

Vol. 777  
No. 86



Wednesday  
21 December 2016

PARLIAMENTARY DEBATES  
(HANSARD)

# HOUSE OF LORDS

## OFFICIAL REPORT

*ORDER OF BUSINESS*

Death of a Former Member: Lord Jenkin of Roding.....	1655
Retirement of a Member: Lord Scott of Foscote .....	1655
Questions	
Homelessness.....	1655
Private Colleges .....	1658
Business Rates: Devolution.....	1660
Prisons: Safety and Security .....	1663
Higher Education and Research Bill	
<i>Order of Consideration Motion</i> .....	1666
Health Service Medical Supplies (Costs) Bill	
<i>Second Reading</i> .....	1666
Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016	
<i>Motion to Approve</i> .....	1685
Greater Manchester Combined Authority (Functions and Amendment) Order 2016	
<i>Motion to Approve</i> .....	1689
Universal Credit	
<i>Question for Short Debate</i> .....	1696
Tributes.....	1721

Lords wishing to be supplied with these Daily Reports should give notice to this effect to the Printed Paper Office.

No proofs of Daily Reports are provided. Corrections for the bound volume which Lords wish to suggest to the report of their speeches should be clearly indicated in a copy of the Daily Report, which, with the column numbers concerned shown on the front cover, should be sent to the Editor of Debates, House of Lords, within 14 days of the date of the Daily Report.

*This issue of the Official Report is also available on the Internet at  
<https://hansard.parliament.uk/lords/2016-12-21>*

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

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

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

© Parliamentary Copyright House of Lords 2016,  
*this publication may be reproduced under the terms of the Open Parliament licence,  
which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

# House of Lords

Wednesday 21 December 2016

11 am

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

## Death of a Former Member: Lord Jenkin of Roding

### Announcement

11.05 am

**The Lord Speaker (Lord Fowler):** My Lords, I regret to inform the House of the death of the noble Lord, Lord Jenkin of Roding, last night. On behalf of the House, I extend our condolences to the noble Lord's family and to his friends.

## Retirement of a Member: Lord Scott of Foscote

### Announcement

11.06 am

**The Lord Speaker (Lord Fowler):** My Lords, I should like to notify the House of the retirement with effect from today of the noble and learned Lord, Lord Scott of Foscote, pursuant to Section 1 of the House of Lords Reform Act 2014. On behalf of the House, I should like to thank the noble and learned Lord for his much-valued service to the House.

## Homelessness

### Question

11.06 am

*Asked by Lord Shipley*

To ask Her Majesty's Government what is their latest estimate of the number of people who will be homeless or living in temporary accommodation over the Christmas period.

**Lord Shipley (LD):** My Lords, I beg leave to ask the Question standing in my name on the Order Paper, and to remind the House that I am a vice-president of the Local Government Association.

**The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, we do not produce estimates for future homelessness levels, but we publish statistics every quarter. The latest statistics show that between 1 July and 30 September 2016 local authorities accepted 14,930 households as being statutorily homeless. Statutory homelessness acceptances remain less than half the 2003 peak.

**Lord Shipley:** My Lords, I thank the Minister for his reply. However, the figures that the Government published last week reveal that we now have 74,630 households in temporary accommodation, which is an increase of 9% in the past year. They also show that 124,090 children across Britain are homeless, an increase of more than 10% in the past year. We also know that rough sleeping

is rising particularly steeply in our cities. Does the Minister agree that these figures are a disgrace, that they reveal a national crisis and that it is essential to build more social homes for rent to meet demand?

**Lord Bourne of Aberystwyth:** My Lords, the number of children living in temporary accommodation, which the noble Lord referred to, is indeed a challenge, although it is down from its peak in 2006. I have no doubt that, following our announcement of extra money in relation to homelessness, the noble Lord will want to welcome the Prime Minister's announcement this morning in Southwark of tailored support for housing throughout the country, with 225 local authorities due to receive help.

**Baroness Lister of Burtersett (Lab):** My Lords, given that all the housing charities cite housing benefit cuts as a key factor in this alarming level of homelessness, what steps will the Government take to ensure that low-income people, in and out of work, are able to pay their rent?

**Lord Bourne of Aberystwyth:** My Lords, the noble Baroness is right about the serious challenge that we face. Key to this, of course, is building more, and she will know that we are committed to that, with 400,000 affordable homes and a target of a million new homes in this Parliament. That is part of it, but I acknowledge the importance of working with charitable partners, which we are committed to doing and are doing, as I saw yesterday on a visit to Chelmsford.

**The Earl of Listowel (CB):** My Lords, in eagerly awaiting the forthcoming Homelessness Reduction Bill, can I ask the Minister how many children are currently in bed and breakfast accommodation? Am I right in thinking that there has been a 15% rise in the number of families in bed and breakfast accommodation this year? Does he recognise the huge cost for local authorities and the public purse of placing such families in temporary accommodation? Surely we need to work with local authorities to help them build more homes for those they have a statutory duty to house.

**Lord Bourne of Aberystwyth:** My Lords, the noble Earl is right to draw attention to the challenge that we face. We are, of course, working with our partners to ensure that temporary accommodation is just that—although it is valuable to have a roof over the head. It has been brought down from a peak in 2006 and we are seeking to address it.

**Lord Robathan (Con):** My Lords, in the West End, last night, I saw a large number of rough sleepers, which I think the whole House will agree is a stain on our society. But I understand that a large number of them are in fact people from eastern Europe and elsewhere who of course do not have a statutory right to rehousing. Will my noble friend tell me roughly how many of the rough sleepers and homeless in this country are considered to be from overseas?

**Lord Bourne of Aberystwyth:** My Lords, we seek to address the issue of rough sleeping wherever the people are from, but clearly we recognise that not all of them have a statutory right to housing in this country. The latest figures we have taken on a one-night basis, from memory, are that some 4,600 people are homeless on any given night. This is a particular challenge in winter and we seek to address it in various ways. For example, we are working with our partners in the charitable sector, especially if there is severe weather on three consecutive nights, when they are engaged as well. But it certainly remains a challenge.

**Lord Boateng (Lab):** My Lords, 70% of the users of homelessness services have been found to have mental health needs. A recent report from Crisis indicated that, if you are homeless, you are twice as likely to have a mental health problem. What more can be done to assist mental health trusts and GPs in reaching out to this particularly vulnerable group?

**Lord Bourne of Aberystwyth:** My Lords, I pay tribute to the work that Crisis does in this area, particularly at Christmas. I am sure that we have all seen the great efforts that it makes. The noble Lord is right that often these complex housing needs are met by complex health needs as well, particularly in the field of mental health. We are seeking to address these issues across government by working with our partners in other government departments as well as with the charitable sector. But the noble Lord is absolutely right, there is a very close allied problem in relation to mental health.

**Baroness Greider (LD):** My Lords, is the Minister confident in his figures? Are they robust? Is he convinced that it is accurate to compare today with 2003 in the way that he has; or, one year on from being asked to take urgent action, can DCMS still be accused by the UK Statistics Authority of potentially misleading on homelessness? Is the Minister confident in his figures, yes or no?

**Lord Bourne of Aberystwyth:** Yes, my Lords. They are not my figures, they are government figures and I trust them entirely.

**The Lord Bishop of St Albans:** My Lords, is the Minister aware of the Housing Justice *Night Shelter IMPACT* report, which was published this week? It found that of those in night shelters, 14% or roughly 268 were migrants with no recourse to public funds, support or indeed, of course, housing. Will the Minister tell the House what the Government are doing to speed up the process of resolving these difficult cases, which are causing such anxiety and suffering?

**Lord Bourne of Aberystwyth:** My Lords, the right reverend Prelate draws attention to that very important report, which we are studying, and we will be working with our partners in government to address what is, admittedly, an urgent need in relation to refugee migrants, particularly at this time of year.

**Lord Beecham (Lab):** My Lords, homelessness often goes hand in hand with food poverty. Do the Government have any estimate of the number of people who, this Christmas, will be dependent on food banks? I declare an interest as I represent a ward in Newcastle that has the busiest food bank in the country.

**Lord Bourne of Aberystwyth:** My Lords, I will have to write to the noble Lord with the specifics on the food bank figures. I recognise the importance of food banks throughout the country and pay tribute to what volunteers do, both in giving to food banks and in ensuring that food gets to the people who need it.

## Private Colleges Question

11.14 am

Asked by **Lord Storey**

To ask Her Majesty's Government what plans they have for further regulation of private colleges.

**Viscount Younger of Leckie (Con):** The Higher Education and Research Bill, which is currently undergoing scrutiny in this House, will introduce a single regulatory system administered by a new body, the Office for Students. This will replace the current fragmented, complex and outdated system and will regulate all higher education providers, including private providers, by the same standards and conditions proportionate to their risk. While the Bill progresses through Parliament, we remain committed to strengthening the current alternative provider system.

**Lord Storey:** I am delighted to hear the Minister's reply. Does he not agree that while it is important that more students from disadvantaged backgrounds get the opportunity to pursue higher level courses, when some private colleges enrol them they have problems with basic English and numeracy and they need extra support? When colleges have a progression rate meaning that 50% fail and the pass rate is very low, that does not help and support these young people.

**Viscount Younger of Leckie:** I note what the noble Lord says but the recruitment practices and academic performance of alternative providers, including available progression rates, are all taken into account by the department and, as he will know, by the Quality Assurance Agency for Higher Education. We can and do take action when these fall below acceptable standards. Validation agreements are different for every provider but the degree-awarding body is ultimately responsible for the quality of the learning programme. Under our planned reforms we will give the Office for Students enabling powers to improve validation agreements, including regular monitoring.

**Baroness Sugg (Con):** My Lords, we have seen the detrimental effect of low-quality private colleges on the students studying at them and on the reputation of the sector. Given the importance of protecting the

United Kingdom's position as a world leader in higher education, can my noble friend explain what the Government are doing to clamp down on these inferior providers?

**Viscount Younger of Leckie:** The main point to make, as we take these reforms through and provide a framework for new alternative providers to set up, is that we will look at the importance of quality and not just quantity. New providers and increased competition in the system should improve the capacity and agility of the higher education sector as well as encouraging innovation to transform its ability to respond to economic demands.

**Lord Watson of Invergowrie (Lab):** My Lords, the Higher Education and Research Bill to which the Minister has referred is currently before your Lordships' House. It is causing concern because of the manner in which many new private higher education institutions could be allowed to enter the sector. There are already several well-established private higher education institutions that work to widen access to higher education. Even though they do not have degree-awarding powers, they are rigorously regulated by the Quality Assurance Agency for Higher Education. Does the Minister not accept that the proposal to allow new private higher education institutions to have degree-awarding powers from day one represents an unwarranted risk which could see students being offered a standard of education that is at best problematic?

**Viscount Younger of Leckie:** There is a balance to be struck here. We are very keen to encourage the setting up of new providers, examples of which include Ravensbourne College in east London and the Condé Nast College of Fashion and Design, but the key point that he is really alluding to is quality. If new providers are setting up and are given provision for degree-awarding powers from day one, it is critical that the quality conditions are met. Perhaps I may reassure the noble Lord that the bar for these conditions is set very high.

**Baroness Brinton (LD):** My Lords, the Centre for Global Higher Education report published earlier this year entitled, *The Entry and Experience of Providers of Higher Education in Six Countries*, states:

"Private providers are quick to suffer the consequences of diminishing demand, forcing institutions to close. This can have serious educational and financial consequences for students at failing institutions who sometimes can be left in limbo".

Given the current arrangements, with HEFCE as a regulator and the high hurdle of a royal charter for a new HE institution, what will the Government do to ensure that any new private providers in the UK do not become at risk of this happening?

**Viscount Younger of Leckie:** One of our reforms is to set up the Office for Students, as I mentioned earlier. It will provide one register to set a level playing field. This means that if, in what would perhaps be an unusual case, a private provider does not meet the

standards required, there are student protection processes in place. That is an important part of our checks and controls.

**Baroness Wolf of Dulwich (CB):** My Lords, as the Minister will know, additional powers were taken recently to allow the Home Office and what was then BIS to place caps on numbers where there were concerns about quality and recruitment among private providers. It appears that that power will be lost under the provisions of the Higher Education and Research Bill, which will impose quality restrictions but, if provisional degree-awarding powers are given, will set no caps on numbers. In other words, the Government are actually getting rid of some of the powers that they have taken in recent years. I would be grateful if the Minister could clarify if this is indeed the case and whether it would not be wise to retain for new institutions the ability to place a clear cap on student recruitment numbers.

**Viscount Younger of Leckie:** The new alternative providers, such as the recently announced Dyson Institute, will include some student number controls, but there will be a rigorous risk-based approach to quality assurance and a moratorium on the designation of new higher national courses. There will also be a fit-and-proper-person test for the running of APs. The noble Baroness and I will meet later and I look forward to talking further to her about that issue.

**Lord Cormack (Con):** My Lords, does my noble friend know the current percentage of foreign students at these private colleges? What does he expect it to be in a year's time?

**Viscount Younger of Leckie:** I do not have that particular figure, but there is no change and no cap on foreign students coming to study in this country, as the Home Secretary has made clear.

## Business Rates: Devolution Question

11.20 am

Asked by **Baroness Thornhill**

To ask Her Majesty's Government what progress they have made in implementing plans for the devolution of business rates to local government.

**Baroness Thornhill (LD):** I beg leave to ask the Question standing in my name on the Order Paper and draw the House's attention to my interests as the directly elected mayor of Watford and a deputy chair of the LGA.

**The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, councils have long campaigned for 100% business rates retention. We recently conducted a consultation on our proposed approach and will publish our response

[LORD BOURNE OF ABERYSTWYTH]  
and our proposed way forward shortly. In the meantime, we will continue to work closely with local government to shape the reforms.

**Baroness Thornhill:** I am very pleased to hear that, because close collaboration with local government is essential if this very new and radical approach is to work. Is the Minister aware that, as part of the new regime, councils are being asked to undertake new burdens, in particular the controversial attendance allowance benefit? Will the Government consider dropping these new and additional burdens in favour of allowing us to fund existing ones, such as adult social care?

**Lord Bourne of Aberystwyth:** My Lords, the noble Baroness is right that there is discussion on attendance allowance being devolved, although no conclusion has been reached on that. We are currently considering responses on that. I do not think we have had a response from Watford in general terms on the reforms we are suggesting.

**Lord Beecham (Lab):** My Lords, will the Government, in the course of changing the new system, allow local authorities to vary the business rate, or will the level of business rates still be determined at national level and merely the receipts be localised? Further, what steps will the Government take to redress the imbalances that will arise from some areas having significantly higher potential yield from business rates than others?

**Lord Bourne of Aberystwyth:** My Lords, as I indicated, we are consulting on this and we will discuss it with local government as the reforms come forward. On the general point on redistribution, that has to be an element of this. The noble Lord is quite right that some local authorities will be in receipt of far more in business rates than others. We will need a corrective mechanism to deal with that.

**Lord Naseby (Con):** My noble friend mentions consultation. What consultation is taking place with representatives of the retail trade and small businesses?

**Lord Bourne of Aberystwyth:** My Lords, obviously the consultation is primarily designed to take account of the position of local authorities. That is something we are taking forward. I am sure that feeding through views from retailers will be something local authorities will wish to bring forward in the consultation and discussion we are having.

**Lord Campbell-Savours (Lab):** My Lords, to follow up on the Question, and given that the new responsibility is placed on local government, do conversations take place with the Treasury as to whether local authorities can afford to take on that responsibility? What is the process? Is everybody involved in the discussion, or is it just one side working against another?

**Lord Bourne of Aberystwyth:** My Lords, the first point I make to the noble Lord is that, although new responsibilities are being talked about, he will recognise

that a considerable amount of new finance will be generated by 100% business rate retention. We are talking about some £12.5 billion—a considerable sum. Yes, of course the discussion is both within government and, as I indicated, with our local authority partners.

**Lord Greaves (LD):** My Lords, does the Minister agree that business rate income for local authorities can be quite erratic and unpredictable, particularly for small local authorities, owing to the large number of appeals against business rate valuations now in the system? Will the Minister take steps to speed up the process of dealing with such appeals? Does he understand that, for many local authorities, it is very difficult to plan a budget for the next year without putting aside a serious amount of reserve money—which could otherwise be used for services—as a means of mitigating potential risks arising from a reduction in business rate owing to appeals, which can involve the payment of refunds as well as reducing the current year's income?

**Lord Bourne of Aberystwyth:** My Lords, the noble Lord is right about there being an element of risk and volatility in the system. We are seeking to address both those points to ensure that we smooth the process. Risk from a single business on which a local authority was very dependent would perhaps create an issue and so would appeals, which, as the noble Lord indicated, can have an effect on cash flow. We are seeking to address both of those in discussions with local authorities. We also have a technical working group drawing on people from local authorities as well as from the DCLG and elsewhere to address the very issues that the noble Lord raises.

**The Earl of Listowel (CB):** My Lords, I welcome what the Minister has said about looking at distribution to more disadvantaged areas. Given the recent report from the Social Mobility Commission highlighting blackspots of disadvantage across the country, will he look again at the funding of local authorities to see whether some money can be found to help them improve the life chances, the social mobility and the social opportunity of disadvantaged young people in their areas?

**Lord Bourne of Aberystwyth:** My Lords, the noble Earl is right to refer to redistribution, which is fundamental to the system because we are able to identify it very easily. Quite separate from that but something that he will know we are looking at is the issue of fair funding. We are consulting local government on that with a view to ensuring that new formulas are in place by the end of the Parliament to take account of the very issues of social mobility to which the noble Earl referred and to which the Prime Minister is of course very committed.

**Baroness Tonge (Non-Aff):** My Lords, on a related matter, when will the Government consider revising council tax bands, which no longer reflect the value of property, particularly in the south-east?

**Lord Bourne of Aberystwyth:** My Lords, I have no idea on that particular point, but I will write to the noble Baroness on it.

**Lord Marlesford (Con):** My Lords, may I draw my noble friend's attention to my Council Tax Valuation Bands Bill, which was on the whole well received in the House? It has not made very much progress, but it would be the answer to updating without having to revalue property for council tax. It would make it much fairer and very easy to apply.

**Lord Bourne of Aberystwyth:** My Lords, I congratulate my noble friend on his commercial. I do not think that it needs any added words from me.

**Lord Scriven (LD):** My Lords, I draw the House's attention to my interest in the register as a member of Sheffield City Council. On the Question asked by my noble friend Lady Thornhill, will the Minister give a specific commitment that no new burdens will be placed on councils as part of any review until the funding crisis in social services is dealt with?

**Lord Bourne of Aberystwyth:** My Lords, as I have indicated, we are moving forward, essentially by consensus, in discussing this matter with our colleagues in local government. I have also indicated that the 100% business rate retention scheme will be in force by the end of the Parliament. I am sure that the noble Lord will understand that we would expect local authorities to pick up something in return for that added money.

## Prisons: Safety and Security *Question*

11.28 am

*Asked by The Lord Bishop of Rochester*

To ask Her Majesty's Government, following the disturbance at HM Prison Birmingham, what measures they will take to address immediate and short-term issues of safety and security in prisons.

**The Lord Bishop of Rochester:** My Lords, I beg leave to ask the Question standing in my name on the Order Paper and I draw the House's attention to my interest as the Bishop to Her Majesty's Prisons.

**The Advocate-General for Scotland (Lord Keen of Elie) (Con):** My Lords, while we implement our White Paper reforms, which will reduce violence and reoffending, we are continually working to ensure stability across the prison estate. The Prisons Minister chairs daily meetings with senior members of the Prison Service to monitor potential unrest. Where necessary, we are providing governors with immediate targeted support, such as rapid facilities repairs, and we are in the process of recruiting 2,500 additional officers across the estate.

**The Lord Bishop of Rochester:** I am grateful to the Minister for his response. I am also grateful for the debate and discussion in your Lordships' House on Monday following the Ministerial Statement. In that debate, a number of noble Lords drew attention to the

importance of purposeful activity for prisoners, including education, training, work and a range of other rehabilitative programmes. Such activities aid reform, encourage positive behaviour and thus enhance safety and security—but they can also be seriously compromised, not least by staffing issues. Can the Minister assure the House that such programmes will be sustained and ideally increased in the short term as well as the long term?

**Lord Keen of Elie:** My Lords, 16 million hours of works were delivered in prisons during the year 2015-16. We want to see more work in prisons, leading to jobs outside prison. More private sector companies now employ ex-offenders than ever before and we are keen to increase the number of employers who can provide valuable vocational work for offenders while in prison. We intend to pursue that objective.

**Lord Laming (CB):** My Lords, would the noble and learned Lord agree that a good way of reducing pressure on the Prison Service is to have in place robust and effective non-custodial sentences in which the courts can have confidence? That being so, will the Minister be willing to share with the House the Government's response to the recent devastatingly critical report on the probation service from the Chief Inspector of Probation?

