater flexibility at the moment. One purpose of the Bill is to rectify that, so that England can also have some flexibility in how future moneys are disbursed.

I should probably give the warning, or caveat, that while we all expect—in fact, we are very confident—that large amounts of money will be raised through the expansion of the scheme as proposed in the Bill, we of course cannot commit 100% that entities will receive a certain amount of money. We do not currently know how much will be distributed. No individual entity can bank on having a specific amount, although historically the scheme has raised more money than forecast. We cannot plan on that, but I think we are all confident that significant amounts will be raised.

I will give a brief overview of how the scheme works, in the context of amendment 5. The current system works by industry participants voluntarily transferring funds to the dormant assets reclaim fund, the body that administers the scheme, which reserves 40% of these funds in order to meet any future customer claims, with the remaining 60% of surplus then released for social and environmental purposes via the National Lottery Community Fund, the named distributor of dormant assets funding in the UK. It apportions the money among the four nations and then distributes it in line with legislation and any directions given to it by relevant Ministers or Departments.

The devolved Administrations can decide on the focus of their funding so long as it is within the parameters of social or environmental purposes, as the hon. Member for Manchester, Withington mentioned. In England, expenditure is ringfenced for initiatives focused on youth, financial inclusion and social investment through section 18 of the 2008 Act. Currently, funding flows from the National Lottery Community Fund to four independent specialist organisations that work across the three areas. Clause 29 introduces new section 18A to be inserted into the 2008 Act, replacing the current section 18, as the hon. Member for Pontypridd mentioned, which will enable the Secretary of State to consult on the purposes of the English portion and to then set the purposes through an order.

Amendment 5 has three core objectives: first, that there should be considered thought behind choosing the future purposes of dormant assets funding in England; secondly, that the public should be consulted before those purposes are set and should be able to have their say on the logic behind the purposes; and thirdly, that the consultation should not push progress into the long grass but must be proportionate and efficient. I understand the intent of the amendment.

Over the last decade, the scheme has been working to level up the communities that need it most,, supporting frontline organisations to tackle deprivation, developing strong social infrastructure and initiatives at local level, and directing funding to some of the most left-behind areas of the country. Those are some of the broad criteria by which the scheme has distributed funds in England. Those principles have operated successfully within the overarching three purposes set for the English portion to date: tackling youth unemployment and financial exclusion and investing in the nation's charities and social enterprises. Part of the unique strength of the scheme in England is that the funding has been distributed through four specialist organisations. Within the boundaries of appropriate governance systems, those independent organisations have been free to determine the most impactful and appropriate ways to deliver on their missions, including deciding what criteria to apply and when. We are proud of the impact they have had, and echo the numerous supportive comments made by hon. Members on Second Reading.

The scheme has built a compelling evidence base for these types of intervention and we are committed to ensuring that it continues to benefit the people and communities who need it most. We are also committed to affording everyone a fair opportunity to have their say on the purposes for which funds can be distributed. Proposed new section 18A(6)(a) of the 2008 Act provides that the Secretary of State must consult the public about

"the purposes for which, or the kinds of person to which"

the English portion should be distributed before an order can be laid. The first of those consultations will be launched as soon as possible after Royal Assent; we estimate that it could be as early as this summer. The Government will set out our thinking in that consultation document, and we are committed to inviting all those with an interest to have their say.

In the other House, noble Friends of the Member for Manchester, Withington pressed the Government for a commitment to open the first consultation for at least 12 weeks. We agree that is a proportionate amount of time and have already committed to that. I assure hon. Members that we share the ambition to ensure that the money is released as efficiently as possible. We have no intention of delaying the impact we all want the scheme expansion to have. I am grateful for the spirit of collaboration the House has shown in helping us to achieve that ambition. For the reasons I set out we are not able to support the amendment.

Jeff Smith: I thank the Minister for his comments and his reassurance that the Government will continue to uphold the principles and "unique strength" of the current ways of working. Given those assurances, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Nigel Huddleston: I beg to move amendment 1, in clause 29, page 22, line 12, leave out subsections (2) to (4).

This amendment removes provisions relating to community wealth funds that were added to the clause at Report stage in the Lords.

The Chair: With this it will be convenient to discuss amendment 3, in clause 29, page 22, line 37, at end insert—

"specifically consult on the merits of establishing a community wealth fund or funds under the dormant assets scheme, and".

This is a probing amendment intended to ensure the scope of any Government's proposed consultation process also encompasses full consideration of the merits of establishing a community wealth fund or funds under the dormant assets scheme.

Nigel Huddleston: I acknowledge the support expressed by many in the House for using the English portion of dormant assets funding to support, through community

[Nigel Huddleston]

wealth funds, the left-behind communities, which experience high levels of deprivation and low levels of social infrastructure. Amendment 1 is not intended to disregard the support for that approach; instead, it is designed to protect the integrity of the consultation process, which offers the most appropriate route to make that a reality.

