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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS
OFFICIAL REPORT

ORDER OF BUSINESS

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

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

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.

House of Lords

Monday 9 July 2018

2.30 pm

Prayers—read by the Lord Bishop of Durham.

Introduction: Baroness Meyer

2.36 pm

Catherine Irene Jacqueline, Lady Meyer, CBE, having been created Baroness Meyer, of Nine Elms in the London Borough of Wandsworth, was introduced and took the oath, supported by Lord Black of Brentwood and Baroness Jenkin of Kennington, and signed an undertaking to abide by the Code of Conduct.

Introduction: Lord McNicol of West Kilbride

2.44 pm

Iain Mackenzie McNicol, Esquire, having been created Baron McNicol of West Kilbride, of West Kilbride in the County of Ayrshire, was introduced and made the solemn affirmation, supported by Lord Kinnock and Baroness Smith of Basildon, and signed an undertaking to abide by the Code of Conduct.

Stonehenge Tunnel

Question

2.48 pm

Asked by ***Baroness Pidding***

To ask Her Majesty's Government what progress has been made with the plan to build the A303 Stonehenge tunnel.

The Parliamentary Under-Secretary of State, Department for Transport (Baroness Sugg) (Con): My Lords, the upgrade of the A303 to dual carriageway standard includes a tunnel to remove the road from much of the Stonehenge landscape. Following consultation on route options, the preferred route was announced in September 2017. Highways England developed the scheme further before statutory consultation this year on the proposals. The consultation responses will inform the proposals submitted this autumn for planning consent. Subject to statutory approval, construction is planned to begin in 2021.

Baroness Pidding (Con): I thank the Minister for that positive response. Does she agree that both business and tourism in the south-west rely on good transport infrastructure? We need to ensure that we have reliable connectivity with the region, especially improving the resilience of the single-track railway through Dawlish.

Baroness Sugg: My Lords, I agree with my noble friend that we need to ensure that we have reliable connectivity across the south-west, both to promote business links with that part of the world and to facilitate tourism—at £4.5 billion a year, the area has the UK's highest domestic tourism expenditure by region. That is why the Government are investing £2 billion in the strategic road network in the south-west. Of course, the rail network also plays an important role in supporting the south-west. Specifically on Dawlish, we have fixed the damage caused by the storms in 2014. We do not want to see that happen again, so we are investing further in resilience work.

Baroness Bakewell of Hardington Mandeville (LD): My Lords, the widening and modernising of the A303 through Stonehenge and down into Somerset is long overdue, although, as the Minister says, consultation has at last begun. However, no benefit is being offered to the communities along the A359, which is also part of the A303 improvement scheme, between Mudford, Sparkford and Queen Camel. These communities have suffered much in the past and are likely to suffer more, particularly during the construction stages. Can the Minister say why no compensation is being offered to alleviate their misery?

Baroness Sugg: My Lords, the scheme is part of a long-term strategy to better link the M3 and the south-east to the M5 and the south-west. Upgrading to a continuous dual carriageway standard will transform it into a high-quality route. Of course, the local residents will benefit from that. I am afraid I do not have specific information for the noble Baroness on compensation, but I will write to her. But, as I say, there will be benefits, both from the improved connectivity and the removal of rat-running through villages.

Lord Berkeley (Lab): My Lords, can the Minister explain how long the tunnel underneath Stonehenge is? This issue has been around for 20 or 30 years and the tunnel gets longer and longer because the archaeologists keep digging up further remains at each end of it. Is this the end of the tunnelling, or are they going to find more remains to make it even longer?

Baroness Sugg: My Lords, as the noble Lord points out, this is a key heritage site and we are being very careful when making our plans for this. The heritage site suffers significant congestion because the single carriageway carries significantly more traffic than it was designed for, and that is why the tunnel is important. The proposed scheme includes a free-flowing dual carriageway and a tunnel of at least 1.8 miles in length.

Lord Geddes (Con): My Lords, as one who suffers weekly from the appalling congestion on the A303 at Stonehenge, picking up the question from the Liberal Democrats Benches could I ask my noble friend how much further west improvements are going to be made, or is the bottleneck simply going to be pushed fractionally from east to west?

Baroness Sugg: My Lords, as I said, we have committed £2 billion to the south-west strategic road network. It will include the first three schemes to achieve the continuous dual carriageway: Southfields to Taunton; Sparkford to Ilchester; and Amesbury to Berwick Down. The intention is to complete the remaining five schemes for the full corridor upgrade in future road investment strategies.