**Lord Keen of Elie:** We are clearly of the view that we should seek non-custodial sentences wherever possible—but, of course, the facilities to support that must be available. Criticisms were levelled recently at certain aspects of the probation service, which remains so important to that element of non-custodial work. Nevertheless, we want to see this expanded, maintained and improved.

**Lord Harris of Haringey (Lab):** My Lords, serious concerns were raised by the independent monitoring board in respect of conditions at Her Majesty's Prison Birmingham. Were the concerns in that report flagged up to Ministers? What consideration was given to reports from other independent monitoring boards highlighting similar conditions in other prisons? Finally, are Ministers considering giving greater independence and authority to independent monitoring boards, perhaps by making them accountable through Her Majesty's Inspectorate of Prisons?

**Lord Keen of Elie:** Both Her Majesty's Inspectorate of Prisons and the independent monitoring board reports reflect the challenges that have built up in our prisons and prison estate over many years. In respect of that, we have now announced a comprehensive programme of reform.

**Baroness Sharples (Con):** How many writers in residence are there in prisons?

**Lord Keen of Elie:** My Lords, I am not able to answer that question immediately but I will undertake to write to my noble friend with the relevant figure.

**Lord Beith (LD):** Will Ministers address the urgent need to deal with the release of IPP prisoners who are beyond their tariff? What use is being made of the reserve list, which Mr Grayling set up in 2014 when he was Secretary of State, of former prison officers and others who could be called in during situations such as this?

**Lord Keen of Elie:** I am obliged to the noble Lord. Public protection remains a key priority in the context of how we deal with IPP prisoners. These people have been sentenced for offences involving serious violence and serious sexual crime. We set up a new unit within the Ministry of Justice to tackle the backlog with respect to IPP prisoners and we are working with the Parole Board to improve the efficiency of that process. We have an enhanced case-management system. We are diverting recall cases away from the Parole Board so that it can focus on reviewing IPP prisoners. In the past year, 38% of IPP prisoners who attended oral hearings completed by the Parole Board went on to be released. So matters are improving. Indeed, in the last year we released 512 IPP prisoners from custody—the largest number so far—bringing the total figure below 4,000.

**Lord Ramsbotham (CB):** My Lords, when a previous Government formed a judicial inquiry in 1978 to look at the state of prisons, it was largely because of concern over in-house inspection, which was causing public unease. The problems in our prisons will not be solved easily and will not be solved unless the problems facing the probation service, which my noble friend Lord Laming drew attention to, are solved. One of the results of the riots in Strangeways was the masterly report by my noble and learned friend Lord Woolf, which led to much examination of many issues. Can the Minister say whether or not the Government will consider appointing an independent outside observer, rather than the in-house person who has been appointed, to examine the Birmingham troubles?

**Lord Keen of Elie:** My Lords, we have already made an appropriate appointment for the carrying out of a full investigation of the incident at Birmingham prison, and that investigation is now proceeding. I pause to allude back to the question from the noble Lord, Lord Beith, a few moments ago. He also asked about the reserve list of prison officers. That is maintained and relied upon. I apologise for omitting that from my previous answer.

**Baroness Corston (Lab):** My Lords, the Minister referred to the fact that these difficulties in our prisons have been building up for, he said, many years. As someone who has been interested in penal policy for at least 20 years, I disagree vehemently. This current problem about riots and no access to education in prisons is a direct result of the fact that under Chris Grayling as Secretary of State we had a 30% cut in the prison staff population. How on earth we expect that reduced staffing level to deal with all the problems that are being discussed today is beyond me.

**Lord Keen of Elie:** With respect to the noble Baroness, I observe that reference has already been made to Strangeways, one of the worst incidents in any of our prisons in the past 25 years. It did not take place under the tenure of Mr Chris Grayling.

## Higher Education and Research Bill

### *Order of Consideration Motion*

11.36 am

*Moved by Viscount Younger of Leckie*

That it be an instruction to the Committee of the Whole House to which the Higher Education and Research Bill has been committed that they consider the bill in the following order:

Clause 1, Schedule 1, Clauses 2 to 10, Schedule 2, Clauses 11 to 15, Schedule 3, Clauses 16 to 26, Schedule 4, Clauses 27 to 56, Schedule 5, Clauses 57 to 60, Schedule 6, Clauses 61 to 67, Schedule 7, Clauses 68 to 84, Schedule 8, Clause 85, Schedule 9, Clauses 86 to 109, Schedule 10, Clauses 110 to 116, Schedules 11 and 12, Clauses 117 to 119, Title.

*Motion agreed.*

## Health Service Medical Supplies (Costs) Bill

### *Second Reading*

11.37 am

*Moved by Lord Prior of Brampton*

That the Bill be now read a second time.

**The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con):** My Lords, this is a short and focused Bill, which is vital not only for the NHS but for patients. The Bill's provisions have received robust debate and scrutiny in the other place, but also, I am pleased to report, broad support for their aims, objectives and measures from all sides of the House.

NHS spending on medicines is second only to staffing costs. The Health and Social Care Information Centre estimated that the NHS in England spent more than £15.2 billion on medicines in 2015-16—a rise of nearly 20% since 2010-11. With advances in science and our ageing population, these costs can only continue to grow. This is true across the world.

Of course, medicines are a vital part of patient care in the NHS, both in hospitals and the community. Thanks to the research and development efforts of the life sciences industry—an industry which contributes £56 billion and tens of thousands of jobs to the UK economy every year—our understanding of diseases and the best way to treat them has improved dramatically over the past 20 years. I have got to know many businesses in the life sciences industry over the past six months. They include some of the finest companies in the world—from Japan, the USA, Europe, Israel and other countries, as well as the UK. My message to

them is clear: “You are part of the solution, not part of the problem. Your new innovative products can both provide better care and help the NHS deliver care at an affordable, sustainable cost”.

We recognise that we have a diffusion problem in the NHS—diffusion more than innovation. I would characterise this as a treacle problem. For a whole host of reasons—not just financial, by any means—we in the NHS are slow at uptake. This problem has been addressed in the Accelerated Access Review, chaired by Sir Hugh Taylor and Professor Sir John Bell, and it will be a key part of our life science strategy as we move forward. Our ambition is for the UK to be the best place in the world for life sciences: for research, development, innovation and manufacture and for use by our patients. Nothing in the Bill stands in the way of that. I would argue that the structure of the NHS—the biggest single-payer health system in the world—our access to patient outcome data and our exceptional discovery and translational research base should mean that we are well placed to have our cake and eat it, with new innovative medicines and devices at an affordable cost. To pursue that rather weak culinary metaphor, the treacle can become the icing on the cake.

The purpose of the Bill is to clarify and modernise provisions to control the cost of health service medicines and to ensure that necessary sales and purchase information can be appropriately collected and disclosed. These provisions will align the statutory and voluntary cost-control mechanisms currently in existence, allow the Government to control the cost of excessively priced unbranded generic medicines and ensure that we have comprehensive and accurate data with which to reimburse people who dispense medicines. Taken together, these measures will secure better value for money for the NHS from its spend on medicines.

The first element of the Bill relates to controls on the cost of branded medicines. For many years, the Government have had both statutory and voluntary arrangements in place with the pharmaceutical industry to limit the overall cost of medicines to the NHS. Companies can choose to join either the voluntary scheme or the statutory scheme. The current voluntary scheme is the 2014 pharmaceutical price regulation scheme, known as the PPRS. The objectives of the 2014 PPRS include keeping the branded health service medicines bill within affordable limits, while supporting the availability and use of effective and innovative medicines. For industry, the PPRS provides companies with the certainty and backing they need to flourish in the UK and in global markets. The current PPRS operates by requiring participating companies to make a payment to the Department of Health of a percentage of their NHS sales revenue when total sales exceed an agreed amount. So far, the PPRS has resulted in £1.45 billion of payments, all of which have been reinvested into the health service for the benefit of patients.

For those companies not in the PPRS, the Government operate a statutory scheme, which—until the current PPRS—was broadly financially aligned with previous voluntary schemes. The current statutory scheme is based on a cut to the published list price of products, rather than a payment mechanism on company sales.

The difference between the two schemes has led to some companies making commercial decisions to divest products from the PPRS to the statutory scheme. This pricing misalignment of the two schemes makes no sense.

Last year, the Government consulted on options to reform the statutory medicines pricing scheme by introducing a payment mechanism broadly similar to that which exists in the PPRS. Our intentions were to put in place both a voluntary and a statutory scheme which were broadly comparable in the savings they achieve. Companies have freedom to decide which scheme to join and may move from one to the other, depending on the other benefits they offer, but it is the Government’s position that the savings to the NHS offered by each scheme should be broadly the same. In response, while NHS respondents supported our position, the pharmaceutical industry queried whether the Government had the powers to introduce a statutory payment scheme.

The Bill will clarify the existing provisions in the National Health Service Act 2006 to put beyond doubt that the Government can introduce a payment mechanism in the statutory scheme. The Bill would also amend the NHS Act 2006 so that the existing provisions for enforcement action would apply to the new powers. Payments due under either a future voluntary or statutory scheme would be recoverable through the courts, if necessary.

The powers to control the cost of medicines proposed in the Bill are a modest addition to the powers already provided for in the 2006 Act to control the price of, and profit associated with, medicines used by the health service. However, these additions are necessary to ensure that government has the scope and flexibility to respond to changes in the commercial environment. The intended application of the powers will be set out in regulations, on which we intend to consult as soon as we are able to do so. The Government have already published illustrative regulations to demonstrate how the powers will be exercised in a fair and proportionate way.

I would also like to reassure noble Lords and those companies in the statutory scheme that we will consult further on the implementation of a payment mechanism in the statutory scheme, including the level of the payment mechanism, before any regulations come into force. We estimate that 17 companies will be affected by the introduction of a payment mechanism, with the 166 companies that are currently members of the PPRS not affected. Small companies will continue to be exempt from payments. Our proposals will save the health services across the UK an estimated £90 million per annum.

I now turn to the second key element of this Bill, which amends the National Health Service Act 2006 to strengthen the Government’s powers to set prices of medicines where companies charge unreasonably high prices for unbranded generic medicines. We rely on competition in the market to keep the prices of these drugs down. This generally works well and has, in combination with high levels of generic prescribing, led to very significant savings. However, we are aware of some instances where there is no competition to

[LORD PRIOR OF BRAMPTON]

keep prices down and companies have raised their prices to what look like unreasonable and unjustifiable levels. This was also highlighted by the *Times* earlier this year.

We cannot allow this practice to continue unchallenged. My department has been working closely with the Competition and Markets Authority to alert it to any cases where there may be market abuse and to provide evidence to support this. Earlier this month, the Competition and Markets Authority issued its highest fine ever of £90 million against Pfizer and Flynn Pharma after finding that each broke competition law by charging excessive and unfair prices for anti-epilepsy drugs in the UK, and only last week the CMA issued a statement of objections alleging that Actavis UK has breached UK and EU competition law by charging excessive and unfair prices in relation to the supply of hydrocortisone in the UK. Those CMA findings are provisional, and no conclusion should be drawn at this stage that there has in fact been any breach of competition law. We also know that Concordia International, one of the companies that featured in the *Times* investigation, is under investigation by the CMA. It announced this itself.

We also need to be able tackle this practice within our own framework for controlling the cost of medicines. While the Government's existing powers allow us to control the price of any health service medicine, the current powers do not allow controls to be placed when companies are members of the voluntary PPRS scheme. Today, most companies have a mixed portfolio of branded medicines and unbranded generic medicines, and therefore we are currently unable to act. I have to stress that this is not a widespread practice in the industry. This Bill amends the National Health Service Act 2006 to allow the Government to control prices of these medicines, even when the manufacturer is a member of the voluntary PPRS scheme. We intend to use the power where there is no competition in the market and companies are charging the NHS an unreasonably high price. We will engage with the industry representative body, which is also keen to address this practice, on how we will exercise this power.

The final element of the Bill will strengthen the Government's powers to collect information on the costs of medicines, medical supplies and other related products from across the supply chain from factory gate to those who supply medicines to patients. We currently collect information on the sale and purchases of medicines from various parts of the supply chain under a range of different arrangements and for a range of specific purposes. Some of these arrangements are voluntary while others are statutory.

The Bill will streamline and expand the existing information requirements in the National Health Service Act 2006. The Bill will enable the Government to make regulations requiring all those involved in the manufacture, distribution or supply of health service medicines, medical supplies or other related products to record, keep and provide at request information on sales and purchases. The requirement to provide this information would be for defined purposes: reimbursement of community pharmacies and GPs; determining whether value-for-money is being achieved from the supply

chain or products; and controlling the cost of medicines. This will put the current voluntary arrangements for data provision with manufacturers and wholesalers of unbranded generic medicines and manufactured specials on a statutory footing.

Because the arrangements are voluntary, they do not cover all products and companies, limiting the robustness of the reimbursement mechanism. The information power would also enable the Government to obtain information from across the supply chain to assure themselves that the supply chain is delivering value for money, something that we cannot do with our existing, fragmented data. The new power will provide insight into where profit is made and how much. This is important because, although the Government are generally not the buyer of these products, they pay for all products used in the health service.

The 2006 Act already provides powers for government to control the prices of medical supplies. We are not using those powers at the moment, nor do we currently see any reason to start using them, but we want to keep open the possibility, and in the Bill we are updating the powers in line with those for medicines. The term medical supplies, as defined in the 2006 Act, is capable of covering a wide range of medical supplies from bandages to MRI scanners. Many of these products are bought following competitive tendering, and a scheme that controls prices would therefore not bring any benefits.

I also reassure the House about the application of this information power to the medical technology industry. Over 99% of the companies supplying medical technologies to the NHS are SMEs. We have no interest in placing large additional burdens on these companies. The 2006 Act also already requires suppliers of medical technologies to provide information on almost any aspect of their business. We are not putting any new requirements on them but merely streamlining existing requirements.

I thank the devolved Administrations for their constructive input and engagement with my department with respect to the Bill provisions. The Bill reflects the agreement between the Government and the devolved Administrations that information from wholesalers and manufacturers will be collected by the Government for the whole of the UK and shared with the devolved Administrations, while information from pharmacies and GP practices will be collected by each nation. This avoids the burden created by each country collecting the same information.

The Bill will ensure there is a more level playing field between our medicine pricing schemes, while ensuring the decisions made by the Government are based on more accurate and robust information about medicine costs. I believe this legislation will establish a framework that is fairer for industry, pharmacies and the NHS, while also being fairer for patients and taxpayers. I beg to move.

11.52 am

**Lord Warner (CB):** My Lords, I am sure we are all grateful to the Minister for taking us through the provisions of the Bill and explaining the Government's

approach to the pharmaceutical and devices sectors. I am not altogether sure I followed his metaphor on treacle and icing, but we will let that pass.

I support the main purpose of the Bill, which is to control the cost of unbranded generic medicines if the competitive market is not working properly in respect of particular products. We have all seen what happened when Pfizer and Flynn Pharma hiked the price of an anti-epilepsy drug used by the NHS by over 2,000% when a branded drug came off patent. The proposed £90 million fine from the Competition and Markets Authority should be a salutary warning to others contemplating such action, but I understand why the Government are taking preventive legislative measures, and I fully support that.

However, as the Minister indicated, the Bill goes a good deal wider than stopping the NHS being ripped off when branded drugs go off patent, and that is where we need to probe a little further. Here, I should make it clear that, like the Minister, I have been a Pharmaceuticals Minister negotiating a PPRS deal with big pharma and curbing the excessive profits of generic companies—all areas which such a Minister has to take account of—and I have no illusions about the difficulties of his brief in this area. But it is also part of that brief to ensure flourishing UK pharmaceutical, biotech and devices sectors as part of a buoyant life sciences industry in this country, which provides many high-value jobs. It is not just about getting the cheapest deal on drugs for the NHS.

The Bill includes medical devices and technologies which have nothing whatever to do with the Pfizer-Flynn case. The information provided to me suggests that there has been little consultation with the sector before devices provisions were included in the Bill. The ABHI, the sector trade body, wrote to me to express its concern that the Bill will impose onerous regulation on its members across the country. It points out that SMEs make up 98% of the medical technology industry—I think the Minister accepted that—and that some of those SMEs are already leaving the UK market in favour of more flexible markets. As it says, in the longer run, this will have an adverse effect on the UK's supply chain and the quality and competitiveness of the products available to the NHS. Given that the Minister has accepted the existing powers to intervene in the devices market if things are going wrong, why are the Government taking these new powers? I have never been very convinced by words such as “streamlining” and “modernising”, and I do not think the sector has been either. Why do they seem to be going in for a heavy-handed way that is bound to alienate many small businesses? Can the Minister explain in more detail what discussion there has been with the ABHI and the sector itself on the Bill's provisions on devices and technologies, and why the sector was included in the Bill at all? What is the mischief that is being addressed by that inclusion?

Turning to the pharmaceutical industry, it is clear that the Government have not totally taken the sector with them, although the ABPI accepts the Government's right to act in cases such as Pfizer-Flynn. Companies are clearly uncertain how the Government are going to set the price mechanism in the statutory scheme.

I think the Minister was promising consultation, but he will have to do quite a lot of work to convince them that there is not some secret agenda. Can the Minister throw more light on the Government's current thinking on the issue? How will the provisions ensure that payment levels that seem fair to large multinationals are not punitive to SMEs? I would like to know a bit more about at what level SMEs are excluded from the provisions. Will payment levels in the statutory scheme vary—this is critical to the sector—according to the circumstances of particular producers, some of whom are producing drugs for a very niche market with particular patient interests and concerns?

There are clearly concerns about the drafting of Clause 3 and whether it will penalise innovation. It has been suggested to me that the clause will not achieve the Government's stated objective of delivering equivalence between the statutory and voluntary schemes. This is because the PPRS excludes sales of branded medicines launched after 1 December 2013 but, so far as I and the industry can see, there seems to be no similar exclusion for such products in the proposed arrangements for the statutory scheme, which would in effect be a penalty on innovative drugs. Does the Minister agree that there is an inconsistency? Is there not a risk that the UK's already poor record, which he acknowledged, on speedy uptake of new medicines will get worse? Linked to this is the question of what consideration has been given to the impact of the new payment scheme on patient access to medicines where there is little competition. What risk assessment has been made of companies withdrawing supplies from the NHS market? Have there been any discussions with patient interest groups about these issues?

Another issue surfaced by the ABPI is the new power to obtain payments from pharmaceutical companies through the PPRS scheme. They accept that this makes sense if a company leaves the PPRS with a payment outstanding, but the Bill seems to be more widely drawn than that. The ABPI is clearly concerned that the Government may be considering making the voluntary PPRS somewhat less voluntary after the current one has run its course in 2018. What assurances can the Minister give the industry on that?

There are clearly significant industry concerns about the Bill's provisions on the collection of information at a product level, especially in the international companies. For many of these companies, the UK market is a very small part of their business. What happens if they decline to co-operate over the information provisions in the Bill? It also looks a somewhat cumbersome information collection system that could impose quite rigorous burdens on many smaller companies. How much discussion has there been with the industry on the detail of the information requirements in the Bill and what scope is there for further modification?

Lastly, can the Minister clarify how this new system fits in with the current arrangements for using competitive tendering to purchase innovative drugs which NHS England, for example, does from time to time? Will companies give competitive prices in those tendering arrangements if there is a real risk that the Department of Health will take another cut a bit later on? Indeed, will the Department of Health snaffle money through

[LORD WARNER]

this statutory levy which will not find its way back to the NHS to purchase innovative drugs more speedily? Can the Minister reassure us that the Department of Health is not creating a more bureaucratic edifice in this Bill that could damage NHS finances rather than confining itself to closing the loophole that Pfizer-Flynn exposed? We may need to probe some of these issues a little further in Committee.

12.01 pm

**Lord Lansley (Con):** My Lords, I am very pleased to follow the noble Lord and pay tribute to the fact that he has clearly identified some of the issues to which I will refer briefly here at Second Reading but which we will need to look at in Committee. The noble Lord did so very ably and helpfully. I thought that my noble friend the Minister set out the Bill very clearly, which is very helpful to the House. I understand that he is moving on to new ministerial responsibilities, so perhaps I may be the first to say that I know—having had the privilege of knowing my noble friend over many years since we first entered another place together—that his knowledge, experience, expertise and wise judgment on health matters is highly respected and much esteemed throughout the sector. His guiding hand will be much missed but we extend enormous thanks to him for all that he has done not only at the Department of Health but prior to that at the Care Quality Commission.

I draw attention to my interests in the register, and in particular as an adviser to MAP BioPharma—although the company is not directly affected by the provisions of the Bill.

In another place this Bill was referred to as a technical Bill. That is probably not an accurate description. It extends the powers of Ministers and gives them the ability to secure a payment under the statutory scheme which they did not feel they were able to do. It gives Ministers greater powers to control the prices of unbranded generic medicines which they did not have and it gives them a greater power to require information from suppliers. So there is a significant threefold extension of the powers of Ministers.