I thank the right hon. Member for Kingston upon Hull North for tabling amendment 3, seeking a commitment to consult on community wealth funds. I thank hon. Members for taking the time last week to meet me, alongside local trusts, to discuss the proposal. We are content to place on the record our commitment that the first consultation under this clause, which will be launched as soon as possible after Royal Assent, will explicitly include community wealth funds as an option to consider for the English portion.

The scheme has spent the last decade working to tackle systemic social challenges and to level up communities who need it the most, particularly by targeting and benefiting left-behind areas. In England, the impact is delivered through four independent organisations that distribute funding to tackle youth unemployment and financial exclusion, in addition to growing a thriving social investment market. To date, more than £465 million from the scheme has been invested in charities and social enterprises, often in areas or communities that may not have benefited from sustained investment in the past. For example, the growth fund is a £46 million partnership between the National Lottery Community Fund, Big Society Capital and Access. It has significantly expanded the reach of investment to charities and social enterprises that are unlikely to have taken on social investment before. The largest number of investments have been made to target support for vulnerable young people, those not in employment, education or training, and people experiencing poverty, financial exclusion and long-term unemployment. A quarter of all growth fund investments have been in the most deprived 10% of neighbourhoods.

10.30 am

We are aware that dormant asset funding is entirely dependent on industry participants who voluntarily transfer money into the scheme, as well as the general public's trust in the principles that underpin it. We have received calls from the public and industry participants to have a say in how funds can be spent in England in the future. We are committed to affording them this opportunity through public consultation. The insertion of community wealth funds into the Bill risks pre-empting a consultation outcome by identifying a different approach for English expenditure before the public, the civil society sector, parliamentarians and industry participants in the scheme are able to utilise the opportunity to have their say.

The current causes of youth, financial inclusion and social investment have had widespread support over the last decade and were selected through a consultation in 2007. It would not be right to name any new cause in legislation before we consult on doing so. We will ensure that community wealth funds are included as a clear option to consider in the consultation we will launch following Royal Assent, which could be as soon as this summer. During this process, we will be keen to hear from everyone, including local communities and those who advocate for community wealth funds. A consultation lasting 12 weeks represents a proportionate amount of time for the issue at hand. Should it be determined that the community wealth funds are the best use of some of the English portion, the Bill is already designed to provide the most appropriate avenue to make that a reality.

While we are committing to including community wealth funds as an option in the consultation, we have said and will reiterate that we will not predetermine the outcomes. The Government amendment will ensure that the consultation remains an open and fair opportunity for people to have their say in how this important funding stream can have the best impact in England.

Jeff Smith: I thank the Minister for his comments. We are disappointed that the Government are proposing to remove the subsections relating to community wealth funds. The amendments made in the Lords that allow the Secretary of State to include community wealth funds as recipients of funding had cross-party support and have generally been welcomed by the sector.

The provisions specify that money from the dormant assets scheme can go toward a community wealth fund to

"support the provision of social infrastructure to further the wellbeing of communities suffering from high levels of deprivation".

I am surprised that the Government want to remove a measure that empowers communities and surely goes to the heart of the alleged levelling-up agenda. There are Members on both sides of the Committee who represent areas that will benefit from this kind of initiative. The most deprived areas often have the weakest third-sector capacity and infrastructure, which adds to a cycle of disadvantage. Community wealth funds aim to halt that cycle. They are aligned with the aims of the levelling-up agenda and have the potential to transform communities and lives.

Community wealth funds give real power to local people to support local priorities and capacity building. The noble Lord Bassam, who moved the amendment, said that

"the proposal could act as a powerful tool in boosting deprived areas, putting small sums of money in communities' hands so that they can invest in the facilities or services that would have the most local benefit—perhaps subsidising a community hall, running adult learning classes, supporting skills and training hubs and sports facilities, and improving digital connectivity."—[*Official Report, House of Lords,* 16 November 2021; Vol. 816, c. 168.]

We see the amendment as part of the levelling-up agenda and a way of empowering communities, as well as an opportunity to trial new and innovative ways of funding.

I note that the amendment itself was a compromise. It simply allows the Secretary of State to include community wealth funds. In Committee in the Lords, there was a more substantial proposal to include local trusts. Because the Government said there was still work to do on the proposals, the amendment was passed, and it is essentially permissive. The decision on when to move forward is with the Secretary of State, which makes it all the more disappointing that the Government want to block what I think is quite a modest and sensible measure.