Lord Rosser (Lab): My Lords, 5,000 responses were received to the consultation earlier this year on the proposals to improve the A303 past Stonehenge on the 7.5 miles between Amesbury and Berwick Down. Those 5,000 responses have prompted a further consultation on what the recent advertisements in the press describe as "certain aspects" over four weeks from 17 July. What are the certain aspects on which Highways England will shortly be seeking further views which could not reasonably have been foreseen and included as part of the earlier consultation? When will the A303 proposals be submitted for development consent? The Highways England website says mid-2018, but there is a further consultation to come.

Baroness Sugg: My Lords, this is a complicated site and we need to do all we can to preserve it. Since the consultation ended, the scheme has undergone further consideration and further development, which led to the identification of three changes, specifically: removing the previously proposed links between byways 11 and 12; widening the green bridge proposed near the existing Longbarrow roundabout to improve the physical and visual connection; and moving the proposed modification of Rollestone crossroads to provide a more compact junction layout. That consultation will take place until 14 August, and then the feedback will be considered and the DCO will be submitted.

Baroness Butler-Sloss (CB): My Lords, I hope the Minister is aware of the very poor road between the end of Somerset and Honiton in east Devon. At Honiton there is a dual carriageway, but there is a long and very dreary period to get from Honiton into Somerset. Something urgently needs to be done.

Baroness Sugg: My Lords, the £2 billion that we are investing in south-west roads will improve issues across the south-west. I am afraid that I do not know about the exact details that the noble Baroness has raised, but I will find out and write to her.

Baroness Neville-Rolfe (Con): My Lords, I have lived just beyond the stones all my life and am absolutely delighted with the progress that is being made and with the improvements that English Heritage has made to visiting Stonehenge as a site—we should celebrate that. I would like to ask: assuming that work starts in 2021, which I obviously very much hope, when will the road be open?

Baroness Sugg: My Lords, assuming that work starts in 2021, which we are very much working towards, it will be complete in 2026.

Baroness Young of Old Scone (Lab): My Lords, in view of the Government's evident enthusiasm for tunnels, could I press the Minister on why they are so unenthusiastic in the context of HS2, when there is carnage for ancient woodland up and down both the phase 1 and the phase 2A routes which could be solved by tunnels?

Baroness Sugg: My Lords, of course there are tunnels on the HS2 route, and where they are placed has been carefully considered. On ancient woodlands, there is considerable investment in planting more trees along the whole of the route.

Brexit: European Commission Discussions

Question

2.55 pm

Asked by ***Lord Dykes***

To ask Her Majesty's Government whether they expect the current discussions with the European Commission to include (1) a solution for trade across the Irish border; and (2) a commitment to the United Kingdom's membership of the Single Market and Customs Union.

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, the Government have been clear that in leaving the EU we will also be leaving both the single market and the customs union. The proposal that we laid out on Friday will create a UK-EU free trade area, thereby avoiding friction in terms of trade, protecting jobs and livelihoods and meeting our commitments in Northern Ireland through the overall future relationship between the UK and EU.

Lord Dykes (CB): Thanks for the non-Answer, but I am sure that the Minister is relieved not to be at the meeting in Room 10 at this very moment. As the total Tory pantomime has now become just too complicated, why not consider the other option of simply staying in the most effective and impressive international club of sovereign member states working together for peace and prosperity in Europe?

Lord Callanan: Of course, I am delighted to be here with your Lordships instead of in Room 10, but the noble Lord obviously forgot that we had a referendum on the subject and the people have voted to leave.

Lord Stevenson of Balmacara (Lab): My Lords, will the Minister confirm that what he actually meant in his first response is that the Chequers agreement commits the Government, of which he remains a part—we are very glad to see that—to a soft Brexit? We now know that a soft Brexit involves a common EU-UK rulebook. His former Secretary of State and Minister of State have resigned, the former saying that this approach makes any reclamation of sovereignty purely superficial. He has a point. Can the Minister say why he does not agree with his former boss?

Lord Callanan: The former Secretary of State can speak for himself, but I am focused on helping to deliver the Brexit that the country voted for: one that leaves the single market, one that leaves the customs union, one that leaves the common agricultural policy and common fisheries policy and one that brings back control to this Parliament and this country.