I completely understand and accept the reasons for the Bill. Ministers were right to bring it forward. There has clearly been a transfer that one might uncharitably describe as gaming between the voluntary and the statutory scheme—more politely it would be called arbitrage between the two—since there are suppliers of medicines, particularly in the hospital sector, that discount their list prices to those purchasers. Therefore, a statutory scheme that simply consists of a cut to the list price does not necessarily have any effect on their prices. So it does not have the intention that the voluntary scheme has. The Bill, quite rightly, closes a potential gap in control of the supply of generics by those companies that are also members of the voluntary scheme.

The Bill also extends information supplied by companies for dispensing and it might be useful in all of those to have a little bit of history, if I may detain your Lordships on that. I remember that before 2010, when I was shadow Secretary of State for Health, we were very clear that what we wanted to do as a

potential incoming Government was to give stability to the industry and to that effect we said that we would not change the then PPRS before the renewal in 2014. But we were equally clear that when we got to the new PPRS in 2014, it needed to change and that, as it stood, its objectives were no longer being satisfactorily met. It gave businesses freedom for pricing medicines at introduction—and we should be well aware of the relative importance of this. The noble Lord, Lord Warner, referred to the relatively small size of the UK pharmaceuticals market, with about 3% of the international marketplace for pharmaceuticals, but the UK list price plays a much larger part in reference pricing internationally, with something like 25% of the total pricing effect. So it is very important to the industry to have that freedom of pricing.

However, the effect of the ability to price at the list price is that one has a NICE health technology assessment and evaluation with a threshold applied, which still leads frequently to NICE saying no to medicines. The net effect is that we have a licensed and effective medicine available to patients—but at the list price NICE says no and patients lose out. In our view, back then, this was an entirely unsatisfactory position. It seemed to us that, when an effective medicine is available to patients, it should be available to clinicians and patients through the NHS, and between the Government and the industry a mechanism should be established to ensure that a fair price is paid for the medicine. The patient should get the drug, the industry should get a fair price and the NHS should pay only what is necessary to achieve that.

The lack of access in the short run, as your Lordships will recall, is why we established the Cancer Drugs Fund, after Mike Richards' report on the relative access in different countries in Europe to medicines demonstrated a significant shortfall in access in this country to cancer medicines in particular. But the intention always was—and I reiterate this, because it is frequently misrepresented—for the Cancer Drugs Fund to end at the beginning of 2014, because the new pharmaceutical price regulation scheme was intended to achieve the access benefit that the Cancer Drugs Fund was achieving in the short run. The fund did not overspend up to 2014; it was retained beyond 2014 and it then overspent, but that was not its original intention. So I do not accept the criticism of the Cancer Drugs Fund.

However, the PPRS negotiation for 2014 did not deliver the changes that were intended. It delivered budget control to the Treasury, freedom of pricing and introduction for the industry and a degree of rate of return reassurance to the industry. So to that extent, the taxpayer was well represented, the NHS may say that it was quite well represented and the industry was well represented—but I am not sure that patients were. What we need is a PPRS that serves patients at least as well as it serves the NHS.

**Lord Hunt of Kings Heath (Lab):** This is a very interesting exposition, but could the noble Lord clarify that there is a difference between the notional list price, which is used as a marker for many other countries, and the actual price paid by the NHS?

Secondly, does he agree that, if the Treasury had not purloined the rebate, we would have had the money and patients would have had access to new drugs?

**Lord Lansley:** The noble Lord makes interesting points, which point to where we were always intending to go—to a point where there was in effect a negotiated price between the industry and the NHS so that there was a proper discount. Now we have a rebate system. There was a lot of debate in the other place about where the rebate money went. It goes back into the NHS through the mechanism of the overall Consolidated Fund, so it is less transparent than is the case in Scotland, for example. However, that does not mean that it is lost to the NHS.

I will anticipate something that I was going to say later. A consultation is taking place involving NHS England and the National Institute for Health and Care Excellence, looking at how they can work together to introduce budgetary impact considerations alongside NICE evaluations to establish what prices the NHS should pay for medicines. That is taking us in the direction we have to go—namely, what is in effect negotiated pricing through the NHS to ensure access to medicines for patients. That is the positive construction of the present consultation. The negative construction is that it will create in effect double jeopardy. In the first instance NICE may say no on the basis of the list price. Then NHS England may add a second reason to say no because of the budgetary impact of new medicines—so there is an inherent problem with that.

I will finish the history for a moment. Where dispensing is concerned, there is a history under the last Labour Government of the pharmacy sector significantly exceeding the planned margin between the wholesale price and the reimbursement price because of a lack of good information. Therefore, we can be absolutely clear that an important purpose of the Bill is to get the margin survey right and provide more comprehensive data on the prices being achieved in the purchasing of medicines so as to make the reimbursement price deliver the agreed gross margin as part of the global sum to pharmacies.

Therefore, I support the Bill and its intended purposes. It will be important that it is used properly. The noble Lord, Lord Warner, made some very good points, including on equivalence between the two schemes. Gilead, a firm in my former constituency when I was in another place, continues to tell me what it thinks about these things and points precisely to the potential disparity between the statutory and voluntary schemes in relation to medicines introduced since 1 December 2013. If equivalence is the intention, we need to ensure that the Bill specifies that.

We are looking for a competitive environment in relation to unbranded generic medicines. The Competition and Markets Authority is pushing for that and the measures in the Bill can help Ministers to achieve that prospectively, as it were, rather than just dealing with abuse. But it is wrong for Ministers to take powers which would allow them to behave non-competitively. There is monopsony in this—monopoly purchasing by Ministers. Where a competitive environment is created—for example, where the price is determined in a competitive

tender process—it would be completely wrong in my view for them suddenly to find that a price agreed through a competitive process is overridden by ministerial diktat—as the noble Lord said, Lord Warner, said.

I hope that we will also discuss two other issues. A very important one is to build back into the thinking on the future PPRS, through this legislation, what a future PPRS should have at its heart. Ministers making decisions about pricing structures should have specific reference to affordability. They should also have reference to the ability for patients to access the medicines they need through the NHS; the extent to which the pricing system enables unmet need to be met; and the extent to which medicines deliver relative therapeutic benefit, so that we literally pay for innovation and for therapeutic advance, but do not pay a lot of money for me-too drugs with brandings attached to them. However, we should pay for societal benefit. One can imagine the considerable benefit to society that would be derived from a new drug to treat early onset Alzheimer's. We should also give explicit support to innovation. As the Bill proceeds, I hope that we will see more detail on not only the regulations but how the consultation between NHS England and NICE is proceeding. Perhaps the Government could also say more about their formal response to the accelerated access review and the life sciences strategy.

I support the Bill and I hope all the issues that I have referenced will be brought forward and discussed, including the structure of the information powers. At the moment, they are too wide-ranging and lacking in safeguards. Strictly speaking, there may be circumstances in which it is necessary for Ministers, if they ask for information, to provide a notice saying for what purposes it will be used and with whom it will be shared. Under those circumstances there should also be the potential for an appeal to the General Regulatory Chamber—but we can look at that in more detail in Committee.

As I say, I support the Bill and I hope we can look in Committee at giving more clarity on some of those issues and perhaps even building in one or two safeguards.

*12.16 pm*

**Baroness Walmsley (LD):** My Lords, I thank the Minister for his explanation of the Bill. However, while I have no problem with the Government's intention of closing the loopholes identified in the statutory scheme for medicine cost regulation, aligning schemes and ensuring that medicines are reasonably priced and affordable to the NHS, I do have quite a lot of questions. I also share the concerns raised by the noble Lords, Lord Warner and Lord Lansley.

My first question is whether this is the right time to make these changes, with Brexit on the horizon. Some of the Bill's provisions add further uncertainty to what is already a very uncertain time for the businesses affected by them. If trade between the UK and other EU countries becomes subject to customs duties, import VAT and border controls, it will increase costs to the life sciences industry and drive up costs to the NHS. This will certainly impact on patients. As the Minister has acknowledged, the life sciences industry is very important to our economy, and these changes could impact upon it very adversely.

[BARONESS WALMSLEY]

There is no doubt that the medicines bill has risen over the past five years, but what evidence is there that this is just because of unreasonable price rises in the pharmaceutical sectors that are not currently controlled, such as generic medicines? We have heard a lot about increased demand in all areas of medicine and care, and this is usually attributed to greater longevity and a general increase in medical advances to treat more conditions better. So why do the Government think that the rise in the medicines bill is any different? Yes, of course, like other noble Lords I have heard of one or two particularly outrageous cases of enormous unexplained price rises in generic medicines, and this is suspiciously like profiteering. But is it really necessary to go as far as this Bill does in order to deal with just a few very unethical cases? I am a little surprised that the Government are acting before we see whether the current cases under competition law are actually going to deliver the right result. As I said, I accept there is a loophole for generic medicines sold by companies in the voluntary scheme, but what is the extent of the use of that loophole? How much is the NHS losing, and how much are patients suffering because of profiteering?

Clause 1 provides the Government with a much stronger enforcement mechanism for obtaining the payments rightly owed, but does this constitute an amendment to the current PPRS, and if so, does it require the agreement of all those involved in a future scheme? Will there be any discussion with companies that propose price rises? There are many reasons why prices sometimes rise, apart from a desire to make more profit. There should be some mechanism for finding out whether the price rise is justified and reasonable, rather than someone in the DoH just making an arbitrary judgment.

We have concerns that the traditional appraisal methods and notions of cost-effectiveness are no longer suitable for some modern medicines, especially for very innovative new drugs which will be suitable for only a very small population of patients. The NHS has been slow to respond to these changes and I would not want to think that the Bill could make things worse.

There is a need for much more clarity about Clause 3. The payment mechanism, which really amounts to a tax on net sales, will, we understand, be set somewhere between 10% and 17%, so it seems reasonable to ask how the Government will assess the impact of their chosen level on the availability of the medicine concerned. Will we know what percentage the Government plan to choose before the Bill completes its passage through your Lordships' House? We would not want its unintended consequence to be shortages of certain useful medicines.

As we have heard, Clause 5 brings medical devices within the scope of price regulation. Is there really any evidence that there has been price abuse among suppliers of medical devices, as we have heard there is in relation to pharmaceutical items? With these items it is vital that there is a range of products for patients to choose from, as something that suits and works for one patient may be very uncomfortable for another. That is why driving down the cost of products will not necessarily save money in the long term. If a patient cannot get on with his or her life and contribute to society, an unsuitable but cheaper product could cost the economy more money in the long run.

Companies have told us that this section of the Bill is vague and does not make the Government's policy intentions clear, so they need more reassurance. Nor are those intentions adequately covered in the Explanatory Notes or the impact assessment accompanying the Bill. That has prevented companies fully understanding how the provisions will affect their business. It is not very reassuring for the Government to say that they do not intend to implement all sections of the Bill immediately, because this uncertainty makes it impossible for businesses to plan when their main customer might be able to hold them over a barrel on price at some unknown time in the future. I certainly could not run a business in that sort of climate. Unsurprisingly, businesses are very concerned about this. Some clarity was offered during the Bill's passage through another place, including, as I have just mentioned, the fact that the Government have no immediate plans to use the powers, but they could decide to use them at short notice at any time in the future. That provides the very uncertainty that investors hate and it is very bad for business.

Clauses 6 and 7 concern data collection. It seems very strange to me that the National Health Service Act 2006 already contains the power for the Government to require medical technology suppliers to provide them with information, and the Government have said that the Bill will clarify and modernise those powers. We have heard from officials that the penalty for non-compliance will be changed from a criminal to a civil one, which will be more proportionate to the offence. However, as these powers have not been used to date, the fact that the Government are making these changes suggests to some that their use may be planned in the not-too-distant future, and that brings more uncertainty.

One can understand the Government wanting and needing information in order to ensure that the reimbursement system works effectively, but the new provisions go a lot further than the current requirements and may put a very heavy administrative burden on companies. We have been told by officials that the intention is to make this burden as light as possible, and that is good, but how will this be done when, I understand, separate information will be required for every product throughout the whole supply chain, even for those outside this country? Companies tell me that currently they do not collect all the information the Bill requires and they would find it very difficult to do so. Is all this information really necessary to achieve the Government's intentions in the Bill?

There is an issue about consultation. Some suppliers are claiming that the Government's statement in another place that there has been extensive consultation is simply not true. They were not consulted. Only a few large trade organisations were consulted. We really need from the Government a clear commitment to proper consultation before these regulations are finalised and implemented. It is essential that the Government proactively engage with the entire industry before bringing forward legislation such as this.

I believe in evidence-based policy and that the Government should always be transparent in their intentions when they make changes, as mentioned by a previous speaker. However, at the moment that is not the case. If the powers are to be used, they should say

so, and then there should be proper engagement and consultation with the businesses affected. It is in the interests of the companies affected that they work with government to support consumers and the NHS. After all, that is what they do; that is their business. The Government are asking for clarity from NHS suppliers about costs throughout the supply chain, so should not suppliers be able to expect clarity from the Government in return?

My primary concern is that any increase in payments by manufacturers and suppliers to the Department of Health should be put to use in improving access to new medicines and ensuring that existing medicines are provided in a timely way to all patients who need them. So far, I have not been assured by the Minister that this is what will happen to any increased payments. I wonder whether he is willing to do that today—after all, it is Christmas.

We need to see this Bill in the wider context of the struggle of the NHS and social care to provide services in the light of rising demand and costs. Apart from their efforts in this Bill to control costs, the Government have ignored that. The recent Statement announcing a small amount of additional money for social care, and the allowance of a raised local authority precept, will not bring money into the deprived areas that need it most. Until this is dealt with, measures such as those in the Bill are only scratching the surface of the problem.

Finally, I join the noble Lord, Lord Lansley, in paying tribute to the noble Lord, Lord Prior. It has been a great pleasure to work with him. He has always been very patient and courteous with us in this House in answering our questions. I also thank the noble Baroness, Lady Chisholm of Owlpen, who I understand is also moving on. I wish them both a very peaceful and restful Christmas and extend that to other noble Lords and to the Bill team. I look forward to working with whoever it will be in the new year as we move on to the Committee stage of the Bill.

12.26 pm

**Lord Hunt of Kings Heath:** My Lords, as the Bill involves the supply of medicines and other goods to the NHS, I should like to start by declaring an interest as president of the Health Care Supply Association and of GS1, the barcoding organisation. I too congratulate the noble Lord, Lord Prior, on his move to the business department. We have very much enjoyed working with him and debating the issues. He has been unfailingly courteous to your Lordships' House, and I am sure that we have all appreciated the work he has done on behalf of the Department of Health. Like the noble Baroness, Lady Walmsley, I too congratulate the noble Baroness, Lady Chisholm of Owlpen, on her retirement from government and thank her warmly for the work she has done as a Whip. She has taken part in many Dispatch Box debates and we are very grateful to her. I also, of course, welcome the noble Lord, Lord O'Shaughnessy, to his new post. He will enjoy taking the Bill through its remaining stages—perhaps.

As noble Lords have said, the recent fines imposed by the Competition and Markets Authority on Pfizer and Flynn Pharma for charging the NHS excessive prices is a salutary warning to the pharmaceutical

industry. We certainly welcome the provisions in the Bill that deal with the small number of companies that have exploited loopholes in current legislation by controlling the price of unbranded generic medicines. However, the Bill misses an opportunity to counter the growing lack of access to new innovative drugs, which is putting the health of NHS patients at risk. I have listened to what the Minister has said, but it seems to me that the cumulative impact of decisions made by his department, and particularly by NHS England, is that there is less and less access. This is a very serious problem, both for the NHS and patients and for the industry and the life sciences sector.

My other concern is that this is a burdensome regulatory Bill. In fact, I am sure that in his new post the Minister will be shocked by the number of regulations that this Bill brings in, without any justification whatever, it seems to me. I hope that as we go through the passage of the Bill, we might look at making some of those regulatory requirements more focused, as the noble Lord, Lord Lansley, suggested.

The powers under the NHS Act currently allow the Secretary of State to make a statutory scheme for limiting the prices or profits of companies that choose not to be members of the voluntary scheme. The Minister has explained that the statutory scheme is less effective in terms of the level of saving that it makes than the mechanism in the voluntary scheme, thus leading to some companies leaving the voluntary scheme in favour of the statutory scheme. I well understand the argument that he put forward. On the other hand, I would argue that the voluntary scheme has served both health service patients and the industry well over the years. It is important that in bringing these measures forward we do not in effect remove the voluntary nature of the PPRS. It would be helpful if the Minister would set out the circumstances under which the powers in Clause 2 would be exercised. Is it intended that the power could be used to change the current voluntary PPRS scheme? Could these provisions be used in the future to restrict the voluntary nature of the PPRS agreement?

I also raise a point referred to by the noble Lord, Lord Warner. Are any perverse incentives likely if companies in the statutory scheme move to the rebate system applying in the voluntary scheme? At the moment, I am informed that companies in the statutory scheme are able to lower their prices directly to the NHS because they are not part of the rebate scheme. In terms of those companies, if the NHS gets the benefit of the lower prices, the department that gets the benefit of the rebate is the Treasury. Is there a risk in switching from the statutory sector to the voluntary sector in terms of the outcome for the National Health Service?

Also, has the Minister assessed the risk that small companies currently in the statutory sector, which may be less able to absorb rebate payments, may leave the market altogether? The noble Lord, Lord Warner, referred to that. I also want to ask about something that the noble Lord, Lord Lansley, mentioned. I understand that the aim is to permit broad equivalence to be achieved between the voluntary and the statutory schemes. Does the Minister think that, to reassure the sector, that should be explicitly stated in the Bill?

[LORD HUNT OF KINGS HEATH]

Clause 5 extends the power to control the maximum price to other medical suppliers and not just medicines. I listened carefully to what the Minister said, but I am not yet convinced that there is any reason at all for the Government to propose this. The impact assessment, as far as I can see, is silent on the matter. The Minister will know that both the BHTA and the ABHI expressed concerns about the burdens that will be put on the devices and technology sectors. There is also the issue of consultation. It is clear that the major trade associations were consulted, but the industry has a whole host of organisations representing bits of it, such as the continence and stoma industry, for example, which is an important, significant player but was not consulted, despite the implications for it. It comes to the point when the Minister essentially says, “We are going to have these powers, but we do not expect ever to use them”, and they have not been used since 2006. My advice to the Government is to forget it because we seriously question whether Clause 5 should stand part of the Bill.

On regulation in general, I had thought that one benefit of Brexit would be that no longer would we have regulations that the Government consider too burdensome but which they had to agree to, effectively, through the compromises that negotiations in Europe always lead to. I find it curious. This seems to be an example of gold-plating legislation. Clearly, the Government had to deal with a generic problem and introduced this, which is like a Home Office Bill, as the noble Lord, Lord Warner, described it. It is like a Christmas tree. The department found lots of other nice things to put in it, but cannot actually come forward with any strong evidence as to why they should be included. In my naivety I thought that in this Brexit world we would be going for light-touch regulation, but I have to say that this does not look like light-touch regulation to me.

A further example of this is found in Clauses 6 and 7 relating to the provision and disclosure of information. The ABPI has pointed out that the information requirement is onerous and goes well beyond what is necessary, but what is striking is that the provisions are drawn so widely. My reading of the Bill suggests that it applies to any,

“person who manufactures, distributes or supplies any UK health service products”.

The Bill goes on to explain that, so far as England is concerned, it applies to any medical product used to any extent for the purposes of the health service under new Section 264A(1) and any other medical supplies or related products required for the purposes of the health service. We are talking about millions of products. The impact assessment states that the costs have not been quantified for manufacturers, wholesalers and dispensers. Why have the costs not been quantified for these businesses, which number in the tens of thousands? I thought that that was what impact assessments were all about and I thought that the Government had a policy in relation to reducing the regulatory burden on industry. It is very difficult to understand why the department has gone for such a broad-based power and I will certainly be interested in seeing whether it is

possible to hone down these clauses and focus on the information that the Government can prove they actually need.

I want to pick up on the issue about access to medicines. What is so striking about the Bill, which is concerned with medicines, is the glaring absence of provisions to increase the uptake of new medicines by NHS patients. Any number of reports, in particular over the past two years, show that we have taken an increasingly restrictive approach to the adoption of new medicines in this country. This goes alongside the current consultation by NICE referred to by the noble Lord, Lord Lansley, with the proposal that if a NICE-approved treatment is expected to exceed £20 million in any of the first three years of its use on the NHS, NHS England can ask NICE to allow a longer period of phased introduction. I think that the noble Lord, Lord Lansley, suggested that this could be okay, but there is a risk of double jeopardy. We need to hear from the Government in this Bill how it is not going to be double jeopardy. The industry goes through all the processes it needs to in order to ensure that a treatment gets through the NICE process. The medicine then has, if you like, an affordability test which is in addition to a cost-effectiveness test, and thirdly, the Minister is taking draconian powers to reduce the amount of money going to the industry generally. That is triple jeopardy. The question I put to the Minister is this: what is the cumulative impact of all these proposals, not only in relation to the actual price but in relation to access to innovative new drugs?