I thank the Minister for his comments on the consultation. I am grateful for his commitment that the community wealth fund will be an option to consider in that first consultation; that is good news. However, we believe that this is an important measure, and we would

like to see the principle of it written into primary legislation. As my hon. Friend the Member for Pontypridd said, the principles of this Bill and the 2008 Act are generally too broad to guarantee that the community wealth fund is included; the principle must be framed in primary legislation. I therefore urge Members to reject the Government's amendment, notwithstanding the welcome comments from the Minister on the consultation.

They always say that the first rule of politics is to learn to count. I appreciate that the Opposition might not defeat the Government on this one, so as a greater compromise, I also urge Members to support the cross-party amendment, which I think the Minister has effectively accepted as the right way forward. I leave it to my right hon. Friend the Member for Kingston upon Hull North to speak to her amendment.

Dame Diana Johnson (Kingston upon Hull North) (Lab): It is a pleasure to serve under your chairmanship, Ms Ghani. I rise to oppose Government amendment 1 and commend amendment 3.

As we know, Government amendment 1 removes the provisions to create a community wealth fund as a means of tackling deprivation and building social infrastructure in left-behind communities. The Bill was amended in the other place to include those specific provisions. As we know, that amendment enjoyed significant cross-party support, including from Lord Hodgson from the Conservatives, Lord Bassam and Baroness Lister from Labour, Baronesses Kramer and Barker from the Liberal Democrats, Baroness Bennett from the Greens, and the Lord Bishop of Ely.

I oppose Government amendment 1 for two reasons. First, the Bill, as a piece of primary legislation, is an excellent opportunity to set out clearly not only the mechanism for the acquisition of dormant assets, but some of the priorities for their distribution. It is worth noting, as my hon. Friend the Member for Manchester, Withington just set out, that the clauses inserted by the other place are permissive, allowing the Minister and the Government if they so wish to enable the creation of funds to be established for community wealth funds.

That helps to set out the current thinking of this Parliament—that we recognise the importance of community wealth funds, and that we would like to see Government investment in that area. If the distribution of dormant assets is not identified with clear markers at this stage in proceedings, after so many years of discussion and debate, that would be a missed opportunity.

I do not believe that the Minister is correct in claiming that secondary legislation is the most appropriate mechanism for deciding on the distribution. We all understand that there is limited opportunity for debate on secondary legislation, and there is, of course, no opportunity to amend it. That means Parliament's role will be limited to rubber-stamping the Government's proposals.

With the expanded scheme expected to generate close to £1 billion of new funds for good causes, decisions about those causes are important and should be subject to proper debate and scrutiny in Parliament, rather than just introduced in secondary legislation. I know that Members across the House will want an opportunity to make the case for funding for their own constituencies and for many other good causes—of course they will; of course we all will.

I would argue that the creation of a community wealth fund is a matter of some importance to the Government themselves, with their levelling-up agenda for the most disadvantaged and left-behind areas. We hear so much about that from the Government, and it is really in their interest to have that on the face of the Bill.

There is, of course, a precedent here. It should be noted that the first causes to benefit in England—social investment, financial capability and projects for young people—were all written into the original 2008 Act. I therefore believe that it would be beneficial to keep provisions relating to the community wealth funds in this Bill to make clear what the money will be used for, and that it is the clear will of Parliament. I know the Government do not want dormant assets to be used to supplement their day-to-day spending, but without direction and clarity in the Bill, that could be one unintended side effect. We need a very clear direction of travel, which clause 29 currently provides.

The second reason I oppose the Government's amendment to remove the provisions for a community wealth fund is that any consultation process on how assets should be distributed could take some time. In his opening remarks, the Minister referred to the summer and talked about a 12-week consultation period, so it seems likely that the rest of 2022 will be gone before we get to the point of any secondary legislation being brought to Parliament.

If the Government really are serious about their levelling-up agenda, keeping the provision for community wealth funds in the Bill is an opportunity that helps the Government. The community wealth fund commands broad support. Polling research shows that the proposal would have support among senior leaders in the financial services industry, whose endorsement the Government have said is key. Were the fund to remain written into the Bill, the Community Wealth Fund Alliance could start the process of securing match funding and planning to get money into the most left-behind communities as soon as possible after Royal Assent.

I ask the Minister to reconsider on the basis of those arguments. I genuinely believe that this measure would assist the Government with one of their flagship policies.

I move on to amendment 3, in the name of my hon. Friend the Member for Sedgefield (Paul Howell), my co-chair of the all-party parliamentary group for "left behind" neighbourhoods. If amendment 1 is passed, amendment 3 offers an alternative approach, as it would require the Government to

"specifically consult on the merits of establishing a community wealth fund".

As drafted, the Bill was silent on the purposes that the cash from this next wave of dormant assets would be spent on. As we know, the Government estimate it could be as much as £900 million. As I just set out, that lack of clarity contrasts very clearly with the original legislation, the Dormant Bank and Building Society Accounts Act 2008. The causes that would be supported—social investment, financial inclusion and projects for young people—were very clear in that legislation, so it makes sense to me, given the amount of money at stake and the enormous contribution that the dormant assets scheme will make to good causes, that the matter of where the money is spent should be debated in and ultimately determined by Parliament.