Lord Cormack (Con): Is my noble friend aware that throughout the Conservative Party, many, many people will be delighted that he is staying, supporting the Prime Minister in trying to achieve a sensible settlement?

Lord Callanan: I thought there was going to be a "but", there, but obviously not. I thank my noble friend for his kind remarks. I was somewhat surprised to wake up this morning to find that the noble Lord, Lord Adonis, had apparently announced my resignation on Twitter overnight, which was perhaps wishful thinking on his part.

Lord Watts (Lab): My Lords, can the Minister set out the difference between the existing system and the one now being advocated by the Government?

Lord Callanan: I am not sure what system the noble Lord is referring to, but if he waits until later in the week, we will be producing a White Paper, which I am sure will provide him all the details that he wishes to see.

Lord Newby (LD): My Lords, if I were an exporter to the EU, what difference would I notice between the Government's plan for a free trade area and continued membership of a customs union?

Lord Callanan: We have been very clear that we are leaving the single market, we are leaving the customs union, and we want to set up a UK-EU free trade area based on the principles set out in the Chequers agreement.

Lord Hain (Lab): My Lords, I compliment the Minister on keeping upstanding and reciting his lines repetitively, as that may be the best way in which to keep him standing. May I ask his advice on the Irish border? Will he accept that it is not simply physical security obstructions that cannot be implemented, but the things that lie behind those—the common standards, the regulatory equivalence, the phytosanitary standards in respect of food and agriculture movement, and all of that? That is what I think the Prime Minister was trying to get at when she came up with her proposal on Friday. Does the Minister accept that that is what has to be dealt with to keep an open Irish border? And what about services? I did not see much about that in the Cabinet agreement, and a lot of services cross the Irish border.

Lord Callanan: Of course, we share the noble Lord's desire to avoid a hard border in Northern Ireland, and take on board many of the points that he makes. What is innovative about the Chequers proposal is that it delivers precisely that: it enables the UK to maintain our own tariff schedules, but also avoids the imposition of a hard border in Ireland between Northern Ireland and southern Ireland. We look forward to discussing those proposals with the Irish Government and the European Commission.

Lord Tomlinson (Lab): If this is the Brexit that the Government have always wanted to put forward, can the Minister explain to the House, particularly to those with limited understanding, why the Secretary of State for Exiting the European Union thought that the proposals were so divergent from past policy that he found it necessary to resign?

Lord Callanan: The noble Lord will have to read the letter, which has been extensively publicised, on his reasons for resigning. We have always been clear on the policy we advocated. We have always accepted that, of course, there needs to be compromise on both sides if an agreement is to be reached. We think that we have made sensible and realistic proposals that provide a way forward, and we hope that the EU will now engage positively with them.

Lord Grocott (Lab): Will the Minister confirm that, although there will doubtless be many comings and goings between now and next year, the essential truths remain: in line with the decisions of this House and the other place to implement Article 50, and to pass the European Union (Withdrawal) Act, come 29 March next year, both in European and UK law, we will have left the European Union?

Lord Callanan: As in so many of our recent debates, the noble Lord, of course, speaks great sense on these matters, and what he says is correct.

Lord Harris of Haringey (Lab): Will the Minister tell us precisely where he differs from the analysis set out by the former Secretary of State in his resignation letter?

Lord Callanan: The former Secretary of State has set out his reasons, which noble Lords can read for themselves. I am happy that we will be continuing to leave the European Union on the terms that I set out earlier, and I look forward to playing my part in delivering the referendum result.

Lord Bassam of Brighton (Lab): My Lords, what is the difference between a facilitated customs arrangement with a common rule book and a customs union? Where is the difference in policy?

Lord Callanan: The difference is that we are allowed to set our own tariff schedules under the facilitated customs arrangement.

Lord Stevenson of Balmacara: Perhaps the Minister would like to rephrase his original answer to me, given the news that the Foreign Secretary has just resigned.

Lord Callanan: I am obviously sorry to hear that the Foreign Secretary has resigned, if what the noble Lord says is correct. He has been a towering figure in government. What I said earlier still remains the Government's policy.

Lord Lansley (Con): Does my noble friend agree that the proposals set out in the Chequers statements from Friday differ from a customs union in that there will be a requirement for goods to carry certificates of origin to establish where there is a divergence in terms of tariffs or any other standards over time? Have the Government estimated the costs to the business community of undertaking the necessary certification?