The noble Lord, Lord Lansley, referred to the 2014 PPRS agreement and said that it could have been ground-breaking in relation to access for patients. I agree because it was a very good agreement and one that could have finally opened the door to the NHS giving access to treatments that every other country has access to before we have here. I know that the noble Lord and I seem to disagree about where this rebated money goes, but he will know that the industry agreed to hold drug costs for a five-year period with the bill staying flat for two years and then growing only slowly after that. There have been one or two modifications since then, but that is the broad principle. If drug expenditure by the NHS goes over the agreed level, the industry will pay a rebate at every quarter, and so far it has paid £1.5 billion back. The noble Lord’s argument is that I should not worry about that figure because the NHS gets it. As I see it, what clearly happens is that the Treasury forecasts in advance what the rebate will be. It is also well advertised in advance what the allocation to the NHS will be. In essence, the Treasury gets the benefit because it reduces the contribution it makes to a given figure.

If it had been agreed that the rebate could have been used—perhaps as in Scotland or in another way—to fund much greater access to new drugs, we would have achieved what the noble Lord, Lord Lansley, set out to do. It is a hugely missed opportunity. None the less, I hope the Government, when looking for the next PPRS agreement, will look at the lessons to be learned. I agree with him and my noble friend that clearly we need value for money and certainty but, unless we can deal with this pervading problem of lack of access to new medicines, NHS patients will get no benefit whatever.

We have to link that to the health of the life sciences sectors and the industry. In his new role, the Minister will be as concerned about this as he probably is at the moment. The UK has been one of the foremost countries in the world for drug development. We know that our life sciences was one of the reasons why. The noble Lord, Lord Lansley, suggested that flexibility on pricing on first introduction is also a reason because it acts as a benchmark for other countries, but I have no doubt whatever that the NHS's failure to adopt new medicines is putting future investment at risk. I do not think we can be complacent. A long time ago, when I was responsible for it, the UK developed about 30% of the top 100 new drugs. That, as I understand it, is now down to 14%. The risk is we can go lower.

We very much look forward to debating the Bill. It clearly has very useful measures on drug costs, but no case has been made to extend its provisions to medical devices and technologies. It looks like gold-plating regulation, which we would like to try to improve, but overriding this is the sense that, until the Bill provides for increasing NHS patients' access to ground-breaking new treatments, it remains defective.

12.42 pm

**Lord Prior of Brampton:** My Lords, I thank the noble Baroness, Lady Walmsley, and the noble Lord, Lord Hunt, for their kind comments about me. I have very much enjoyed this role for the past 18 months. Going over to BEIS, which is the rather horrible acronym we have, I will still have a keen interest in many of the issues that lie behind the debate we have had today. I welcome my noble friend Lord O'Shaughnessy, who is sitting behind me, to his role.

I think my noble friend Lord Lansley, or maybe the noble Lord, Lord Warner, said that in another place this was called a technical Bill. At one level it is, because the issues are quite difficult and technical, but there is substance in it as well. It is not a technical Bill in that sense of the word.

I will start by addressing the wider issues around life sciences and access. We are all agreed that access to new drugs and devices for the NHS is a huge issue. We are falling behind. I do not think there is any doubt about that. That is what lay behind the Accelerated Access Review; that is why we had it. The work led by Sir Hugh Taylor and Professor Sir John Bell absolutely nailed that in its report. I assure the House that the principles behind the Accelerated Access Review will be incorporated into our strategy for life sciences that we are developing over the next few months with industry.

We have to reconcile access and affordability. That is the issue behind the NICE and NHS England consultation: if the impact is more than £20 million per annum—that is our suggestion—it has to be looked at. There will always be a tension between access and affordability. As I said in my opening speech, that circle can often be squared because many such new developments, particularly in medical devices, will save costs. A lot of the work that has been done around digital health, adult hospital healthcare, health analytics, machine learning and the like has the potential to help us solve the productivity problem which has bedevilled not just our own health system but every health system in the world.

I think it is pretty much universally agreed that we need to take more powers around isolated cases of huge price increases for certain generic medicines where there is no competition. I think there is no question about that and we are all as at one.

The purpose of putting a payment mechanism into the statutory scheme, which is in the first part of the Bill, is only to align the two schemes. I assure the noble Lord, Lord Hunt, that we are not doing away with the voluntary scheme—on the contrary. It is just that we want to avoid the temptation, to which my noble friend Lord Lansley alluded, for companies, quite legitimately, to arbitrage between the two schemes. Historically, the two schemes have been broadly aligned from a financial point of view. It was only when the payment scheme was introduced into the voluntary scheme in 2014 that the two schemes became unaligned. The department's view at the time was that we had the powers under existing legislation to put a payment scheme into the statutory scheme. It was only when, as part of the consultation, the industry queried whether we had that power that the department decided that we should introduce the power, which we are doing through this Bill, to put the two schemes roughly on a par. That is not to say that there will not be other benefits in the voluntary scheme which will still be very attractive to industry. I hope that that is the case and that we will be able to build on the voluntary scheme.

It is also worth mentioning that we will become much more sophisticated over time in the way that we price medicines. As a relative layman and objective viewer, it seems to me extraordinary that we have not already developed outcomes-based pricing for many of these drugs. When a drug is going to have an effect on 60% of the people who use it, why would we want to pay for the other 40%? Given that we in the UK are a single system and have access to data in a way that many other, more disaggregated systems do not, we are in a very strong position to have well-informed, data-rich, outcome-based pricing. The hep C drug is a classic case of our being able to move towards more annuity-based pricing. If we cannot afford the up-front cost of some medicines all in one go but can spread the cost of them over a number of years, that would seem an eminently sensible reimbursement process. I think we will see some much more sophisticated pricing arrangements coming into the mix as we move forward. That is the purpose of aligning those two schemes.

The aspect of the Bill about which the noble Lord, Lord Warner, and others have expressed the most concern is the information requirements and powers to extract information, particularly from small companies supplying medical devices. The noble Lord asked what the cut-off was for an SME. It is sales of £5 million, which omits quite a few supplies into the NHS from companies below that level. Again, the purpose of this part of the Bill is to ensure that we get our reimbursement rates right, particularly for integrated wholesale pharmacies. There is a feeling that some of the very big wholesalers—I will not name any names—make pretty hefty margins on some of these products. We need to know what price they buy at so that we can try to manage those margins and be sure that the NHS gets a reasonable deal.

[LORD PRIOR OF BRAMPTON]

Many of the issues raised are quite detailed and I am delighted to leave them to my successor to address in Committee. However, the last thing in the world we want to do is to build a bureaucratic edifice here, or to gold-plate regulations, information requirements and the like. I assure noble Lords that we are absolutely open to all ideas and suggestions on how we can reduce the regulatory and bureaucratic requirement on companies that supply the NHS.

The noble Lord, Lord Warner, heard that certain companies look to go overseas to less bureaucratic and regulated systems. I think that that is down to not so much the regulation as the uptake issues. I am sure the noble Lord and others have met, as I have, many small companies that tear their hair out about trying to supply to the NHS. They find it easier to supply the US, Australian or other world markets than our own. That is not to do with the information requirements that already exist or will exist under the Bill. It is still the case that the NHS is a very treacherous organisation. It is hard to get your product into it. Even when it has been approved by NICE, it is difficult to get it diffused throughout the NHS.

Not many noble Lords participated in the debate but, as always in this House, the quality of contributions has been extremely high. I thank all those who contributed and ask the House to give the Bill a Second Reading.

*Bill read a second time and committed to a Grand Committee.*

## **Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016**

*Motion to Approve*

12.52 pm

*Moved by Lord Bourne of Aberystwyth*

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

**The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, these regulations provide the mechanism to introduce the transitional relief scheme for the business rates revaluation that takes effect in April 2017. This will help almost 600,000 businesses with £3.6 billion of relief over the next five years.

Business rates are a property tax where the amount paid depends upon the rateable value of the property. That rateable value broadly represents the annual rental value and is assessed independently of Ministers by the Valuation Office Agency. To maintain fairness in the system, those rateable values are updated for changes in the property market at regular revaluations. The next revaluation takes effect from 1 April 2017.

We estimate that more than seven out of 10 ratepayers will see their rates bill either fall or stay the same at the 2017 revaluation, and eight out of nine regions will see bills fall overall. However, for those facing increases we are putting in place a transitional relief scheme, which the regulations we are discussing today implement.

They will be used by local government to establish whether ratepayers should receive transitional relief limiting the annual increase to their bills. They will also be used to establish whether ratepayers should contribute to the cost of that relief by capping the annual reduction in their bill due to the revaluation.

By necessity, the regulations are complex. They deal with the various cases on how to calculate the bill where a property changes through a split, merger, extension or renovation of a property. My department produced a detailed Explanatory Memorandum to accompany the regulations which explains how each provision works. I do not propose to cover all these rules, but the main principles are important and worth explaining.

The transitional relief scheme we adopted provides the same level of relief for small and medium businesses as was provided at the previous revaluation in 2010. In particular, no small property will see more than a 5% increase next year before inflation due to the revaluation. This benefits 500,000 small businesses. Overall, the transitional relief scheme is worth £3.6 billion over the five years of the scheme. Some of the biggest increases are being faced by large businesses in London, so the scheme targets over £1 billion of support to London alone.

We are required by law to ensure that the transitional relief scheme is self-financing. To satisfy this legal requirement, we have to meet the cost of the relief from other ratepayers. The scheme we have adopted targets that funding on those ratepayers who benefit the most from the revaluation by capping annual reductions in bills. This is the same approach as has been adopted since 1990. It means that those benefiting the most from the revaluation contribute to the cost of the transitional relief, while still seeing their bills fall.

The scheme has been developed by my department using actual data on the revaluation provided by the Valuation Office Agency. We consulted on our preferred scheme in September and received support from, among others, the Federation of Small Businesses, the Association of Convenience Stores and the British Beer & Pub Association. The regulations have been shared and discussed in draft with local authorities and their software providers. They are very similar to previous transitional relief schemes and the transitional relief will be applied automatically to rate bills from 1 April 2017.

Finally, I assure the House that the revaluation and the transitional relief scheme will not affect local authority incomes. As many will know, since 2013 the Government have allowed local authorities to retain 50% of the business rates they collect, and by the end of this Parliament we will increase that to 100%. When we introduced the 50% rates retention scheme, we signalled that following a revaluation we would make adjustments to the rates retention scheme to ensure that, as far as is practicable, the business rates kept by local authorities were unaffected by the revaluation. This commitment will ensure that the growth incentive created by the rates retention scheme and the delivery of public services will not be weakened by any losses of income from the 2017 revaluation or the operation of the transitional relief scheme. Last week,

my department published the draft local government finance settlement, which included the adjustments necessary to deliver on this commitment. I commend the regulations to the House.

**Lord Beecham (Lab):** My Lords, it is no doubt timely to review the valuation of properties for the purposes of business rates. My recollection is that it is now 25 years since the valuation for council tax purposes was applied. Consequently, we still have the same number of bands and the same financial layout that was established all that time ago. If it is timely to revalue properties for the purposes of business rates, why is it not timely to review the basis of council tax and change the valuations there—and, indeed, possibly the number of bands?

**Lord Shipley (LD):** My Lords, in the context of the existing system, the proposal that the Minister and the department have come up with is the right response. The amended version of option 2, which the documentation explains, is probably the right thing to introduce.

However, there is a lot of concern about the context of this and the impact of the revaluation. I was surprised to read in paragraph 10.3 of the Explanatory Memorandum:

“An impact assessment has not been produced for this instrument because it amends an existing local tax regime. Publication of a full impact assessment is not necessary for such legislation”.

I understand the overall reason for that but I suspect that the department is going to get many more appeals because of the significance of the changes, which, over the next few years, will cause some, who have very high increases in their bills, to wonder whether they could secure a reduction through the appeals system. We heard at Questions earlier about the impact of that on local authorities' ability to plan their annual budgeting. I would appreciate anything that the Minister can say about how the Government might help to speed up the business rate appeals system.

*1 pm*

I also agree with the noble Lord, Lord Beecham, about the overall context. In our discussion last week of the local government settlement, I said that I was concerned about council tax being used to supplement a shortfall in adult social care. It is actually a substantially out-of-date property tax, particularly in relation to its bandings, and we should have some higher bandings at the top end. Questions will increasingly be asked about how local government is funded. Once the consultation on fair funding is complete, there has to be a discussion—possibly on an all-party basis—about the relationship between the raising of taxes locally, along with what might be done about that, and the level of local expenditure to ensure that given the devolution of business rates, levels of equalisation will be maintained. There is a danger here that better-off councils will continue to get better off and poorer councils will continue to get poorer.

**Lord Kennedy of Southwark (Lab):** My Lords, as we have heard, these regulations bring into effect a transitional scheme to phase increases and reductions on non-domestic rates following a revaluation. The scheme has been in

place before and it applies only to England, as these matters are devolved in the other parts of the United Kingdom. I have no problem with the regulations as they stand but I have one or two questions for the noble Lord, Lord Bourne of Aberystwyth.

On the consultation process, I noted that there was only one month down for consultation. Does the Minister think that was sufficient? Given that the Government received only 173 responses, is that a good rate of return and how was the consultation conducted? Was it just an item put on the department's website or was more than that done, so that people were spoken to?

I agree very much with my noble friend Lord Beecham's points in respect of council tax revaluations. I think that it is now 20 or 25 years since revaluation, which is long overdue. I recall the noble Lord, Lord Marlesford, who is not in his place today, bringing forward a Private Member's Bill last year on this very matter of increasing the number of bands. He clearly outlined to the House the problem that we have, which the Government will at some point need to look at. I also agree with the comments of the noble Lord, Lord Shipley, about the impact assessment.

I also note on the consultation that the department will not issue any formal guidance on the transitional arrangements, which the Government say will be implemented by very experienced staff. I hope it will be confirmed that informal guidance would be available to any authorities that need it from the department. With that, however, I am happy with the regulations as they stand.

**Lord Bourne of Aberystwyth:** My Lords, I thank noble Lords who have participated in this debate on the non-domestic rating regulations very much. I will endeavour to deal with the points that they have raised.

First, on the point raised by the noble Lord, Lord Beecham—and indeed by the noble Lords, Lord Shipley and Lord Kennedy—in relation to council tax revaluations, this point was raised in Questions. I indicated then to the noble Baroness, Lady Tonge, that I would write to her on that issue. I make the same undertaking to noble Lords who have participated in this debate. I know that there is no proposal for any revaluation at this stage and I do not think there is any significant pressure for one, whereas businesses have certainly embraced the need for a business rate revaluation. That is part of the Government's plans but I will write on that particular point.

The noble Lord, Lord Shipley, raised the absence of an impact assessment. It is normal not to prepare an impact assessment for tax measures but we and the Valuation Office Agency have published detailed information on the revaluation and the way that it has been handled.

The noble Lord, Lord Kennedy, raised points in relation to the consultation. I do not think that there has been any significant pressure for a longer period of consultation; essentially, it was carried out via the website. The consultation was of course on the basis of the different methods of conducting the revaluation, which is mandatory. We were not consulting on the

[LORD BOURNE OF ABERYSTWYTH]  
 need for revaluation; it was more the way that it was carried out. He is right that there were 173 responses from ratepayers and local government. Although only 24% supported our preferred option, that figure was higher than for the alternative option for carrying forward the revaluation. I hope that that is of interest to the noble Lord.

*Motion Agreed.*

## **Greater Manchester Combined Authority (Functions and Amendment) Order 2016**

*Motion to Approve*

1.05 pm

*Moved by Lord Bourne of Aberystwyth*

That the draft Order laid before the House on 21 November be approved.

*Relevant document: 17th Report from the Secondary Legislation Scrutiny Committee*

**The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Wales Office (Lord Bourne of Aberystwyth) (Con):** My Lords, the draft order which we are considering, if approved and made, will provide Greater Manchester with new, devolved powers on: planning, land acquisition and housing; transport; education and skills; and cultural events and entertainment. It also provides for constitutional and funding arrangements.

The Government have, of course, already made significant progress in delivering their manifesto commitment to implement the historic devolution deal with Greater Manchester. Since the first devolution deal with Greater Manchester was agreed in November 2014 we have passed the Cities and Local Government Devolution Act 2016, which provides new powers for the Secretary of State, by order, to devolve to a combined authority a Secretary of State function and confer on a combined authority any function of a public authority. The 2016 Act also enables there to be strengthened accountability and governance for combined authorities, through enhanced overview and scrutiny arrangements and through new powers to establish, by order, the position of elected mayor.

In March 2015 we legislated to enable Greater Manchester to appoint an interim mayor, who is helping to provide additional leadership capacity and prepare for the further devolution of powers. Noble Lords will recall that in March this year we passed legislation to establish the position of elected mayor for Greater Manchester. The mayor will be elected in May 2017 and will also take on the role of the police and crime commissioner, with the separate elected position of PCC being abolished.

In the order we are considering today, we are for the first time conferring significant new powers on Greater Manchester. Some of these new functions are to be undertaken by the mayor individually and others will be undertaken jointly by the members of the combined authority. This is the first time that we are using the

powers Parliament gave us in the Cities and Local Government Devolution Act 2016 to devolve Secretary of State and other public authority functions, and it will not be the last such order. More draft orders are already being developed to confer powers on Greater Manchester for planning, transport, policing and other issues. Implementation of the four devolution agreements made with Greater Manchester is truly under way.

For Greater Manchester, these agreements are a natural continuation of the devolution journey. Councils in Greater Manchester have been working closely together for decades, and through the combined authority established in 2011, Greater Manchester authorities have been working together formally on the interconnected issues of transport, economic development and regeneration. It was with Greater Manchester that the Government made the first devolution agreement in November 2014. The four deals now agreed between the Government and Greater Manchester mean that it will receive: a devolved transport budget and transport powers to help provide a more modern, better-connected network; new planning and housing powers, with a £300 million housing investment fund to provide up to 15,000 new homes over 10 years; new functions over skills and education, funding, incentives and support to get up to 50,000 people back into work; and an infrastructure fund of £30 million a year for 30 years.

Noble Lords will want to know that the statutory origin of the draft order before us today is in the governance review and scheme prepared by Greater Manchester in accordance with the requirement in the Local Democracy, Economic Development and Construction Act 2009. Greater Manchester published this scheme in March this year and, as provided for by the 2009 Act, the combined authority consulted on proposals in the scheme.

The combined authority ran the consultation from March 2016 to May 2016, in conjunction with the 10 local authorities. The consultation was primarily conducted digitally, including promotion through social media. In addition, of course, respondents were able to provide responses on paper, and posters and consultation leaflets were available in prime locations across Greater Manchester. As statute also requires, the combined authority provided to the Secretary of State in June a summary of the responses to the consultation.

Before laying this draft order before Parliament, the Secretary of State has considered the statutory requirements in the 2009 Act. The Secretary of State considers that conferring these functions on the Greater Manchester Combined Authority would be likely to lead to an improvement in the exercise of the statutory functions, and, in considering it appropriate to confer local authority powers on the combined authority and to make constitutional changes, the Secretary of State has had regard to the impact on local government and communities, as he is required to do. Also as required by statute, the 10 constituent councils and the combined authority have consented to the making of this order. As required by the 2016 Act, we have, in parallel with this order, laid a report before Parliament which sets out the details of the public authority powers we are conferring on Greater Manchester through this order.

Noble Lords may recall that the requirement for this report was one of the additions that this House made to the 2016 Act during its passage.

This draft order now gives effect to many of the proposals in Greater Manchester's March scheme. If approved and made, it will place a duty on the mayor to prepare a Greater Manchester spatial development strategy, enabling an integrated approach to spatial planning in the same way as in London. Councils will continue to prepare local plans and will remain responsible for local planning decisions. It will confer land acquisition, disposal and housing powers, including a compulsory purchase power for the mayor—the same powers as those held by the Homes and Communities Agency and councils. No powers are being taken away from councils. These powers will enable Greater Manchester to take a strategic approach to driving development and regeneration and stimulating economic growth, support effective use of the £300 million devolved budget and deliver up to 15,000 new homes.

The order will build on Greater Manchester's current transport function, recognising that efficient transport is fundamental to securing economic, social and environmental objectives. The order provides powers on road safety promotion, road improvement and maintenance and for the mayor to pay grants to bus operators ahead of bus franchising as envisaged in the Bus Services Bill. It will confer new powers to reshape and restructure skills provision and support Greater Manchester to support young people to participate in education and training and to tackle its most important labour market challenge, which is youth unemployment. It will promote cultural events and entertainment and provide for constitutional and funding arrangements.

In conclusion, the Government are making great progress in implementing devolution to Greater Manchester. The draft order we are considering today is a further significant milestone that will contribute to greater prosperity in Greater Manchester and will open the door to a more balanced economy and economic success across Greater Manchester, the northern powerhouse and the country. I commend this draft order to the House.