[Dame Diana Johnson]

In response to efforts to assist the Government by putting in the Bill powers to establish pilot community wealth funds, the Minister is arguing that the Bill should not cover the specifics and set out the purposes that the funding should be directed to, and that such important detail should be left to the secondary legislation, albeit informed by public consultation. I note what the Minister has committed to do. He said that the community wealth fund would be a part of the first round of consultation, but I would like to push him a little further. Will he meet me and the others who are advocating the establishment of a community wealth fund halfway? Amendment 3 is probing at this stage. I am not going to force the issue to a vote today, but I want to test the Minister further on whether he might be minded to include the community wealth fund as a named and clearly identified object category in that first consultation by putting it in the Bill, if not at this stage, perhaps on Report.

The noble Lord Parkinson, the Under-Secretary of State for the Department for Digital, Culture, Media And Sport in the other place, said

"the Government will consider including community wealth funds in the first consultation launched under Clause 29."—[*Official Report, House of Lords,* 16 November 2021; Vol. 816, c. 192.]

The Minister has reiterated that commitment today, but I would like a bit more reassurance from him. I hope we might be able to persuade him to go one small step further and to confirm that it would be written into the Bill, which would be really helpful. That would give those of us in the House who have advocated for this proposal a great deal of comfort, and I think it would be a really popular measure for the Government. It is clearly established as a principle that dormant assets should be used for good causes—in other words, for voluntary and community action, independent of the state—and the voluntary and community sector has already signalled its support for the community wealth fund.

10.45 am

Over 400 charities and community groups are part of the alliance co-founded by Local Trust that advocates for this proposal. Many of those 400 civil society organisations are part of the alliance not because they believe that their charity or cause will benefit but because they are concerned to see greater equity in the way that charitable and other resources are allocated, and they want to ensure that the most deprived communities—those that persistently lose out—have the opportunity to improve the areas in which they live and their own quality of life.

The organisations supporting the community wealth fund proposal are also often advocates for community control of resources, because it builds community confidence and capacity and seeds civic institutions. Such institutions leave a lasting legacy in neighbourhoods that previously lacked them and that, as a result, often missed out on earlier funding and other opportunities. Research by the all-party parliamentary group for "left behind" neighbourhoods found that there are almost three times fewer registered charities per 100,000 population in such neighbourhoods than there are across England as a whole, and just over half the number found in other equally deprived neighbourhoods. These communities also receive fewer grants than other deprived areas and England as a whole, despite higher levels of deprivation and need.

As I am sure the Minister is aware, the community wealth fund proposal also has the support of over 40 local or combined authorities and mayors, including Durham County Council, Birmingham, Newcastle, Peterborough, Kingston upon Hull, Thanet, Pendle, the Liverpool City Region Combined Authority and the Mayor of Greater Manchester. That illustrates its salience and the belief that these tiers of government have in the potential of the proposal to turn around the most deprived wards within them.

Furthermore, the views of the financial services industry are important in determining which causes benefit. After all, the industry is providing access to the cash, and the scheme is voluntary. Financial institutions can choose to participate or not, as the Minister said. Happily, we know from polling research commissioned by Local Trust that community wealth fund investment has the support of senior leaders from across the financial services industry. Some 78% said that new causes, or a mix of new and existing causes, should benefit from the expanded scheme, and 93% of those who said that held that cash should be invested in the country's most deprived neighbourhoods to enable communities to develop the services and facilities that would make them better places to live.

Finally, I want to point out the support that the proposal has from my colleagues in the all-party parliamentary group for "left behind" neighbourhoods, and the cross-party support for amendment 3. Based on their experience and knowledge of their constituencies, as well as the group's own research and testimony from local residents, the members of the all-party parliamentary group are confident that a community wealth fund or funds is exactly what is required to turn around the most left-behind neighbourhoods and to improve the prospects of some of the people across the country who feel most cut off and forgotten. That is of course a priority for the Minister's Government, because it is what levelling up, as I understand it, has to be about.

I look forward to hearing whether I have been able to persuade the Minister to accept amendment 3. That would give great reassurance to those of us who care about this matter that the Government are serious about committing to community wealth funds.

Nigel Huddleston: As I mentioned earlier, this may be an area where we share the intent and end goals but disagree, albeit slightly, on the route by which we get there. I hear what the right hon. Lady is saying and I appreciate the work that she and others have done with the APPG. I have met many members of the APPG, and I appreciate their work, but I hope that the Committee is reassured to hear the commitments that I have made today, including on an explicit option on community wealth funds in the consultation, which will launch as soon as possible after Royal Assent. I know that the right hon. Lady is asking for that to be on the face of the Bill, but I hope she is reassured that the commitment I have made is on record. As I have noted, depending on the passage of the Bill and its commencement, the consultation could be launched as soon as this summer and will be open for 12 weeks.

We have heard the strength of feeling, both here and in the other place, about the community wealth fund and the important proposal to assess it when determining the best use of the English portion under the scheme.

We agree that it should be given due consideration, not only by the Government but by the public and the industry participants that underpin the scheme's success, but we do not believe it is appropriate to include it in the Bill. We have consistently committed to the consultation being fair and open, and we have reiterated the importance of not pre-empting the outcomes.

The scheme has enabled long-term systemic change to be effected in tackling youth unemployment and financial exclusion and growing a thriving social investment market to support our nation's charities and social enterprises. Those causes have enjoyed public, civil society and industry support for the past decade, and it would not be right to name any new cause in legislation before we consult them on doing so.

Although we cannot accept amendment 3 for those reasons, I hope I have provided sufficient reassurance about our commitment to ensure that community wealth funds will be given full consideration. I therefore hope the right hon. Member for Kingston upon Hull North will be minded not to press the amendment and that hon. Members will support the Government's amendment.

Question put, That the amendment be made.

The Committee divided: Ayes 10, Noes 6.

Division No. 1]

AYES

Afolami, Bim	Huddleston, Nigel
Ansell, Caroline	Robinson, Mary
Bailey, Shaun	Tolhurst, Kelly
Collins, Damian	Wheeler, Mrs Heather
Grundy, James	Young, Jacob

NOES

Davies-Jones, Alex	Morden, Jessica
Johnson, rh Dame Diana	Smith, Jeff
Lewis, Clive	Winter, Beth

Question accordingly agreed to.

Amendment 1 agreed to.

Jeff Smith: I beg to move amendment 4, in clause 29, page 22, line 41, at end insert—

"18B Distribution of money for meeting English expenditure: Requirement to report annually

(1) The Secretary of State must lay before Parliament an annual report detailing how dormant assets money has been distributed in England.

(2) The first report under subsection (1) will be laid 12 months after—

(a) any restriction imposed under section 18A(1)(a) of that Act comes into force, or

(b) the provision in section 18A(1)(b) of that Act comes into force,

(3) A report under subsection (1) must include—

(a) how much dormant assets money has been distributed,

(b) the causes to which money has been distributed, and

(c) the Secretary of State's assessment of the value for money of the expenditure."

This amendment would require the Secretary of State to report annually on how monies from the Reclaim Fund have been spent in England, including an assessment of the value for money of this spending.

This is another probing amendment, and would require the Secretary of State to report annually on how moneys from the Reclaim Fund have been spent in England, including an assessment of the value for money of the spending. The Labour party believes in the values of transparency and good value for money. Annual reporting on the spend would help to demonstrate whether the funds were being used effectively and for good causes, as intended. It would allow better scrutiny of which causes were being supported and the impact they were having. It could also help to inform future changes that the Secretary of State might want to make through secondary legislation, and would clearly show what is being delivered in practice. We urge the Minister to take this suggestion on board.

Nigel Huddleston: I thank the hon. Member for Manchester, Withington for the amendment and his contributions to the debate so far. As numerous reports are already conducted on the distribution of dormant assets funding, including annual reports from the National Lottery Community Fund and each spend organisation in England, I hope to reassure the Committee that amendment 4 is not necessary.

To date, in England, dormant assets funding has been distributed through the National Lottery Community Fund to four independent specialist organisations. The spend organisations' operations are regularly reviewed by the Oversight Trust, an independent organisation that ensures accountability and transparency around each of the spend organisations' activities. The Oversight Trust commissions quadrennial reviews of each organisation to examine their effectiveness in delivering against their respective missions.

As the main distributor of dormant assets funding across the UK, the National Lottery Community Fund already publishes annual statements on the impact of the scheme, alongside annual reports conducted by each of the spend organisations and the quadrennial reviews published by the Oversight Trust as the parent body. There are also annual reports by Reclaim Fund Ltd, the scheme's administrator. Another review will be published as part of the overall scheme within three years of the Act passing and every five years thereafter. That is on top of the annual reporting I have outlined.

We feel that that is the most appropriate route to avoid placing repetitive, cumbersome and unnecessary further requirements on the organisations entrusted with dormant asset funding. With that explanation of the existing reviews, I hope the hon. Member will withdraw the amendment.

Jeff Smith: I thank the Minister for his comments and I appreciate the fact that he has outlined the number of reviews that currently take place and the excellent work of the Oversight Trust and the various organisations involved. The Bill does give Parliament flexibility in terms of a way forward. We think that these reports should directly inform Parliament, which is why we proposed annual reports to Parliament. However, having listened to the Minister's comments and assurances, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 29, as amended, ordered to stand part of the Bill.