**Lord Beecham (Lab):** My Lords, the Minister is right to say that the Government are devolving significant new powers to Greater Manchester and perhaps to some other authorities as the process rolls forward. However, what they are not doing is accompanying the devolution of powers with anything like sufficient additional resources. The 10 local authorities in Greater Manchester will receive £30 million a year for 30 years for infrastructure projects. That is £900 million over 30 years. At the moment, these councils have suffered a loss of £1.7 billion a year in respect of their budgets. That is likely to rise to £2 billion a year across the Greater Manchester area by 2020. Far from meeting the needs of these authorities, £900 million over 30 years is really a flea bite in comparison with what those councils are having to contend with in terms of providing services.

1.15 pm

There is also a question in my mind about the figures the Minister referred to in relation to the number of houses to be built. It is suggested that

£30 million will build 15,000 houses. I just do not see how the arithmetic adds up. If the cost of building a new house is, say, £150,000, which is probably about right, you would get only 2,000 houses for the amount of money that the Government are apparently putting in. How is the figure of 15,000 justified?

In addition to these significant financial issues, one has to welcome the approach to health and social care. This is going to be something of a pilot project to bring together these two crucial areas of public service, particularly given the enormous pressures they are being subjected to through the National Health Service and local government. It is not yet clear how this will work out. One wishes Manchester well. If I were in an area which was going ahead with devolution—and, alas, I am not at the moment—I would be a bit cautious about rushing in to follow where Manchester is currently treading. I think it will be very difficult to bring together those two services at any level, particularly at that sort of level. I wish it success but, again, without adequate financing it is difficult to see how that can be sustained. A degree of caution needs to be exercised before other authorities plunge down that route.

There is also a question about the degree of public support for this. The Minister referred to the consultation exercise that has taken place, as did the Secondary Legislation Scrutiny Committee, whose report on the matter can be described only as dripping with scepticism about the nature of the process, because out of the huge number of people living in that area—1.9 million people, apparently—all of 169 individuals contributed to the consultation process. Rather more participated in the previous consultation, which took the form of a referendum about having an elected mayor for Manchester. I cannot remember the turnout but I remember the result, which was that 60% rejected that proposal, and I am sure the turnout was rather higher than is represented by 169 out of 1.9 million voters. That looks rather like Old Sarum's last election in 1830 when I think there were 11 electors. I am not quite sure what the turnout was, but it is not a very impressive figure, and it is hardly better in terms of Greater Manchester.

When it comes to voting, I was caught today by a report in the *Times*. I wonder whether the Minister can help me about this, because apparently there are to be new requirements for people to prove their identity as they go to vote. This will apparently require photographic evidence of their identity, which could include producing a passport, a driving licence or a utility bill. Apparently this is to be piloted. I do not know where, but perhaps the Minister can tell us. This is a very serious matter. It assumes that people have one or more of these items. If you are a young person, you are unlikely to have a utility Bill and you may well not have a passport or a driving licence. How then are you to prove your ability to vote? There is apparently to be some sort of application that you can fill in, in addition to the electoral register, which may facilitate the outcome. Surely these changes are likely to lead to a reduction in the number of people voting.

I suspect that that is perhaps an underlying motive for those who have advocated this, and I think the finger then points at Sir Eric Pickles, who not surprisingly

[LORD BEECHAM]

and not for the first time has entered into controversial areas such as this in a way that is likely to benefit the Conservative Party. All I can ask the Minister today about this is whether he can confirm that Greater Manchester's election of a mayor will not include voting on the basis of the proposals to which I have referred and which are mentioned in the *Times* today. It would be extremely unsatisfactory if a somewhat questionable process anyway were to be affected by a change of that kind. I hope he can give an assurance at the very least that Greater Manchester will not be one of the pilot areas for this potentially controversial process, which I take it will at some point require parliamentary approval. I do not know whether the Minister is up to speed on this—I would not blame him if he is not—but if he is not, he will of course no doubt write to me and to other Members of the House.

**Lord Shipley (LD):** My Lords, I welcome the order. It is a final step in the devolution of powers to an elected mayor and combined authority in Greater Manchester, and should fulfil its basic aim of providing those local leaders with the levers they need to boost economic growth, which is the Government's intention. We should congratulate the Greater Manchester Combined Authority and all the leaders and councillors in Greater Manchester for the leadership that they have shown to the country as a whole.

One of the things that is particularly impressive about the order today is that if you look carefully at the checks and balances for the local authorities, the combined authority and the elected mayor, and how they relate to each other, those checks and balances seem appropriate. I think they will help give legitimacy to decisions so that neither the elected mayor nor the combined authority is overly exposed to a decision, and local authorities will still be able to maintain the necessary powers and influence that they want to maintain.

Of course devolution will work only where there is trust and public support. There is evidence that both are available in Greater Manchester, and for that reason it is particularly good to see in paragraph 9.1 of the Explanatory Memorandum that "No guidance is necessary" from the Government on the order. It is one of the few occasions that I can recall where central government has not felt it necessary to issue guidance. However, I have one caveat to that, which is about the guidance that was promised in the passing of the Cities and Local Government Devolution Act a few months ago about openness and transparency in decision-making, by which I mean access to meetings for the public, the press and the media. Will the Government be very clear that all these will happen, as was promised at that stage?

Some of the context of the order and the areas that it covers—housing, planning, transport, education, training and culture—is new, while some is not. There used to be regional spatial strategies when we had regional development agencies; and of course the Bus Services Bill will give a range of transport powers to a combined authority that will exist in future. So not everything that is going to be devolved actually has to

be part of this, but the powers have been extended. That is welcome, but an acid test of the success of devolution will lie in further education and skills training, and whether there is an increase in vocational training and a reduction in the number of those not in education, employment or training—NEETs. It is very important that this model produces success. There have been so many models for skills policy over recent years, and I hope that the combined authority will take very great care to ensure that this will improve skills outcomes.

I have two final points. In terms of the powers that are being conferred, there is no mention in the order of social care—yet, at the end of November, Greater Manchester asked for an extra £214 million to cover social care costs. The *Financial Times* reported that it had appealed to the Treasury for the extra money, saying that,

"the 'financial pressures in social care pose a real threat' to Manchester's ability to deliver devolution because of the resulting strain on the city's NHS budget".

That was three weeks ago. Could the Minister update us on that situation, because there is no mention in the order of adult social care?

My final question is as follows. The Minister kindly responded to a Written Question I tabled on 9 November about which other combined authorities would have mayoral elections in May 2017. He replied that they would take place in Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley and the West Midlands. He indicated that there might well be others in addition. It is now 21 December, those elections are due to take place next May, and yet this order for Greater Manchester is the first. What timetable are the Government working to for all the other orders that will be coming to your Lordships' House?

**Lord Kennedy of Southwark (Lab):** My Lords, the order before us today is one of a number of orders in respect of the Greater Manchester Combined Authority and puts powers in place so that when we get the mayor elected next May, they can hit the ground running. The powers here include the power to prepare a spatial development strategy, which will of course enable the authority and the mayor to improve growth in the conurbation. As we have heard, the powers are similar to those already exercised by the Mayor of London and will be exercisable only by the mayor. Compulsory purchase powers will be exercised by the mayor with the agreement of the combined authority. I am supportive of the powers.

Greater Manchester is growing, with jobs being created, enabling the conurbation to increase in prosperity, so these powers are very welcome. The delivery of more housing and housing development is important, as is ensuring that we have transport that meets those growing housing needs and works well. I was pleased to hear about the additional powers in respect of bus franchising in advance of the buses Bill, and that again is very welcome.

However, perhaps the noble Lord could just comment on the court case involving Sheffield and the consultation there. There will be other devolution deals around the country, and it would be helpful to know what is being decided about the action by Derbyshire County Council.

I agree with many of my noble friend Lord Beecham's comments in respect of Greater Manchester. We obviously wish the authority very well next year in the elections, but equally it highlights how much money the authority has lost recently and going forward. The noble Lord mentioned the northern powerhouse, but we need to address the fact that billions of pounds are being taken away from Greater Manchester areas, and other areas as well. It is important to note that we risk ending up with a northern poorhouse rather than a northern powerhouse.

I also have a brief comment about the report in the *Times* today on voting that my noble friend Lord Beecham mentioned. It is only speculation in a newspaper, and it may not be true, but if it is true, I assume at some point next year we will have some legislation on what you need when you go and vote, such as passport, driving licence or utility bill. As my noble friend said, if you are 18, you may not have any of those three documents in your possession at all. We need to know a bit more about that. I accept that the Minister may not be able to tell us today, but we need to find out about it urgently.

It is disappointing that we get reports of these things in the media when I and other noble Lords have talked about the underregistration problem in this country. Millions of people should be on the register today but are not; the Government have done next to nothing on registration in recent years. That is a real shame. Whatever comes from the Government must be proportionate and not an overreaction. I would be interested to know how many court cases there have been for voter fraud in this country—I think there have been very few—and how many convictions; I think it is even fewer.

I remember that when I worked for the Labour Party, I brought a case against the Conservative Party in Slough. We won the case and the councillors concerned were all kicked out of office. That involved multiple applications to register to vote. I remember the official showing me the pictures of these houses. They were burnt-out shells, but dozens of people were registered as living there. In court, it was quickly shown what was going on; people were quite rightly kicked out of office and some went to prison. I would be interested to know how many people the Minister thinks such court cases involve, but we must work on registration; that is the most important thing. With that, I am content with the order.

**Lord Bourne of Aberystwyth:** My Lords, I thank noble Lords who have participated in the debate very much indeed and will seek to deal with the points that they raised. The noble Lord, Lord Beecham, raised some points about funding which I will try to deal with. First, in relation to housing, he will appreciate that the £300 million fund for housing is to kick-start housing projects that would otherwise be difficult to fund. Much of the money will be recycled in so far as it is money for rent to buy, for example; that is part of the answer. The money within the order—the £30 million per year for 30 years—is of course not the sum total that is being spent on the northern powerhouse. For example, £500 million of investment has gone into

infrastructure projects such as the M60, the A66 and the M62; money has been spent under the Weller review of skills; money is going in to schools' strategy, and so on. Much is happening with the money referred to in the order. I echo the congratulation of the noble Lord, Lord Shipley, of the local authorities concerned and those in Manchester who have been driving this forward with considerable enthusiasm. It is an object lesson in how these things can move forward successfully.

I turn to points raised by the noble Lords, Lord Beecham and Lord Kennedy, about electoral arrangements, electoral fraud and how we deal with it. Whether it is in Old Sarum, Slough or elsewhere, I do not think anyone would suggest that a single political party has the monopoly of right when it comes to fraud or benefiting from it. It happens across the piece and, where it does, even on a small scale, we want to deal with it. It is in that context that the report appears in today's *Times*. I confirm that the electoral arrangements for Manchester and the other devolution deals that are going forward will take place in the traditional way, without innovative arrangements.

I turn to comments made by the noble Lord, Lord Shipley, and thank him—and, indeed, the noble Lords, Lord Beecham and Lord Kennedy—for the general welcome he gave to the draft order. I can confirm that the arrangements that we put in place are subject to the openness that the noble Lord referred to: that is part and parcel of what we are seeking to do. We will honour those commitments. An order relating to overview, scrutiny and audit, which he did not mention but covers some of the same territory, is currently before the House and is to be debated early in the new year. He fairly raised a timetable for remaining deals that are going through. One exists in the department which I have seen, if I am not mistaken, so I will endeavour to circulate it to noble Lords so that they are party to the same information that I have somewhere.

The last major issue raised was about Sheffield by the noble Lord, Lord Kennedy. As I understand it, there has been a court judgment this morning that indicates that further consultation is necessary—a court case brought by Derbyshire. It has not stopped the deal going forward, but it means that it may be subject to delay. We will obviously want to study the judgment before coming to a considered conclusion—it happened only a couple of hours ago—but I will once again endeavour to ensure that noble Lords who participated in the debate are updated on it and will place a copy in the Library as well, if I can.

With that, I thank noble Lords, who have been very supportive of the draft order and commend the regulations.

*Motion agreed.*

## Universal Credit

### *Question for Short Debate*

1.35 pm

*Asked by Lord Farmer*

To ask Her Majesty's Government what progress they are making in rolling out Universal Credit, and what assessment they have made of its impact.

**Lord Farmer (Con):** My Lords, I am delighted and grateful that so many of you are here to participate in this debate, the final flourish not only of 2016 but also of the Minister's tenure at the helm of welfare reform. Perhaps others with a longer history in this place than I have will be able to recall similar moments. Even if not unique, it is still historically momentous that a Minister of State, who was such an important architect of the reforms for which he guided through the enabling legislation, will close the book on his ministerial career by informing this House of what has been achieved and what remains to be done. To cap it all, the noble Lord, Lord Macpherson of Earl's Court, is making his maiden speech, to which I very much look forward.

At its simplest, universal credit rolls six means-tested in-work and out-of-work benefits—child tax credit, housing benefit, income-related employment and support allowance, jobseeker's allowance, income support and working tax credit—into one. Even a rudimentary understanding of the implications leaves no doubt that universal credit is a genuinely big idea, a far-reaching reform that has the potential to effect a massive shift in the social and economic landscape of our country.

We are all aware that big ideas and massive shifts rarely, if ever, come from a clear blue sky, or from the efforts of a single political party or Government. The thinking behind universal credit can be traced back to the 1960s, when politicians from all three main parties—Conservative, Labour and the-then Liberals—began to grapple with the complexity and unfairness of the benefits system.

Half a century ago, we knew that low-income families could be better off on benefits than in work, and thereby caught in a dispiriting and pernicious poverty trap. Various measures such as family income supplement, family credit and then an array of other tax credits were adopted to ameliorate this by a string of famous names in politics: Sir Keith Joseph, Kenneth Clarke, Peter Lilley and then of course Gordon Brown.

Although the financial circumstances of many low-earners were improved significantly through the incremental changes introduced, we eventually ended up with a highly complex system comprehensible to very few. One former stockbroker with several children who claimed tax credits described it as utterly impenetrable. The interaction of several benefits and different withdrawal rates for each meant that the marginal gains from work could be quite slight, not cover costs such as travel and be insufficient to de-risk the process of having one's family's benefits recalculated, with the pauses in payments that it entails.

Inadequately responsive annual assessments led to under and overpayments which could be of significant magnitude. The latter were to reach £9 billion by the time the coalition Government came to power. This did not just mean a huge dent in the public finances but thousands of families with worrying levels of debt that many had not knowingly incurred but were expected to repay.

Tackling this complexity was certainly on the "to think about" if not the to-do list of the previous Labour Government. A certain David Freud was asked to review their welfare-to-work programme, and his 2007 report included a chapter floating ideas for a

single working-age benefit. The concept was revisited the following year in a Green Paper from the Work and Pensions Secretary, James Purnell, who was, according to the Institute for Government's Nick Timmins, a single benefit advocate.

However the risks of change—the complexity and uncertainty that lives would be better as a result of making the shift—ultimately deterred the Labour Government from taking the plunge. It is far too easy to criticise those making decisions and carrying the very onerous daily responsibilities of government. However, there is an irony here that their inactivity mirrored on a macro scale the decision of many individuals who might have wanted to make a shift into work or increase their hours appreciably to refrain from doing so because they were not sure life would be better on the other side.

So it is very much to the credit of the coalition Government that they took up the concept of universal credit, rigorously argued in the *Dynamic Benefits* report from the Centre for Social Justice. I would here refer noble Lords to my entry in the register of Members' interests. This was at a time when taking any risk with public finances would have seemed foolhardy, had it not been so desperately needed. Perhaps the profound economic shocks of 2008 were actually decisive in creating the appetite and conditions for change. It became impossible to pretend all was fundamentally well in our financial affairs. Universal credit was an idea whose time had finally come.

Social policy theorists Gyu-Jin Hwang and Hugh Heclo have explained how,

"'new' ideas can become influential in times of uncertainty when the dominant paradigm faces a crisis. ... what is new is the heightened attention they receive within policy-making circles as decision makers search for new ideas that can help solve the crisis. ... 'politics finds its sources not only in power but also in uncertainty—men"—

and women—

"collectively wondering what to do".

Simply put, hard times force you to innovate.

However, if dampening uncertainty is one of the underlying aims of universal credit, evaluating its impact on that, even though it is rather harder to measure than actual numbers in employment, is imperative. Can the Minister explain whether and how the psychological effects of universal credit are being studied? Do claimants feel more in control of their own and their families' futures? Is there a greater sense of optimism? Crucially, is the stigma associated with being on welfare reduced under universal credit?

Obviously, behavioural changes are also very important to track: 86% of people on universal credit are actively looking to increase their hours, compared with just 38% of people on jobseeker's allowance; and 77% of people on universal credit are actively looking to increase their earnings, compared with just 51% of people on JSA. This augurs well for the Government's intention to move people up the scale in terms both of pay and hours worked, and out of needing universal credit at all. But how successful are job coaches at ensuring in-work progression actually happens?

Also, there is no doubt that one major challenge to starting afresh with the benefits, system which caused previous Ministers to baulk—and understandably so,

given the short-termism that plagues our political system—was the length of time that design and full rollout would require. The Minister has often talked about the test and learn approach this Government have taken to welfare reform. I am encouraged, as a businessman who, like all of your Lordships, wants good government and sound management of the public finances, that an agile approach to this very large project was adopted, albeit eventually. My impression is that we have learned invaluable lessons for future large-scale projects by taking the time to get this right. However, this has also meant taking a damaging amount of political flak for the significant delays universal credit has encountered. Can the Minister explain to the House what contingencies and other factors are built into the latest timescales so that the public can have full confidence that they will be met?

Finally, I want to offer my sincere congratulations to my noble friend Lord Freud for defying the maxim that all political lives end in failure. He is leaving office after securing the future for the reforms he has spent more than a decade working—unpaid—to deliver. However, I cannot quite believe it really is the end of this exemplary public servant's political life. Certainly he will not be leaving the House of Lords and he is entitled to remain on the Front Bench as a privy counsellor. So, I am choosing to believe it is the end of a successful chapter, with much of the book yet to be written. We wish him a very happy, healthy and productive retirement.

1.45 pm

**Lord McKenzie of Luton (Lab):** My Lords, I start by saying that we too look forward to the maiden speech of the noble Lord, Lord Macpherson of Earl's Court.

This debate is both our farewell to the noble Lord, Lord Freud, as well as an update on universal credit. Its dual purpose is fitting because there can be few other examples in recent times of the engagement of a Minister being so inextricably and consistently linked to a single piece of social policy, and one where the operation and policy development has been driven by that Minister—and a Minister who stuck with it while others around him have abandoned ship.

Universal credit, as we have heard, started life with a great deal of support—certainly ours—as being a single income replacement benefit for working-age families that would simplify the system, incentivise work and progression in work. The original plan was for claims to legacy benefits and tax credits to cease by April 2014 and for all existing benefit and tax credits to be transferred to universal credit by October 2017. That is now to be 2021. It interests me because, on inquiry over the months, it was always seemingly on time and on budget. It expected to lift 350,000 children and 600,000 adults out of poverty.

At Second Reading of the 2012 Bill on welfare reform, the noble Lord, Lord Freud, was dubbed Che Guevara for his revolutionary zeal, although we prefer to see him as Captain Kirk of the “Starship Enterprise” boldly going where no man had gone before, notwithstanding a few black holes and some warp factors.

A reference to warp factors brings us to the Treasury, whose malign influence has significantly changed the design of universal credit. A range of cuts has been imposed on the project since first proposed and changes to the work allowances in particular, according to the IFS, which has shaved—an interesting figure—£5 billion per year off its long-term cost. Overall, universal credit will cut benefit expenditure by £2.7 billion a year in the long run with 3.2 million households seeing a reduction in their means-tested benefits, and 2.2 million an increase. Incentives to work have been substantially watered down. The IFS projects that there will be 1.3 million more children in relative poverty in 2020-21 than in 2014-15. We have not yet had the Government's assessment over that period.

As CPAG points out, there is continuing pain still to be inflicted by the two-child limit, removal of the first child premium, the continuing freeze on most elements of the benefit and the continuing twist of poverty being inflicted by monthly payments and waiting days—part of the original design, of course—not to mention sanctions.

However, the hope is that in the future, with a different Government, the original intent of universal credit might be restored, and for creating and embedding an architecture which would allow this, the noble Lord, Lord Freud, deserves full recognition. We wish him well earned rest.

1.50 pm

**Lord Kirkwood of Kirkhope (LD):** My Lords, the noble Lord, Lord McKenzie, is quite wrong in characterising the noble Lord, Lord Freud, as the Captain Kirk of universal credit. He is the Mr Spock of universal credit and that is how I will always think of him. I too am looking forward to the contribution of the noble Lord, Lord Macpherson of Earl's Court. He might tell us where we can find some money in future to deal with some of the problems.