Clause 30

PERIODIC REVIEW AND REPORT TO PARLIAMENT

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

Nigel Huddleston: Clause 30 provides that the Secretary of State must review and report on various aspects of the dormant assets scheme on an ongoing basis. That will ensure momentum for further scheme expansion, greater transparency over the use of funds, and reporting on how the principle of additionality has been met. The results of the review must be laid in a report before Parliament within three years of the Bill receiving Royal Assent and every five years thereafter. The report must also include information about the uses of dormant assets money, including the principle of additionality, and will build on reports already published. I commend clause 30 to the Committee.

Jeff Smith: We do not oppose the broad principle of reviewing the scheme. We support a wide-ranging review of all aspects of the scheme, which is why we tabled amendment 4 regarding annual reviews. Holding a review more frequently than the proposed three and subsequent five years would be beneficial, and I ask the Government to look at that in future. However, we will obviously not oppose the clause.

The Chair: That is very welcome, Mr Smith.

Question put and agreed to.

Clause 30 accordingly ordered to stand part of the Bill.

Clause 31

REGULATIONS: GENERAL

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

11 am

Nigel Huddleston: Clause 31 makes further provisions about the regulation-making powers in the Bill. I therefore commend it to the Committee.

Question put and agreed to.

Clause 31 accordingly ordered to stand part of the Bill.

Clause 32

REPEALS IN THE 2008 ACT AND OTHER MINOR OR CONSEQUENTIAL AMENDMENTS

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

The Chair: With this it will be convenient to consider that schedule 1 be the First schedule to the Bill.

Nigel Huddleston: Clause 32 sets out the provisions in the 2008 Act that are repealed by the Bill. It introduces schedule 1, which makes minor and consequential amendments as a result of the Bill. I therefore commend clause 32 and schedule 1 to the Committee.

Question put and agreed to.

Clause 32 accordingly ordered to stand part of the Bill.

Schedule 1 agreed to.

Clause 33

INDEX OF DEFINED TERMS

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

The Chair: With this it will be convenient to consider that schedule 2 be the Second schedule to the Bill.

Nigel Huddleston: Clause 33 introduces schedule 2, which presents a table listing various terms defined or explained in the Bill and the sections in which they are set out. I therefore commend clause 33 and schedule 2 to the Committee.

Question put and agreed to.

Clause 33 accordingly ordered to stand part of the Bill.

Schedule 2 agreed to.

Clause 34

EXTENT, COMMENCEMENT, CONSTRUCTION AS ONE WITH 2008 ACT AND CITATION

Nigel Huddleston: I beg to move amendment 2, in clause 34, page 26, line 3, leave out subsection (8).

Clause 34 sets out various final provisions, such as the geographic extent of the Bill, when the provisions come into effect and how the Bill may be cited. I commend the clause to the Committee.

Amendment 2 agreed to.

Clause 34, as amended, ordered to stand part of the Bill.

New Clause 1

AUTHORISED RECLAIM FUNDS: DUTY TO ASSESS AND REPORT

"(1) The Secretary of State must make an annual assessment of the health and governance of authorised reclaim funds. The assessment must be reported to Parliament.

(2) The first report under subsection (1) must be laid 12 months after—

(a) any restriction imposed under section 18A(1)(a) of that Act comes into force, or

(b) the provision mentioned in section 18A(1)(b) of that Act comes into force,

(3) An assessment under subsection (1) must include an evaluation of the risk of insolvency of the fund."—*(Alex Davies-Jones.)*

This new clause would require the Secretary of State to assess the health and governance of reclaim funds regularly in relation to the risk of insolvency, and to report on this annually to Parliament.

Brought up, and read the First time.

Alex Davies-Jones: I beg to move, That the clause be read a Second time.

Briefly, we can all recognise the importance of parliamentary scrutiny over the spending of funds, and it is vital that the Government are held to account on the health and governance of reclaim funds, especially in relation to the potential for insolvency. At the moment, there is no such formal process. New clause 1 is therefore vital to ensure that a regular assessment of authorised reclaim funds is undertaken.

It is our job in this place to scrutinise and ensure that funds are fit for purpose, and I hope that colleagues of all political persuasions can see the benefit of an annual report brought before Parliament. Such a report, with a thorough assessment and prediction of the future of the fund, would be a step forward for transparency, which is crucial to parliamentary scrutiny, particularly in relation to the Bill.

Nigel Huddleston: New clause 1 requires the Secretary of State to make an assessment of the health and governance of authorised reclaim funds and to report the assessment to Parliament annually. As we have discussed, RFL publishes its audited annual report and accounts on its website annually, and proactively raises awareness and increases transparency of its work by engaging with industry through stakeholder events and its online presence. Now that RFL is an arm's length body, Parliament will have greater oversight of its operations and final information. RFL is now directly accountable to Parliament by virtue of its new status. As such, RFL's chief executive officer has been designated as accounting officer.

RFL has been consolidated into HM Treasury's accounts, which are laid before Parliament yearly. In July 2021, RFL was included in HM Treasury's 2020-21 annual report and accounts for the first time. Furthermore, it is standard practice for the annual report and accounts of ALBs, together with any report of the auditor on them, to be laid before Parliament by the sponsor Department. That will happen for the first time this year. Therefore, Parliament will have the opportunity to review RFL's full statutory accounts, and RFL, like all ALBs, cannot publish its accounts until they have been laid before Parliament. I therefore do not believe that there is any need for a bespoke arrangement for RFL in the Bill. I hope that that explanation demonstrates that Parliament will have greater oversight of RFL's operations and financial information, so I ask the hon. Member for Pontypridd to withdraw the motion.

Peter Grant: It is no great comfort that the accounts will be assimilated into the accounts of HM Treasury because they will get lost in there. We regularly see instances where Government Departments will point to failures in a specific part of their operations that are almost invisible as a percentage of their overall expenditure but can have a significant impact on people's lives. Any serious problem with this fund will start to have such an impact. That is why, certainly in the early days, it is reasonable for Parliament to want to be a bit more actively involved in its oversight than it would normally be for a long-established fund, particularly given that the fund has been established through an Act of Parliament for a specific purpose. I hear what the Minister says, but for a temporary period of two years, until the House can be reassured that the new arrangements are working well, something a bit more than the usual scrutiny and oversight provisions would be perfectly reasonable.

The Chair: Minister, you do not have to respond, but do you wish to do so?

Nigel Huddleston: I have nothing more to add.

Alex Davies-Jones: I welcome the Minister's commitment on increased parliamentary scrutiny and oversight. I still feel that an annual report being brought to Parliament as a written statement, or to the Treasury Committee or the Digital, Culture, Media and Sport Committee, would be welcome to ensure oversight and parliamentary scrutiny; however, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 2

AUTHORISED RECLAIM FUNDS: APPORTIONMENT OF EXPENDITURE

"(1) An authorised reclaim fund may conduct a review of the proportion of dormant asset money that may be spent on particular causes.

(2) Following a review under subsection (1), an authorised reclaim fund may make an assessment and recommendation as to whether this proportion should be increased.

(3) The Secretary of State may, by order, make regulation to change the proportion of dormant asset money that may be spent on particular causes, in line with any recommendation made pursuant to subsection (2)."—*(Alex Davies-Jones.)*

This new clause would allow reclaim funds to review the proportion of funds they are able to give towards good causes, and make an assessment and recommendation as to whether this proportion should be increased. It would also give the Secretary of State power to implement such a recommendation.

Brought up, and read the First time.

Alex Davies-Jones: I beg to move, That the clause be read a Second time.

The central focus of our work in Committee has been ensuring that money trapped in dormant assets, whatever their form, can be put to good use. Such money has the power to transform the work of charities, as we have heard. I know from contributions from colleagues just how significant the impact of such funding can be on local communities and the people who benefit from it.

The new clause would give a reclaim fund the power to review the current proportion of moneys in the fund available for good causes. Labour would like as much money to be used as is safely possible, to support good causes up and down the country. The new clause would, following proper review and recommendation, give the Secretary of State the power to increase the proportion. That has the potential to increase significantly the amount of money available to support the good causes and charities up and down the UK.

Peter Grant: This is not made explicitly clear in the wording of the new clause, so would the hon. Member clarify whether the intention is that it would apply only in England or to the devolved Administrations as well? There is acceptance throughout the Bill that anything in the Bill that directs or indicates how money is to be apportioned applies in England and that the devolved Administrations have the autonomy to take their own decisions. The wording of the new clause as it is now would appear to change that and give the Secretary of State the right to give direction that would apply to the devolved Administrations as well. That would clearly be something that I and, I think, a lot of my colleagues would be uncomfortable with.

Nigel Huddleston: To allow sufficient time for my official to provide me with a direct response to the hon. Gentleman's response, I will comment briefly on this area. I understand the intent of the proposal from the hon. Member for Pontypridd. Determining what it is prudent to release to the National Lottery Community Fund and what must be retained to meet reclaims has been intentionally separated from the processes and institutions around distributing funding, to ensure that there is no conflict of interest. It is a matter for Reclaim Fund Ltd: it is responsible for determining the appropriate proportion of funding that it can prudently release. As I

[Nigel Huddleston]

mentioned, it currently holds 40% of the dormant account assets that it receives and distributes 60% of the surplus funding to the National Lottery Community Fund. The amount that RFL reserves for future repayment claims is rightly based on actuarial modelling and assessment of appropriate risk factors, following guidance from the Financial Conduct Authority.