I have been an enthusiastic supporter of the concept of universal credit since the heady days of 2008 and *Dynamic Benefits*; the noble Lord, Lord Farmer, was right to recommend that because it was a very ambitious policy. At that stage it was a poverty reduction programme. What we are scaling up in the next few months is, unfortunately, a scaled-down poverty reduction programme—but it is still the right thing to do, because when it works it is transformational. I have seen it work; the conditions have to be right for it to work and, in many parts of the country, these conditions are not in place. That is why the debate proposed by the noble Lord, Lord Farmer, this afternoon is particularly relevant.

I want also to pay tribute to the noble Lord Freud, for the intelligent way in which he introduced test and learn into the 2012 Act. It is progressively an innovation that could pay real dividends if his heirs and successors make positive use of it, which I encourage them to do.

We are looking at the progress of the rollout of the policy. All I have time to do is to list four areas of concern that I did not foresee in 2012 when we passed the Act. The first I do not need to spend a lot of time on, because I am delighted to see that the noble Baroness, Lady Donaghy, is speaking further down the list. She has been a doughty fighter in terms of the

[LORD KIRKWOOD OF KIRKHOPE]  
needs of the self-employed community, which has increased enormously since 2012. I would bet a monkey to a mousetrap that she will spend all of her three minutes on that subject, and I do not need to say any more—except to say that, if we are not careful, that cohort of the working-age population will slip into the grey economy, which is in no one's interests.

In passing, I note the hollowing out that has occurred in local government since 2012. The safety net provision of universal credit locally delivered is embedded in local government. There is no capacity to do that properly—and I was reminded of that by our recent visit to Coventry with some colleagues, where we looked at a properly run and good authority struggling very hard to make things work.

Thirdly, there is the question of sanctions, which I am sure will be raised by other noble Lords in the course of the debate. Sanctions are essential to the proper prosecution of this policy, but they have to be appropriately applied. A gentle nudge is a work incentive; a sledgehammer sanction is counterproductive and costs the public purse more in the long run.

Finally, I would have looked differently at the 2012 Act if I had known that we would be withdrawing from the European Union, which will be detrimental to the poor in this country. We have to find resources to make more generous the thresholds and tapers in future—and I hope that the noble Lord, Lord Macpherson, will show us how to do that in the course of his maiden speech.

I hope that the House will return to these matters. I want to say to the noble Lord, Lord Freud, that I have been working in this policy area in both Houses for 30 years, and there have been two Ministers who have made a significant difference in this social policy area—and actually they are both Conservatives, which you might not expect. Tony Newton was one and the noble Lord is the other; he has made a lasting difference, and it has been a privilege to work with him. I wish him well in future and look forward to his contributions as this policy develops.

1.52 pm

**Baroness Jenkin of Kennington (Con):** My Lords, I remember visiting the Hammersmith Jobcentre Plus three or four years ago, with other noble Lords, including the noble Lord, Lord Kirkwood, accompanied by my noble friend Lord Freud for a briefing on universal credit and to see the new system for ourselves. We spoke with frontline UC advisers, most of whom had previously been jobseeker's allowance advisers, to find out more about their experiences of the new system. We were all impressed by what we saw and heard.

The coaches whom we talked to felt that universal credit fostered a more positive relationship with their customers, that it gave advisers more flexibility, and that it was already changing the culture of Jobcentre Plus away from a focus on off-flows to employment outcomes. These front-line advisers in Hammersmith said simplification works in practice, and that UC has helped to remove what they called the "drama" of the benefits system. The existing benefit system is complex, involving multiple agencies, applications, processes

and rules, and affects the relationship between the adviser and the recipient. Rather than spending a lot of time trying to explain different elements of the system, advisers have time to support their customers to find work. This led to much more positive relationships and more rewarding work for advisers. They had far more flexibility and job satisfaction than when working on jobseeker's allowance, and the new claimant commitment is bespoke and customer-led and it allows them to include a range of activities not traditionally classed as job-seeking but which help to remove barriers to work. Examples included attending an appointment with the local authority housing team, co-located in the building, to deal with the problems of rising arrears and avoiding homelessness; it also included watching a YouTube video on interview techniques.

My other memory of that visit is of my noble friend's incredible grasp of the detail, something which we in this House are so well aware of, and his genuine commitment and care for those who find themselves struggling to navigate the complexities of the old system. I bumped into the noble Baroness, Lady Hollis, yesterday who said how sorry she was not to be able to speak in this debate today. I expect that my noble friend wishes that she had not been available to speak in a number of previous debates during his six and a half years in the job. I know that many of us have felt intimidated by her detailed knowledge of the brief. I, for one, have felt on occasion like a 16 year-old First World War fighter pilot up against the Red Baron—or the Red Baroness on this occasion—but I was struck by her comments to me. She said, "I am a fan of the noble Lord, Lord Freud. He has always been available to talk things through, and his door has always been open". We have been lucky to have him as Minister and we will miss him enormously.

1.55 pm

**Lord Stevens of Kirkwhelpington (CB):** My Lords, I congratulate the noble Lord, Lord Farmer, on introducing this timely debate. I look forward to the maiden speech of the noble Lord, Lord Macpherson of Earl's Court.

According to the original concept of universal credit, which I think that most of us here would support, it should be delivered in 2021. However, various promises have been made over the years which have not been kept. In April 2014, it was said that 1 million people were subject to this scheme. It was then discovered that only 14,000 were part of the scheme. Understandably, something as vast as this takes time to introduce and should be gradual, but the problems with the IT system, which is way over budget, and the promises made that have not been kept, do not give total confidence that this can proceed in the way that we wish. The fact that the noble Lord, Lord Freud, is not there to give his guidance and understanding is also an issue, although I am pretty sure that his successor will take up the cudgels in this respect.

Is not this an opportunity in terms of timescale to look at some of the lessons that have been learned over the years, as the noble Lord, Lord Farmer, illustrated? Something that has been talked about is the clear benefit of decentralising some issues in relation to this

measure. Surely there need to be face-to-face benefits consultations at jobcentres, especially in relation to those people who have serious problems—vulnerable people, victims of domestic violence and disabled people. It may well fly in the face of where the provision is directed to, but if we look at the lessons that have been learned, some of them well documented, surely this issue should be considered. The fact is that most vulnerable people are at the mercy of the progress of this new IT system, but I believe—and I hear this from people who know more about this than me by far—that proper consideration of staffing as this programme is rolled out and keeps progressing will minimise the risk to vulnerable people. I hope that those issues and lessons are being thought about and addressed now. There is nothing wrong in going back to the original intentions of universal credit, but I am sure that it is important that lessons are learned, and that IT lessons are learned. In this House, we have all experienced difficulties with IT systems.

I wish the Minister good luck. I do not know whether to refer to him as Captain Kirk, Spock or even the Red Baron—but one thing is for sure, Minister, you have done an outstanding job. The things that I have heard are that your door is always open, you always listen and you are always very gentlemanly in dealing with anything that comes your way. Thank you for that.

1.59 pm

**Lord Shinkwin (Con):** My Lords, I join in thanking my noble friend Lord Farmer for securing this timely debate. For me, perhaps the two greatest strengths of universal credit are its simplicity and flexibility, which my noble friend Lady Jenkin has already identified. Indeed, I have been struck by how much those two characteristics have been singled out for praise—for example, by the recruitment agency Blue Arrow and by individuals whose testimonies to the Department for Work and Pensions I have read.

It occurs to me that Parliament is often seen as a place where we tear bits out of each other, although, of course, never in your Lordships' House. I wonder, therefore, whether it is all the more important that we give credit where it is due. By credit, I do not mean just the approximately 1,800 Parliamentary Questions that the House of Lords Library estimates my noble friend has answered, or the approximately 400 Statements that he has made, or even the countless hours he has enjoyed at the Dispatch Box during his time as a Minister since 2010. No, what I mean by credit is his record as a proud Conservative social reformer, who, along with Iain Duncan Smith, has translated the vision that work must always pay into reality, and as someone who has recognised that identifying the political imperative on its own is not enough. That is because the political impetus is also essential—the impetus that translates a vision from recognising that a policy is necessary to seeing it being implemented and rolled out. That requires political will. Therefore, there is much that we can, and should, learn from my noble friend because the Freud model of government so obviously works. Change is actually happening, and in

the face of systemic inertia and, I suspect, sometimes denial that change is even necessary. That is surely a remarkable achievement.

I believe that just as the Disability Discrimination Act was the Conservatives' greatest social reform of the 20th century, so universal credit will come to be seen as one of the Conservatives' greatest social reforms of the 21st century. We should take pride in both and look to draw on my noble friend the Minister's example of applying the political will and the drive so essential to implementing and rolling out our political and social reforms, whether that be universal credit, or, indeed, the Disability Discrimination Act—both matter. We should also appreciate that only when we roll them out and they are fully implemented can their benefits be fully realised. Surely that will represent a fitting and lasting tribute to my noble friend the Minister.

2.04 pm

**The Lord Bishop of St Albans:** My Lords, I too thank the noble Lord, Lord Farmer, for this important debate. On behalf of these Benches, I take the opportunity to thank the Minister for his very considerable contribution, drive and service to this House, and wish him well as he leaves the Front Bench.

I think it is true to say that very few in this House disagree with the stated aims of universal credit—to simplify the benefits system and ensure that work always pays. However, I also suspect that there are quite a few of us in this House and, indeed, on these Benches, who fear that on occasion Her Majesty's Government may have lost sight of that aim. Indeed, it seems that successive cuts to the welfare budget have been prioritised as an easy way of balancing the Government's finances.

The Chancellor's decision to lower the taper rate of universal credit in the Autumn Statement indicates a welcome change in the direction of travel, but that concession does not go far enough. It is cuts to work allowances that have most seriously undermined universal credit as an effective incentive to increase working hours, and only a restoration of those work allowances will see the credibility of universal credit restored. As the Centre for Social Justice has suggested, slowing or scrapping the Government's commitment to increase the personal tax allowance would be the most obvious way of paying for an increase in work allowances, and would be a far more effective way of assisting hard-working families most in need of support. With more people in employment than ever before—that is a great thing—it is vital that the welfare system gives part-time workers an effective incentive to increase their working hours.

I want to make a further brief point about the loans made available to claimants in financial difficulties when direct payments are not available. It is crucial that people are made aware of, and are able to access, universal credit advances as soon as they apply for universal credit, given that they could be waiting for up to seven weeks for their claim to be processed. Access and awareness around hardship payments are also vital when an individual is sanctioned, as well as swift processing. Anything else will leave people quite literally going hungry, and that is not something we should be willing to accept in modern-day Britain.

2.06 pm

**Lord Hodgson of Astley Abbotts (Con):** My Lords, I add my thanks to my noble friend Lord Farmer for giving us the chance to debate this important topic. I would like to take the first of my three minutes to add my thanks and congratulations to my noble friend on the Front Bench for his sterling work across the whole field of welfare and social security reform. The role of a Minister in your Lordships' House is not an easy one. Having mastery of a brief is essential. If not, another Member of your Lordships' House will almost certainly stand up and put you right. However, mastery of the brief is not enough. Because of the make-up of your Lordships' House—the make-up of the political parties and the presence of the Cross-Benchers—a successful Minister must know how to put a case across, not stridently and didactically, as that will not win over the uncommitted, but calmly and persuasively. My noble friend is a master at this and has been a centre of calm reasonableness, no matter how strong and fierce the criticisms.

I turn to universal credit. Many Members of your Lordships' House will know of my involvement in the charity and voluntary sector. One of the areas where charities play a major role is in getting people back to work. Work in the charity sector can be an important first step in recovering self-confidence and learning to live with the disciplines of the workplace.

Charities and voluntary groups used to tell me about the two main drawbacks of the pre-existing system. The first was its complexity and the fact that a multiple range of benefits, some of which overlapped and some of which required quite sophisticated form filling, were a major challenge—the impenetrability issue to which my noble friend referred in his opening remarks. The second was the way that benefits were withdrawn as the individual began to earn, which led to perverse disincentives to work only so long and no longer, and to earn so much and not more because of the way the system worked. For me, the universal credit plan offered a way to tackle these two challenges, and in large measure it appears to be succeeding. Have there been setbacks which have necessitated changes? Of course, there have. Indeed, the noble Lord, Lord Stevens, referred to one. But with a wholesale change in approach covering 5 million to 6 million households, it would have been a miracle if the system had proved pitch perfect from the outset. However, overall, the system seems to be working, and working well. Perhaps the final link in the chain will be to improve the help offered to those who are less confident and experienced in dealing with a primarily online approach. But overall this has been a success, and one on which the Government, and especially my noble friend, should be congratulated.

2.10 pm

**Baroness Donaghy (Lab):** I thank the noble Lord, Lord Farmer, and the Government for enabling this end-of-term Christmas show to pay tribute to a man who looks as amiable as Bob Cratchit—and whom I sincerely hope history will not judge as Scrooge. A Minister who actually understands his brief is regarded as a clear and present danger to his own side. The Opposition know that he has the confidence to make

changes where they make sense and do not harm the overall project. His is one of the most complex and heavy areas of work, and he steered it through for six whole years on the Front Bench. In prison terms, that must make the noble Lord a long-termer.

During the debate on the then Welfare Reform Bill, I tabled an amendment about exempting industrial injuries benefit from the benefit cap. The noble Lord said in reply:

“My Lords, I will not make any promises on this but I will have another look at it. That is the weakest of possible promises. In fact, I am trying to say that it is not a promise at all”.—[*Official Report*, 23/11/11; col. GC 428.]

However, he delivered on this, and I was eternally grateful.

Others will be able to speak much more coherently on the other aspects of universal credit. I still think that including housing benefit was a huge mistake, and administering universal credit is extraordinarily complex, but it is not my intention to rain on today's parade.

The noble Lord will probably know that my ignorance of welfare matters was total. When asked to participate in the debate, I explained to the noble Baroness, Lady Hollis of Heigham, that I had worked for 40 years and my expertise was in the world of employment. She immediately replied, “That's excellent—you can deal with the self-employed”. I buried myself in this world and must have bored the Minister rigid with my analyses. I like to think that if the Treasury had allowed him, he would have been more flexible with the problems of the low-paid self-employed. I promise him that I will continue to pursue this.

Finally, I have to say something about the Mesothelioma Act 2014, which would not have existed without the noble Lord, Lord Freud. I took part in the debate as a tribute to the trade union movement, which campaigned to get mesothelioma recognised as an identifiable disease. Arising from the Act, an oversight committee was set up and I was invited to chair it. We oversaw the paying of £26 million last year, and the noble Lord should be extremely proud that claimants and their families will at least have some anxieties removed as a direct result of his actions.

I hope the noble Lord does not object if I conclude with a limerick. For the benefit of *Hansard*, the second line is “cold-water warrior”—I would not like it to be set down as “Cold-War warrior”:

“There was a long-termer named Freud,  
A cold-water warrior who toyed  
With a system that groaned  
And a Chancellor who moaned,  
And to his universal credit, he deployed—partially”.  
God bless us, every one.

2.13 pm

**Baroness Thomas of Winchester (LD):** My Lords, I well remember the maiden speech of the noble Lord, Lord Freud, on the Autism Bill of 2009. In it, he said:

“The approach presaged in the Welfare Reform Bill would allow us to find the very considerable resources necessary to transform the lives of those adults with autism. It would do so despite the very difficult times that we are facing, when the economic pressures on spending will inevitably be severe”.—[*Official Report*, 10/7/09; col. 892.]

Universal credit was welcomed, as others have said, with its mission agreed across all parties to simplify the payment of benefits, and to create work incentives and earnings progression. The noble Lord played a key role in keeping universal credit on the road when there were rumours that it was about to be scrapped. But the Treasury, which is not getting a good press this afternoon, is outside anyone's control, it seems. It has done its best to dilute universal credit so much that its mission may have to be completely reset if it is to be anything more than a vehicle to rationalise the payment of benefits.

So, is UC beginning to transform the lives of those with autism and other vulnerable adults, particularly those with learning difficulties or disabilities? I asked the National Autistic Society and my colleagues in Sutton, south-west London, who have embraced the full digital rollout of UC, to answer this question. The answer, I fear, is not looking good. Vulnerable adults who have to make a new claim for UC and who have not yet been through the work capability assessment will have an interview at the jobcentre with a work coach. Unfortunately, work coaches are not trained to deal with people with autism or learning difficulties. I am told they work from a script, mostly with no variation from it.

So what about support for vulnerable adults, particularly the tailored support we were promised? Luckily, in Sutton the local authority is stepping in—at the moment—to avert a real crisis, but this will not happen in many local authority areas around the country as there is no funding to support it. Would the DWP consider allocating more resources to local authorities for claimant advocates to tide them over this transitional period when full digital rollout takes place, so that thousands of vulnerable adults are not plunged into confusion and debt? The other problems include delays in payment, and alternative payment arrangements for housing costs, which are for a set period, suddenly ending, leaving many claimants confused.

When UC is working as it was originally designed to, it is a fitting legacy for the noble Lord, and we can only hope the current problems will not last. I wish him very well in the future.

2.17 pm

**Lord Macpherson of Earl's Court (CB) (Maiden Speech):** My Lords, I feel very fortunate and indeed honoured to be speaking for the first time in your Lordships' House. I am grateful for the very warm welcome I have received in recent weeks, my Treasury origins notwithstanding. I would like to thank the extraordinarily helpful staff of the House, who have initiated me into its more arcane mysteries. I would also like to thank my supporters, the noble Lord, Lord Layard, and my noble friend Lord Stern of Brentford. Both are internationally renowned economists. Both have worked on labour market and poverty issues, and I have learned a great deal from them.

I recently left the Treasury after 31 years. One of my first posts there was on social security at the time of the Fowler reforms, whose eponymous author is now Lord Speaker. I worked on his admirable plan to replace family income supplement with family credit.

Later, I worked for Ken Clarke on seeking to extend family credit, and I had the great privilege of working for Gordon Brown, leading the work on the new tax credits at the turn of the century, when I also worked with the noble Baroness, Lady Sherlock, among others. I was also Permanent Secretary when Mr Duncan Smith announced his plans for universal credit in 2010.

I see successive reforms to income-related benefits as very much an evolutionary continuum, informed by evidence and experience. And although each change has rightly been subject to vigorous debate, not least on what constitutes a fair and affordable level of benefit, each reform, in its own way, has been successful. Our country has one of the most dynamic and flexible labour markets in the developed world, and we should celebrate that.

Of course, it is too early to tell whether universal credit will achieve its objectives, but I welcome the fact that, as a concept, it has cross-party support, and that digital technology at least in principle is making options possible which were previously unthinkable.

I hope to come back to the issues raised by universal credit in future debates, not least to respond to the challenge of the noble Lord, Lord Kirkwood: how to finance improvements to universal credit. For my part, I would advocate spending a bit more on income-related benefits for working-age people, perhaps at the expense of the very large amounts that are now going to pensioners. However, for the moment, I shall confine myself to one observation.

The delivery of universal credit has been a long and expensive journey, and it is not over yet. When the dust has settled, I hope, like my noble friend Lord Stevens, that we can learn some of the lessons. I fear that the original timetable was overly aggressive; that capacity, at least in the early years, was inadequate; and that, with hindsight, the department and the Treasury could have worked better together.

In the meanwhile, the nation should be hugely grateful to the noble Lord, Lord Freud, who has done a fantastic job. He has devoted six years of his life to the cause, and that is public service indeed.

2.20 pm

**Baroness Stroud (Con):** It is an honour for me to follow the noble Lord, Lord Macpherson. I congratulate him on his maiden speech and welcome him to this House. His contribution to the topic we discuss today is huge. As he said, he was PPS to Gordon Brown as he created the tax credit system, and then Permanent Secretary to George Osborne throughout the introduction of universal credit. The care that he gave to steering the Treasury through the financial crisis at the same time as undertaking the biggest reform of welfare in a generation is highly commendable, and we look forward to seeing his wisdom and experience, benefiting us all in this Chamber.

But today is important for a second reason. There were many days when I doubted that we would discuss the progress of universal credit, so the title of this debate alone is a source of huge encouragement to me. However, it is also a day when we celebrate another

[BARONESS STROUD]

heroic effort. It is an extraordinary feat to be a Minister in one department for six years; it is still another to leave at a time of one's own choosing.

As my noble friend Lord Farmer has already said, my noble friend Lord Freud disproves in one easy stroke the old adage that all political careers end in failure. He has stayed long enough at the coalface to ensure success. The story of universal credit is the story of real courage, sacrifice, endurance and painstaking policy work, and much of this story belongs to him.

In 2008-09, when we were developing the concept of universal credit at the Centre for Social Justice—I refer to my entry in the *Register of Members' Interests*—there were key dynamics that we wanted to be built into a reformed welfare system. We wanted to ensure that it encouraged more people into work and made work pay, smoothed the transition into work, making the choice to take work a logical choice, and tackled poverty through increased reward from being in work.

The rollout of universal credit was not a smooth one, as my noble friend Lord Freud and the noble Lord, Lord McPherson, can attest to, but we now have a silent revolution taking place. Universal credit claimants now spend around 50% more time on job searches than comparable JSA claimants, they earn more than similar JSA claimants and they move faster into work.

However, given that universal credit is rolling out successfully, and given that it is Christmas, I want to finish my few allotted minutes with my Christmas wish list for universal credit. I was one of the first to congratulate Theresa May and the Chancellor on their choice of investing in universal credit and beginning the pathway to reversing the cuts to work allowances. I encourage them to use each Budget and each spending review to continue investing in the work allowances and taper. That is the best way of supporting those who are just about managing.

Secondly, there is one more step to take with childcare in universal credit. If you are on a higher income outside of UC, you can claim the tax-free childcare offer for as many children as you have. That is not the case for universal credit claimants, although with an investment of about £50 million it could be. Thirdly, a strong and continued commitment to universal support, extended beyond financial and digital inclusion to include family, mental health and skills support, could provide the safety net that vulnerable people need.

Many people on all sides of this House are committed to the successful rollout of UC. We thank our noble friend Lord Freud for staying at the coalface long enough to ensure safe passage for this hugely significant reform, at significant personal cost. We reassure him that his efforts have not been in vain but that we will continue, as a House, to safeguard this reform.

2.25 pm

**Baroness Lister of Burtsett (Lab):** My Lords, I too am grateful for this opportunity to mark the huge contribution made by the noble Lord, Lord Freud, to the design and implementation of universal credit.

However, I doubt that the Minister will be surprised that my three minutes will not just be made up of warm words, because reports from the ground are not encouraging.

One of the biggest problems is the combined effect of a seven-day waiting period and monthly payments in arrears, which, after assessment, means that the first payment is not made for at least six weeks. This is causing considerable hardship and is leading to reliance on food banks. Monthly payments also create unnecessary difficulties for those—especially mothers—who just about get by when budgeting weekly or fortnightly. They are not essential to UC's architecture and I urge the Government most strongly to look at them again.

I am particularly concerned about the implications for those granted refugee status, who are given only 28 days to move from asylum support to mainstream benefits. This is already a problem, with too many left destitute because 28 days simply is not long enough, and, by definition, it will not be enough time under UC. Welcome as the Home Office/DWP pilot is, it cannot solve that problem. A related problem is refugees and other vulnerable claimants who are unable to claim because they do not have any form of bank account, despite the assurance given in a recent Written Answer that this does not prevent a UC claim. Again, I urge Ministers to look into this.

Universal support delivered locally is supposed to be the answer to the more general problems created by monthly payments. However, I am told that it is functioning pretty minimally now. The evaluation of the trials found that the,

“most significant challenge in delivering personal budgeting support was that ... participants simply did not have enough money each month”.

Well, that challenge is going to get harder with the lower benefit cap, the two-child limit and the benefits freeze at a time of rising inflation.

Moreover, the universal credit that the Minister is bequeathing his successor is not the one that he championed through your Lordships' House because of the cuts in work allowances, which we have already heard about and which bear the fingerprints of the Treasury. Even the Minister's former boss, Iain Duncan Smith, has made a powerful case against this cut, pointing out that work allowances are a much more cost-effective mechanism for helping the just about managing than are personal tax allowances—a point also made by the right reverend Prelate. Of course, the Minister could not possibly comment but I hope that, once he has stepped down, he might feel freer to do so.

Nick Timmins described the Minister as,

“the last political figure to understand, in full technicolor, the gory details”,

of UC. The DWP has been very fortunate to have someone of his ability committed to it. I hope that those who follow will learn from his experience and will be willing to look again at the emerging problems. I am very encouraged that the noble Lord, Lord Macpherson, made clear in his valuable maiden speech that he will be taking part in those debates—and I should mention that I have no prejudice against his Treasury background.

As for the noble Lord, Lord Freud, we may rarely have seen eye to eye in exchanges in this Chamber but I am grateful to him for his courtesy and openness outside it, and I wish him all the best for his well-deserved retirement.

2.28 pm

**Baroness Manzoor (Con):** My Lords, I thank my noble friend Lord Farmer for securing this timely debate, and I congratulate the noble Lord, Lord Macpherson, on his excellent maiden speech.

The universal credit system is one of the most radical reforms since the welfare system was set up 100 years ago. Today, as we have heard, is the Minister's last day on the Front Bench, and I therefore take this opportunity to thank him for his tenacity, drive and commitment in ensuring that UC, despite the many challenges it has faced, has continued to progress and develop and to be rolled out successfully across the country, despite some of the delays. He has played a key part and leaves behind an important welfare reform legacy, and I congratulate him.

UC is, of course, the integration of six means-tested benefits and tax credits into a single payment. It simplifies and streamlines a complicated benefits system, along with improving its transparency, accessibility and accountability. It is worth remembering how far we have travelled. In 2010, the country was spending £4 for every £3 we were earning, the welfare bill had ballooned to unsustainable levels—£9 billion, as we have heard—and in-work poverty had increased to 20%. To address this, the UC system is designed to make it easier for people to move in and out of work, and it removes the benefit trap by tackling the financial disincentives to entering the workforce. This is to be applauded as, unacceptably, two-thirds of children in poverty live in working families. This must change.

UC is rightly designed to lift working adults and their families out of poverty by encouraging more people into work and ensuring that work always pays. However, had the cuts to tax credits gone ahead, they would have undermined this cornerstone policy. The Government must ensure that the effects of UC working allowances do not have a similar impact or unintended consequences; for example, discouraging single parents from working more hours. As we move forward and the reforms bed in, the Government must be ready to act to ensure they are not in danger of cutting the very aspect of UC that creates a work incentive.

In the meantime, UC is showing that people are taking up more employment and remaining in employment for longer than when compared with jobseeker's allowance. In the first nine months, 71% of UC claimants moved from welfare into work with the help and support of Jobcentre Plus work coaches, and of course there is also the offer of help with 85% of childcare costs.

My noble friend Lord Freud leaves behind a huge, incentivising welfare-to-work agenda and a welfare system that must continue to be seen through the prism of work. He leaves a strong legacy for his successor to build upon, and I wish him and UC well for the future.

2.32 pm

**Baroness Warwick of Undercliffe (Lab):** My Lords, I thank the noble Lord, Lord Farmer, for securing this important debate. I too pay tribute to the noble Lord, Lord Freud, soon to retire from his ministerial role. He has been instrumental in developing and delivering universal credit. I also want to offer my condolences to the noble Baroness, Lady Jenkin, on the sad loss of her father-in-law, whom I worked with years ago and whom we all respected in this House. Of course, I congratulate the noble Lord, Lord Macpherson of Earl's Court, on a very witty maiden speech.

I declare an interest as chair of the National Housing Federation, the trade body of England's housing associations. Although I share some of the concerns expressed by other noble Lords, particularly my noble friend Lord McKenzie and the right reverend Prelate the Bishop of St Albans, I want to focus on the role of housing associations in universal credit. Thousands of association tenants are eligible for universal credit and, over the past three years, the federation and sector have worked with the DWP and the noble Lord, Lord Freud, on the design and implementation of the pilot and then the rollout. We all support its principles of simplifying the benefits system and incentivising work. Housing associations have worked with the department to ensure that these principles are achieved and that unintended consequences are, I hope, avoided.

Our joint working has resulted in the setting up of a specialist team to tackle the challenges that housing claims entail. It has also improved the alternative payment arrangements system whereby the housing element of universal credit is paid directly to the landlord. These arrangements are vital for those who currently lack budgeting skills and would be at risk of going into arrears and losing their home. The sector is keen to help ensure that new claimants are protected by reducing the risk of arrears as much as possible. We know from the pilot that sharing information between the DWP and social landlords is vital. It helps landlords take pre-emptive action to prevent arrears and gives the DWP valuable claimant information. I understand that the DWP is currently looking into an online portal to make this information sharing easy and free from bureaucracy. Associations would certainly welcome this, along with further information on timescales, and I wonder whether the Minister can give the House an update on progress. Similarly, associations would be keen for the DWP's "trusted status" pilot to be extended, allowing it to grant alternative payment arrangements before arrears build up. Again, that would reduce the risk of eviction and keep vulnerable tenants in their homes.

Finally, I want to emphasise the role that associations can play in helping to reduce the benefits bill and boost affordable homes. As I said in the debate on the Autumn Statement, associations could do more if given the freedom to set their own rents. I believe that both tenants and the Government would benefit from that. It would allow associations to better meet the needs of the communities they serve, improve affordability and therefore prevent upward pressure on housing-related benefits. Housing associations have proved to be helpful and trusted partners in the design and implementation

[BARONESS WARWICK OF UNDERCLIFFE]  
of universal credit. Is the Minister prepared to build on this trust and support discussions to support freedom for the sector to set its own rents?

2.35 pm

**Baroness Eaton (Con):** My Lords, I join other colleagues in thanking my noble friend Lord Farmer for providing the opportunity for this debate, and I congratulate the noble Lord, Lord Macpherson of Earl's Court, on his excellent contribution to our debate this afternoon.

The fact that there are so many speakers for a debate which is last business before the Christmas Recess is a clear indication of the interest members have in UC and the very high regard they have for the Minister. When my noble friend Lord Freud began his work on universal credit, I am sure he had clear in his mind the end product. I am sure he did not envisage the very difficult, challenging and sometimes painful path he would need to take to achieve the positive position we are in today. I know all Members of the House hold him in high esteem, not only for his clear far-sightedness but also for the gracious and patient way he has dealt with the barrage of questions, and sometimes even open hostility, he has received from some quarters.

We have heard from some Members of the remaining challenges that we face with UC. As the 16th speaker in the debate, I know that much detail has already been given and comments made, so I will not hold the House up by adding and repeating things. However, I would like to say that I was brought up in a household that believed very strongly in a work ethic, equally strongly in supporting those who suffer disadvantage, for whatever reason, and in the value of the welfare state as a safety net. The previous welfare system did not encourage a work ethic and did not work efficiently or effectively as a safety net.

One of the many aspects of the old system that I thought was dreadful was the fact that savings had to be run down fast if benefit was to be paid in full, as the system assumed that a ludicrous rate of interest was being paid on them. The system encouraged fraud. On some calculations, 200,000 more people were claiming tax credits as lone parents than actually existed. One of the groups most hit was childless adults under the age of 25, who were not entitled to working tax credits. NEETs aged 16 to 25 were included in this group. In my previous roles in local government, I worked with others on the plight of NEETs. The welfare system did little to help this vulnerable group.

Universal credit is revolutionising the welfare system by making work pay. It is already transforming lives, with those on universal credit moving into work significantly faster and working longer than under the old system. For the first time we are not only helping people into work but helping people while at work with personalised support. My noble friend Lord Freud believes passionately in this reform, into which he has personally invested much time and effort. We all owe him a debt of gratitude and wish him a relaxing and very fulfilling future.

2.39 pm

**Baroness Finn (Con):** My Lords, I begin by thanking my noble friend Lord Farmer for securing this timely debate. I also congratulate the noble Lord, Lord Macpherson, on an excellent and incisive maiden speech. The noble Lord was among the very best of officials and we all appreciated his dry wit as well as his brilliant mind. I also pay tribute to my noble friend the Minister, whose dedication and public service ethos have been beyond compare. There are few who were better qualified to be the Minister for Welfare Reform, having advised the Opposition while they were in government and the current Government while in opposition. My noble friend Lord Freud's nearly seven years in government have seen the fruition of the universal credit programme.

Perhaps my noble friend's greatest achievement was to help secure cross-party support for the policy of universal credit. Previous Governments ducked the challenge of implementing such an ambitious programme and certainly more than one official told me that it simply could not be done. It would be fair to say that there were issues with, and glitches in, its implementation during the coalition Government. However, the fact that the policy itself enjoyed full political support was crucial. The implementation and rollout of universal credit posed enormous challenges for which the Department for Work and Pensions was unprepared and with which it was ill equipped to deal. It is to the enormous credit of my noble friend the Minister, my right honourable friend the former Secretary of State Iain Duncan Smith, and my noble friend Lady Stroud that they persevered in the face of such difficulties.

The Public Accounts Committee report into the early progress of universal credit in 2013 was fairly damning of the "extraordinarily poor management" of the programme and the approach of the officials responsible. Astonishingly, the department was first alerted to the problems due to,

"concerns raised in a supplier-led review, commissioned by the Secretary of State, which reported in July 2012".

It was therefore the Secretary of State and his red team review that alerted his officials to the problems—rather than the other way around, as ought to be the case.

For this, Iain Duncan Smith deserves rightful commendation as he refused to accept the blandishments of officials who kept reassuring him that all was fine. As a result, the universal credit programme was reset, using the latest digital technology, and, as many noble Lords have explained, it is indeed starting to transform lives. I urge that the policy stays true to its original purpose and continues to carry incentives to ensure that work will always pay.

My noble friend the Minister deserves credit not only for establishing support for the universal credit policy but for his dogged determination to ensure that the policy is properly implemented. As all of us who bear the scars of government know, moving the government machine and getting things done are not easy tasks. It is remarkably hard work. To have achieved the successful implementation and rollout to date of universal credit is a tremendous achievement and formidable legacy.

2.42 pm

**Baroness Bakewell of Hardington Mandeville (LD):** My Lords, I draw noble Lords' attention to my entry in the register of interests. I also thank the noble Lord, Lord Farmer, for securing this important debate and congratulate the noble Lord, Lord Macpherson, on his maiden speech.

The universal credit rollout has been methodical across the country. My home town Yeovil's rollout is due in April 2017 and the district council and other agencies have been working together to ensure that the transition runs smoothly. There are, however, problems as the DWP is not sharing information in a way that would assist the process.

The issue of the introduction of the two-child limit was raised by the noble Lord, Lord McKenzie of Luton, and is extremely important. It is vital that safeguards are in place to protect children of rape victims and kinship care where short-term transitional arrangements could make a huge difference. I hope that the Minister will be able to reassure the House.

Turning to discretionary housing payments, guidance has been issued that households on universal credit that have a managed payment to landlords arrangement should not be awarded DHP unless the MPTL is ended. That is worrying as those in receipt of such an award are, by definition, people who have difficulty paying their rent, and the removal of a managed payment will clearly put those payments at risk. A single parent with very young children subject to the benefit cap, with a managed payment but with no DHP, could be left with no money to live on.

The availability of discretionary housing payments was a key argument which the Government used to justify extending the benefit cap to vulnerable groups who are unable to work. Restricting their availability in this way substantially undermines this defence. I ask the Minister to look at this with some urgency. I also draw attention to the six-week waiting period that has been raised by other noble Lords. We have evidence from Citizens Advice that this is leading to increased rent arrears and food-bank use. In South Somerset the offices are holding small stocks of food, petty cash and vouchers to assist those in really desperate straits. For low-paid workers struggling to be independent, having frequently to use a food bank is disheartening in the extreme. In modern day Britain it is a disgrace that we all share. While our donations to the food banks are welcome, it should not be necessary in one of the wealthiest nations of the world.

Lastly, I take this lighter opportunity to pay tribute from the Liberal Democrat Benches to the contribution that the noble Lord, Lord Freud, has made to the transformation of the benefits system and the work of the DWP. It is certainly not a role where you can please all of the people all of the time. However, the noble Lord has engaged with all sides of the House in a genuine and open fashion. I remember in my early days being part of the organised visit referred to earlier to Hammersmith jobcentre, which was instrumental in the early rollout of universal credit. The noble Lord's knowledge of the subject was striking, as was his empathy with those claimants who were going to be among the first to transfer to universal credit.

His commitment and integrity were clear and he will be a very great loss to the government Front Bench. We wish him well in his retirement and hope that he has a relaxing Christmas—for he has certainly earned it.

2.46 pm

**Baroness Sherlock (Lab):** My Lords, I welcome the noble Lord, Lord Macpherson, to the House. It was a real pleasure to work with him in the Treasury, albeit of course in wiser and gentler days. It was a characteristically thoughtful and measured maiden speech. Perhaps his long view enables us to look on something like the developments in social security today as evolution rather than revolution. If he is right, I fear that the students of the world will have to tear down their pictures of the noble Lord, Lord Freud, which had previously replaced the ones of Che Guevara and perhaps look at something in future that is a little more Darwinian in evolution. I cannot tell noble Lords how frustrating it is to have three minutes to talk about universal credit: I could talk for 33 minutes, but I will not. I have three brief comments and will then say a word about the noble Lord.

First, on the principles and architecture, we on these Benches have long supported the idea of universal credit and a combined benefit. It is in the end not a principle, but a delivery mechanism to get money to households based on need and circumstance. Its key advantage should be the ability to smooth transitions in and out of work, while having a single taper can be used to ensure that work pays and that claimants benefit from any increase in pay or hours. But there are some structural issues that still need addressing. The key one is that it was a real mistake to let the DCLG take council tax benefit outside universal credit. Doing that and then cutting it and localising it means not least that the DWP cannot ensure that work pays because it does not know how much council tax support any individual will get, especially if they get disability benefits. That was flagged up during the passage of the Welfare Reform Act as were other issues that are now causing problems. We have heard about paying monthly in arrears leading to six-week delays and real hardship and the decision to pay rent direct to the landlord causing real problems for tenants and some landlords. There were also significant issues for second earners for whom work is disincentivised, for self-employed people and real issues around in-work conditionality. But all of that could be changed: it is not structural, so I hope that it will be.

Secondly, the levels of UC payments are a problem. They were cut before it was even implemented and have been repeatedly since. Universal credit was meant to be more generous than the tax credits that it replaced, but it is now a net gain to the Treasury, which may explain its more recent enthusiasm for it. UC was of course designed to lift 350,000 children out of poverty, but it now cannot do that, because if levels simply are not high enough to raise people out of poverty, it cannot do that job. Crucially, it was meant to make work pay. Instead, the taper-free work allowance has been halved unlike with tax credits. Reducing the taper from 65% to 63% does not begin to compensate. The original taper was meant to be 55%, which really

[BARONESS SHERLOCK]

could have made work pay. Sadly, I am sorry to say that the Treasury axe has so damaged universal credit that at the moment it cannot do the job that it was born to do. Work is no longer the route out of poverty and simply saying it does not make it so.

UC is a great idea, but only if it is deliverable. If it cannot be delivered, it is a terrible idea, so I am afraid that I have to say a word about delivery. I feel really mean going on about this during the swansong of the noble Lord, Lord Freud, but it has to be said. I cannot allow a debate on universal credit to go through without mentioning that it is years late, that hundreds of millions of pounds have been spent on IT disasters, that there are widespread complaints about delays and errors, and that sanction rates are sky high—and all this is before current claimants with complex cases and repeat changes of circumstances move across. I fear that it could then get worse. I hope very much that the new Minister will find an opportunity for us to discuss these issues at greater length when we come back in the new year. Universal credit can and should make work pay and tackle poverty, but it will not do so without change.

But that is not for the noble Lord, Lord Freud, to worry about. His job is done and the House should acknowledge his absolute determination to get the structures of universal credit in place, including his willingness to stand his ground and to fight his own department, the Treasury and the DCLG when necessary. My friends used to report to me periodically about turning on the television to find footage of the noble Lord, Lord Freud, and I doing battle on late night Parliament TV, and they would often say, “Why do you keep shouting at that nice man?”. It is true that we have battled over various policies for many years, from the bedroom tax to disability benefits. Some issues we must flat out disagree on, but with others such as the cuts to universal credit, and I suspect the two-child policy, I always thought that the Minister’s heart was not really in his arguments.

But whatever the issue, some things may not be evident from outside the House: that the noble Lord, Lord Freud, has been unfailingly courteous to me and to all of us on these Benches. He has been generous in giving us access to his officials and he has done the House the courtesy of almost always coming here himself to defend his policies rather than sending a Whip. He usually seeks to defend his arguments by engaging with us and using evidence rather than just repeating the government line. When we convinced him in debate, he would go back to his department, push, and then sometimes return with real concessions. We may disagree on policy and I think that we will carry on doing so, but the noble Lord, Lord Freud, has been a loyal public servant of integrity. The House and the country should be grateful to him. I hope that we will see him in the House again very soon, but only after he has had a well-earned sabbatical.

2.51 pm

**The Minister of State, Department for Work and Pensions (Lord Freud) (Con):** My Lords, I start by congratulating my noble friend Lord Farmer on getting

this debate. I do not know what Houdini-like skills he has to secure this timing, but it clearly shows that he knows how to operate the House systems. I also congratulate the noble Lord, Lord Macpherson of Earl’s Court, on his maiden speech. He has a lot of knowledge of this area which he will be able to contribute to the House. Lastly, I add my condolences to my noble friend Lady Jenkin of Kennington.