There is no reason why this should not continue, as RFL is best placed to determine what it is prudent to release, and it is only right that RFL makes its decisions independently of Government and on the advice of those with professional expertise. None the less, RFL continuously assesses and reviews its reserving policy over time to ensure that it is releasing as many funds as possible to good causes. When RFL was established, there was no historical data on which to base its model. As RFL has built its experience of handling dormant accounts, it has reviewed its reserving rate, with a view to releasing more money to good causes, which is what we all want. For example, in 2016, Reclaim Fund Ltd decreased its reclaim provision from 60% to 40%. The fundamental principle that underpins RFL's current approach to its reserving rate is that it is required to meet reclaims in perpetuity and therefore has to account for any future stress scenarios that may occur and model those accordingly.

The Government agree that as many dormant funds as possible should be channelled onwards to good causes, but this amendment would perhaps set an unhelpful precedent and risk the scheme's reputation. Industry stakeholders might be less willing to voluntarily participate if they felt that RFL's reserving policy was unduly influenced, so there would be a risk to the scheme's continuation should the Government encroach on RFL's operational independence by having the power to decide what portion of funding it should release.

In answer to the question asked by the hon. Member for Glenrothes, the amendment as drafted would have an impact on the UK as a whole. RFL releases all surplus funds to the National Lottery Community Fund, and only then is it apportioned. However, it would not change the proportion contributed to each nation, which is, I think, what the hon. Gentleman is concerned about. Hopefully that explanation provides him with reassurance. As I said, RFL has reviewed and will continue to review its reserving policy on a regular basis, to ensure that it is fit for purpose. In fact, RFL is currently undertaking a review of its reserving policy, also known as the reclaim—

Peter Grant: I am sorry to interrupt the Minister. It seems to me that he is responding to a different new clause from the one that has been introduced. My reading of the proposed new clause is that it is about decisions as to how the available distribution money is distributed to particular good causes. The Minister is talking about the decision as to how much of the total fund can be made available. That to me would seem to be a professional judgment matter and not a matter for the Secretary of State. Can he perhaps clarify what the actual meaning of this new clause is? I do not think the new clause says anything about how much should be reserved to cover any reclaims. I think it is about deciding how the available money is allocated across individual causes or, potentially, across individual organisations.

The Chair: Mr Grant, I do not think the Minister's response was out of order. He may not be responding to the point that you raised, but I do not think he was not speaking on the new clause. Minister, would you like to clarify the matter?

Nigel Huddleston: Yes, Ms Ghani. In terms of the distribution of funding, as I think we discussed earlier, Scotland has flexibility, and flexibility is changing for England. As I understand it, the new clause is proposing some points about transparency and the proportions of expenditure, so the points that I have raised are relevant.

11.15 am

As I have said, Reclaim Fund Ltd is conducting a review of reserving policy with the aim of having a refreshed model in place for 2022, and I do not believe that the new clause would introduce any practicable changes that have not already been undertaken. For those reasons, I ask the hon. Lady to withdraw the motion.

Alex Davies-Jones: I am grateful to the Minister for his response to new clause 2, which we will not pursue. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

The Chair: I am grateful for the good nature and speed of the debate, which was meant to run for four sittings. There is still a bit of formal business to get through, and the Minister and the Opposition may wish to say some quick words of thanks.

Question proposed, That the Chair do report the Bill, as amended, to the House.

Nigel Huddleston: Briefly, Ms Ghani, may I thank you, the Clerks and officials for all your work on the Bill, as well as all colleagues across the House and in the other place for their contributions? I also thank industry and many other stakeholders.

As I said at the beginning of the sitting, there is broad support for the Bill. I understand and have taken on board many of the comments that hon. Members have made today. I hope that I have provided reassurances where they were sought, and that we can continue to work productively and co-operatively on this really important Bill, which will make such a big difference to so many people's lives. I really appreciate the support that it has received so far.

The Chair: If the Opposition do not have any comments to make, we will proceed.

Question put and agreed to.

Bill, as amended, accordingly to be reported.

11.17 am

Committee rose.

Written evidence reported to the House

DAB01 Youth Futures Foundation

DAB02 Community Wealth Fund Alliance

DAB03 The Centre for Financial Capability

DAB04 Access – the Foundation for Social Investment

DAB05 The Oversight Trust – Assets for the Common Good

DAB06 Big Society Capital

DAB07 Big Society Capital, Access – the Foundation for Social Investment, Fair4All Finance, and Youth Futures Foundation (joint submission)

DAB08 Fair4All Finance

DAB09 Association of British Insurers (ABI)

DAB10 The National Lottery Community Fund

DAB11 The Investment Association