My private office tells me that I have made 3,331 spoken contributions in my time as the Minister for Welfare Reform, and this is the last time that I will speak in that capacity. I thought that it would be most valuable if I concentrated on two things: the lessons we have learned from the process and what we can see for the future of welfare reform. Universal credit marks a fundamental change in the relationship between the state and citizens who are claimants. I think that it is more than a Darwinian process. This is quite a substantial change in approach that puts progression into work at its heart. The original systems were often designed to protect people from work when it was industrial and hard, so that was what we wanted to do. It never proved possible to move the whole system away from that approach, so it is universal credit which is introducing that real dislocation.

It has been much harder than I thought it would be and it has taken longer. However, I remain utterly convinced that putting this machinery in place is the right thing to do. The purpose is simple. One wants a system where those who are in it can see the benefit of taking control of their own lives rather than be constrained from doing things simply by the shape of the benefits system. Let me talk briefly about an element referred to by my noble friend Lord Shinkwin, which is the flexibility of the system and how it can be used to improve the productivity of the country. That is being done by removing the hours rules in the existing system as well as simplifying the system so that people are able to understand it. Picking up on the point made by the noble Lord, Lord McKenzie, there are various incentives to work, one of which is the work allowance, but the level of the taper is another. It is, I hope, interesting to noble Lords to see that at a time of full employment, which on the figures is virtually where we are, one can play with the taper to try and bring progression into the system rather than look at encouraging people to get into work in the first place. One will be able to play those changes in the years to come a bit like the tax system is manipulated when one wants to achieve particular things.

The area into which the noble Baroness, Lady Donaghy, has been particularly successful at putting her probe is that of self-employment. She has genuinely got me going back and worrying about making sure that our self-employment support is right. We started off with a fairly mechanical approach, but now in part as a result of the probing and warnings of the noble Baroness, we are looking at how to support people who are self-employed. I have had a cadre of work coaches trained up who understand small business and can begin a dialogue with people. We have also pulled the new enterprise allowance into the system. What we are looking at is not only how to have people who are self-employed, but how to help them be successful in their self-employment. I thank the noble

Baroness, Lady Donaghy, for that. The fact is that the structure of universal credit works far better with what we are all calling the gig economy because it is more flexible, and that includes self-employment.

I turn to the lessons learned. Noble Lords will remember, some vividly, the reset in 2013. I can remember probably more vividly than most noble Lords the difference between the way that my colleague the right honourable Iain Duncan Smith was treated in the Commons at the time and how noble Lords in this House treated me. Two debates were held and the *Hansard* reports would make a reader think that they were conducted on different planets. There was real generosity in this House and an understanding of what we were facing, as well as cross-party support for what we are trying to do with this machinery. We differ on levels, but I think that we all agree on the machinery. At that point I felt very well supported.

However, there are real lessons in this. What I now think is that the change that government as a whole went through in outsourcing their IT, which happened in the 1990s and early 2000s, was a fundamental mistake right across the whole of government. I know that from the one example of the DWP. What it meant was that we lost control of our systems. People had been thinking about IT as a separate entity but it is not, it is part of the operation: lose control and an understanding of IT and one loses control of what one is trying to do. What we had to do was take our IT back in-house and to rebuild it, and the change has been quite dramatic. We have an integrated team of people on operations, coders, data architects and so on. It is one team; everybody has to be part of our team. I give your Lordships one of the most dramatic facts: for the first version of universal credit we used to have a release once every half year. We are now doing releases weekly. That is the difference.

The other thing—I was very conscious of this from my time as an adviser under the Labour Government—was that the operations people did not like to talk even to the policy people, let alone to the Ministers. I remember trying when I first came in to get the operations people to come back and complain when we stuck some structure down their throats. They would not. It has taken an awfully long time just to get the operations team to be the people who say what is working and what is not, and to turn it round.

The other thing that is really interesting—this is across government—is that an organisation of that size finds it impossible to deal with an abstract, conceptual notion. It cannot do it. Too many people have to have the same vision: you cannot get it when it is complicated. You have to get something on the ground that an organisation can shape itself round. It was an accident that we did it twin-track, but having that first track out so the organisation can get round something and start to get the lessons was, in practice, vital. This is the origin of what we have dubbed the test and learn approach: get something out, find out how it works and iterate the whole time. I am pleased the Government have now announced, somewhat retrospectively, that this is government policy. I can take pride in that one.

Universal credit is going ahead. I will not go into the detail; we have all discussed some of the figures. I will talk about the future a little. We now have a nice

shiny system in the heart of our welfare system. There are a lot of things we can then put round it and make better. I have, in my last few weeks, set in train quite a lot of those. Some of them have just been locked down. I give your Lordships as an example how the supported accommodation system works. There is a system in train now for that. How do we get the disabled to really take the potential advantage and benefits of universal credit for them when, for instance, they have fluctuating conditions? That is what the Green Paper we discussed is all about.

Finally and almost most interestingly is the universal support system. We have never had a system of coherent support for vulnerable people. We have put in a system of universal support where we are in partnerships with local authorities for a couple of barriers: the digital barrier and their budgeting barriers. We discovered that that is a system we could expand and put more barriers in, so we can put people who are in debt, people with addictions and people with housing problems into that envelope, the point of which is that we can then share data within it so we start to have a coherent approach. That is a nascent structure that I think spells a way for us as a country, for the first time, to really help the most vulnerable people. The noble Lord, Lord Stevens, talked about that; the noble Baroness, Lady Thomas, is worried about it. My noble friend and co-conspirator Lady Stroud talked about it. Of all the things I hope grow out of the opportunity of universal credit, that is the one.

No one will mind if I go on a little longer. The other thing noble Lords did with me was to put in something that allowed us to pilot things and see what would work best. We have the opportunity to optimise universal credit in a way no other country can. We can take a sample of people and change financial parameters; try different work allowances and tapers; and ask what the Laffer curve, if you like, is for the taper rate. We can do all that with small numbers, draw them and really know what the effect is. We may get to 55% taper—who knows? We will find out. We can do so because we have this incredible instrument of the real-time information link. We can tag people and watch what happens when we do something with them. This will take decades. In the end it will be a combination of financial incentives and conditionality, which one will need to optimise. I am sure that that will change for different groups and for different economic conditions. That is an invaluable tool for the future. We can do all that for some of the things noble Lords are concerned about, such as for the noble Baroness, Lady Warwick, on how we improve social housing, and how we sort out APAs.

I will stop now. I feel comfortable about leaving. It is a wrench to leave. It has been a long time, but I am comfortable to leave. To answer the noble Lord, Lord Stevens, I am comfortable because the basic system is there and rolling out. The organisation is transformed and able to do it. I leave it in good hands for the House's purposes. I congratulate my noble friend Lord Henley on taking the job. He needs to learn to be very polite to noble Lords round the House. I close by saying something I have always wanted to say. There have been a lot of questions I have not been able to answer today, but I will not write.

## Tributes

### Motion

Moved by *Lord Taylor of Holbeach*

That the House do now adjourn.

3.07 pm

**Lord Taylor of Holbeach (Con):** My Lords, someone has to follow that. On this, the shortest day of the year, we have the opportunity to look back on the year that has gone and to look forward to the year to come. As we look back on this year, we will reflect that it has been a momentous one. It is almost exactly six months since the British people voted on 23 June to leave the European Union. Politically, the result has been akin to a general election, but the House has coped with the transition that has resulted in its inimitable seamless way.

There have been changes in the Front Bench teams. In particular, my noble friend and former Leader Lady Stowell of Beeston has been replaced by our new Leader, my noble friend Lady Evans of Bowes Park. There have been moves elsewhere too, with the former Deputy Leader of the House and leader of the Liberal Democrats, the noble and learned Lord, Lord Wallace of Tankerness, who is not in his place, being replaced by the man who served as my deputy in the coalition and who has moved from being the Liberal Democrats' Chief Whip to their leader, the noble Lord, Lord Newby.

We have also welcomed a new Lord Speaker: the noble Lord, Lord Fowler. It is a testament to his years of experience in this House and the other place that he has taken to his new role with ease and professionalism.

Throughout these somewhat tumultuous changes, the usual channels have continued to work effectively and, by working together, this House has continued to perform its proper function as a House of scrutiny and revision. There is self-interest here, of course. Let me be clear that no one has more acute awareness of the need for co-operation and trust in this House than the Government Chief Whip who has only 30% of the votes of the House on his Benches. Fortunately, the leaders of the parties find it easy and natural to work together, too, and so do my fellow Chief Whips. I am very grateful to them and I think that the House should be, too, because it enables us all to concentrate on the issues that really matter and to prove the relevance of this House to the parliamentary process of which we are part.

Of course, there is much more to this House than those of us who have the privilege of sitting on its Benches. It works so well because of the staff who support us—our private office staff, advisers and researchers, as well as the clerks, who ensure that the House functions so seamlessly. But we also have a wider support team whose dedication and commitment to this House ensures that it continues to operate effectively. They include the catering staff, the cleaners, the librarians, the doorkeepers and security. I thank each and every one of them for their contribution to the work of this House.

At this time of year, it is customary to recognise and give thanks to those who have left the House over the past year. At the end of January, James Griffin—

Jim—retired as a doorkeeper after 12 years of service. I know that many noble Lords will be aware that he sadly died in April before he and his wife, Lorraine, could enjoy his retirement. They were planning to do so much, and I know that he is much missed by his family and friends. We send his family the very best of wishes at this time of the year.

Those noble Lords present at the close of business yesterday will have noticed that Jeff Baldock, who has been a doorkeeper for almost 19 years, carried out the Mace. Before joining the doorkeepers in 1998, he served a full career in the Royal Engineers. He was promoted to senior doorkeeper in 2005 and retired yesterday. Jeff and his wife, Michelle, live in Rainham. He is looking forward to spending more time with his family and particularly his grandchildren.

Yvonne Cumberbatch was a long-serving member of the catering staff who retired at the beginning of the year. She is much missed by her colleagues. Noble Lords will also miss Franco Galeota, who has been a member of the catering department for the past 16 years. Franco has done much to enable noble Lords to feel at home in this House as they enjoy good food and fellowship in the Barry Room in the evening. Regulars at the Long Table in the Barry Room have already paid tribute to Franco.

I know that Franco has two great loves, his wife and three daughters, and Inter Milan—which seems odd for someone who comes from Matera in Basilicata, which is right in the instep of the far south of Italy. Franco will continue to live here with his wife and family, who are eagerly anticipating the arrival of their first grandchild. I have no doubt that his time looking after noble Lords will be fantastic preparation for catering for his first grandchild's needs. Franco has worked tirelessly and courteously throughout his service, and he has certainly earned a well-deserved retirement.

I would like to take this opportunity to thank all noble Lords and colleagues for the way in which the House has worked together over this past year. As we look ahead, we are all too aware that there will be plenty to challenge us, but I have no doubt that the ethos of this place provided by noble Lords and those who support us will enable us to do justice to the traditions of this House. I wish you and your families a very happy Christmas and offer every good wish for 2017.

3.14 pm

**Lord McAvoy (Lab):** My Lords, try following that—the Government Chief Whip following the noble Lord, Lord Freud. The noble Lord, Lord Taylor of Holbeach, has quite rightly mentioned the staff of the House. It falls to me to speak on behalf of these Benches due to absence of the noble Lord, Lord Bassam, who had a long-standing commitment which he was unable to change. However, he has sent his best wishes to the whole House and to the people whom I am about to mention.

Jenny Mitchley, of the Clerk of the Parliaments' Office, served from 9 June 1975 to 31 March 2016. One of her first jobs in 1975 was to work for a certain David Beamish, who joined the same year. She put together the rota of Deputy Chairmen for many years. She was very fondly regarded by the deputies, many of

whom regarded her as a good friend. Consequently, it was sometimes hard for colleagues to get in to see Jenny, being forced to wait in a queue of several deputies seeking her audience. She worked for a number of Chairmen of Committees, serving them well and adapting to their styles, although I am reliably informed that it was always clear that Jenny was in charge. She regularly played the piano for lunchtime services in the Crypt Chapel. I am again reliably informed that she is greatly enjoying her retirement, going on long walks with friends, spending time in her garden and visiting her favourite holiday destination, Salcombe in Devon.

Geoff Newsome served the House from 16 July 1984 to 31 March 2016. He joined Black Rod's office as an attendant in 1984 and in 1988 moved on promotion to the Printed Paper Office, where he served for 10 years. A further promotion to senior clerical officer took him to the Committee Office, where he worked for more than 16 years, with a further period working in the Printed Paper Office. Geoff wore his long-service badge with pride and is much missed in the Committee Office. I am again reliably informed that he regularly returns to meet up with colleagues and now has time to enjoy daily walks, often in Dulwich Park.

Peter Milledge, of the Legislation Office, served the House from 4 April 2005 to 30 November 2016. Peter joined the House from the Department for Work and Pensions in 2005 as deputy counsel and became Counsel to the Chairman of Committees in 2013. He enjoys the great outdoors, whether gardening or walking with his wife, Jenny, and their two collies in the area around where they live in north-west Essex. I am further reliably informed that Peter is unlikely to miss his 5 am starts for the commute into London.

On behalf of the whole House, we give thanks to these loyal servants of the House as an indication of how much we value the service of all those who look after us.

3.17 pm

**Lord Stoneham of Droxford (LD):** My Lords, as a new boy to the usual channels, I join my colleagues in thanking all the staff for the work they do in the House, especially during the past year. They do vital work in keeping the show on the road and provide a very important service to all of us. I have the task of paying tribute to four members of staff who have retired during this year.

Graeme Quin worked for 32 years in the service of the House, joining in 1984. He worked in the accounts department, in *Hansard* and, most memorably, in the Printed Paper Office. My own group staff always regarded him as an extremely friendly and helpful member of staff and are missing him hugely. In 1987, Graeme was involved in an accident on the way home from late-night duty in *Hansard*, resulting in serious injuries during which he lost a knee. Determined to return to work, he always expressed extreme gratitude to the Administration for the help and support that he received following his accident. Graeme's passion is photography. He has often been seen around the House taking photographs of events such as the State Opening. He hopes to return as a visitor for State Openings and to continue with his photography.

Rolando Olivares was a housekeeper and served 12 years in the House from January 2004. He worked for many years cleaning offices for Members and staff in the House of Lords outbuildings and in the Palace. He was a very valued and helpful colleague who had a genuine affection for working in such a heritage-rich environment. His appreciation of our buildings was helped by having worked in similar positions in a number of London museums. He displayed an appreciation of the history of the Palace of Westminster. His retirement plans will mainly revolve around his family here in England and his extended family in Chile and Sierra Leone.

Toto Dje was a housekeeper with nearly 12 years' service to the House, starting in 2004. He worked in Fielden House and then in a number of areas of the House of Lords. He was a very diligent member of the team, with a keen eye for detail and also an appreciation of the heritage rooms he was tasked with keeping clean. A very popular and friendly colleague, he is now enjoying a well-deserved retirement.

Finally, Jacqueline Wheatley was a housekeeper with eight years' service from 2008, a well-respected and very hard-working member of staff who kept high standards and whose work was appreciated by the many people whose rooms she cleaned. Jacqueline's cleaning patch was the second floor west front. She took much pride in ensuring her rooms were always presented to the highest standards. She has a number of priorities for her retirement: free time with her family; to get out and travel more; and, particularly, caring for other family members. She would like to spend time practising T'ai Chi and she also volunteers at St Joseph's Hospice in Hackney.

We thank all of them for their loyal and dedicated service and wish all noble Lords and staff members a very happy, healthy and good New Year. It will certainly be a challenging one.

3.21 pm

**Lord Hope of Craighead (CB):** My Lords, it is a real privilege for me as Convenor to associate myself on behalf of these Benches with the well-earned tributes—and the welcomes, too—expressed across the House. I will add a personal word of thanks to the noble Lords, Lord Taylor of Holbeach, Lord Bassam of Brighton and Lord Stoneham of Droxford—and his predecessor, the noble Lord, Lord Newby—for all the help they have given me during the past 12 months. It has been a real pleasure to work with all of them in seeking to do the best we can to ensure that everything in this House works as smoothly as possible. As seen from the Cross Benches, this has been a good year. The expertise to be found on these Benches has manifested itself in so many ways. As a group, we have been able to contribute in full measure to the work done here, in both the Chamber and the committees. For your Lordships' part in that, I am most grateful.

Of course, as the noble Lord, Lord Taylor, said, we could not have achieved what we have this year without the support of the many members of staff who have looked after us in so many ways in so many places over so many years. That is why it is important that we pause for a moment at this time of year to express our gratitude. It is always a pleasure to hear the tributes

[LORD HOPE OF CRAIGHEAD]

paid in the maiden speeches of recently introduced Members to the kindness of the staff and all the help that they have given in coming to terms with the new surroundings. We know from our own experience that these are not empty words of thanks and that all these tributes are sincerely meant. We are very fortunate and it is entirely appropriate that we recognise what the staff do for us in our own words this afternoon.

I have on my list two people who, although less visible than the doorkeepers, made a significant contribution to our work. I will mention first Catherine Vivian, who joined *Hansard* as a reporter in December 2002. There was a time when *Hansard* writers were very visible to us because they sat at a table just in front of the Cross Benches. This position was not without its hazards, as the noble Lord, Lord Bassam, reminded us last year. He told us how Lord Denning demonstrated what was involved in the crime of battery by—if the noble Baroness, Lady Thomas, will forgive me—putting his hand, without any warning, on the shoulder of the *Hansard* writer sitting right in front of him. The place where *Hansard* writers sit had been moved to its new position below the Bar by the time Catherine arrived, so she was at least spared the risk of the taking of liberties of that kind.

However, that is not to say that there were no opportunities for her to meet at least some noble Lords as she travelled to and from *Hansard's* offices on the second and third floors. I tend to leave the Chamber by the small corridor that leads to the Not-Contents Lobby, so I quite often brush shoulders with them there or in the passage outside the Moses Room. The lift to the third floor, which is used by those who, for understandable reasons, choose to go up to that floor by lift rather than clambering up the staircase, is just beside my room. It is my usual route to the outside world, so I find myself in the *Hansard* writers' company there, too.

Sad to say, I am not conscious of ever having met Catherine Vivian. This is because, as the *Hansard* writers work anonymously when performing the task that we all value so very much, their names are never revealed to us. My chances of meeting her have now gone, as she retired from the House of Lords last January. I am told that she was proud of the fact that she always worked for what she called "grand institutions". They included Harrods and the BBC, where she worked on the "Today" programme with Brian Redhead and Robert Robinson, whom we all remember from the 1990s. Then she came to this House—another grand institution—where, due to her warm and generous personality, she quickly became a popular and valued member of the team. Now that she has retired, she has had more time for her love of travel. This has included a trip to Vietnam to visit her son. Perhaps there will be time for music, too, as she was a promising violinist in her youth. She is much missed, and we wish her well wherever she may travel to in the future.

I am happy to pay a very warm tribute, too, to Dr Elizabeth Hallam Smith, who became our first Director of Information Services when she joined the House in 2006. She, happily, is someone whom I did meet. We were already in the process of planning for the removal of the Law Lords to the Middlesex Guildhall by the time she arrived. The challenges that this gave rise to were something that she had to face early on in her time here, as plans had to be made for what was to be done with the very extensive law library, which had been built up over many decades to service the work of the Appellate Committee. Any idea that we as Law Lords might have had that we could simply take the library away with us was soon dispelled by her insistence that there were good reasons why the bulk of the collection should remain here. It was a wise and far-sighted decision, the soundness of which I can appreciate now that I am back here on my retirement from the Supreme Court.

Dr Hallam Smith had previously pursued a successful career at the National Archives at Kew. When she took on her new role, she brought together in one what had previously been three separate functions: the Library, the Information Office and the Parliamentary Archives. She led the way in undertaking a modernisation of the Library and the Archives. She also oversaw the development of a number of services which we now share with the House of Commons, including education, visitor services, outreach, the web and intranet services, and broadcasting. She was committed throughout her time here to generating a greater public understanding of and engagement with this House. Among the innovations for which she was responsible were the annual Lords Chamber event, Lords of the Blog, the Lords Digital Chamber and the House's presence on social media. She has perhaps done more than anyone else to create a place for us in the modern world of cyberspace. For that, she has our lasting admiration and gratitude.

Dr Hallam Smith is a medieval historian at heart. She saw the opportunity to use history to engage the public with Parliament. She championed Parliament's celebration of the 800th anniversary of the sealing of Magna Carta. It was she who organised the reunification of the four original 1215 Magna Cartas in the Robing Room last year. She has now returned to her first love, historical research. But we have not lost contact with her entirely as she is acting in a voluntary capacity as a research adviser on architecture and heritage to Parliament's Strategic Estates team, at what may well be a very critical time for us as we look ahead. We have much to thank her for.

I end by adding my own thanks to all the staff who are still with us and wishing them, and all noble Lords, a very happy Christmas and a safe and peaceful new year.

*Motion agreed.*

*House adjourned at 3.29 pm.*



**Volume 777**  
**No. 86**

**Wednesday**  
**21 December 2016**

---

**CONTENTS**

**Wednesday 21 December 2016**

---