Lord Callanan: I suggest that the noble Lord waits until we publish our White Paper later in the week for more details of the proposal. I shall be happy to write to him and set it out in greater detail for him then.

Hepatitis C

Question

3.03 pm

Asked by ***Baroness Randerson***

To ask Her Majesty's Government what plans, if any, they have to publish a strategy for the elimination of hepatitis C.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord O'Shaughnessy): My Lords, the Government are committed to meeting the World Health Organization's target of eliminating hepatitis C as a major public health threat. While there are currently no plans to publish a strategy, my department is working closely with NHS England and Public Health England to deliver a highly ambitious, whole-system approach that would achieve elimination in 2025—five years ahead of the WHO target.

Baroness Randerson (LD): I thank the Minister for his positive approach. I declare an interest as co-chair of the All-Party Group on Liver Health. In our recent inquiry, we demonstrated that hepatitis C specialists do not believe that the NHS is geared up to achieve the Government's ambition, which the Minister has just outlined. Some 40% to 50% of those with hepatitis C remain undiagnosed. Do the Government intend to introduce a national campaign to raise public awareness of hepatitis C, thus encouraging more people to seek treatment?

Lord O'Shaughnessy: First, I applaud the noble Baroness for her work on this. We know that hepatitis C is a truly horrible disease that affects some of the most vulnerable people in our society, which is why we want to eliminate it. In terms of the NHS being geared up, we are on track to treat 70,000 people by 2020. We need to keep finding people, and, of course, they become harder and harder to find. She is quite right about the need to raise awareness. We are doing other things as well, such as reaching into hard-to-reach communities. To give one example, there is now a 100% opt-out testing offer for people entering the prison estate, which is one of the areas where hepatitis C tends to be transmitted. There is clearly a need to do more, but we are looking at how to reach those hard-to-reach communities.

Baroness Wheeler (Lab): Can the Minister say a bit more about the steps the Government are taking to support the delivery of hepatitis C treatment in community settings, such as GP clinics, pharmacies, homeless shelters, substance misuse clinics and sexual health clinics? The King's Fund estimates that spending on tackling drug misuse in adults has been cut by more than £22 million compared with last year, and funding for sexual health clinics by £30 million over the same period. How will the 2025 target for elimination of hepatitis C be met if vital education and work in these services, and the work they do in reducing reinfection rates, are not available?

Lord O'Shaughnessy: The first thing I would say to the noble Baroness is that, in terms of sexual health clinics, local authorities are mandated to commission comprehensive testing services. Clearly, however, testing needs to happen in many more areas. We have introduced testing in pharmacies, for example, for hepatitis C. That has proved very effective in identifying it in people who take drugs, as well as offering other opportunities to test particularly high-risk communities. Another example is that there has been an increased screening of the south Asian population, where there is a much higher prevalence. It is about using the opportunities of community health services and taking testing into those communities, so that we can deliver on our target.

Lord Patel (CB): My Lords, direct-acting antivirals are the greatest advance that has occurred in trying to eliminate hepatitis C infection—it is effective in 95% of those who carry the infection. So a policy that does not treat everybody who is known to have the hepatitis C virus is wrong. Secondly, if we are to eliminate it, we need to identify those who carry the virus but are not diagnosed. Strategies focusing only on the prison population will not do that. Thirdly, we need to reduce the risk in the at-risk population by educating them. Unless we have a strategy across these three areas, we will not eliminate hepatitis C by 2025.

Lord O'Shaughnessy: I agree with the noble Lord that we need a whole-system approach, but I do not think that we necessarily need to condense that into a document. There are lots and lots of things going on, some of which I have talked about. Of course, the WHO target is about the elimination of hepatitis C as a public health risk; it is not about elimination completely. As he said, it is very difficult to find everybody who has not yet been diagnosed. The main thing is that it is reduced as a health risk: it does not kill people anymore and cannot be transmitted. That is what we are on track to do by 2025.

Baroness Afshar (CB): What are the Government specifically doing for minority women who do not come out, whose community is unlikely to report any kind of illness, and who do not have the skills to access what is available?

Lord O'Shaughnessy: I would need to write to the noble Baroness specifically about minority women. I do know that there are specific programmes taking place in towns and cities across the country to support minority groups where there is a high prevalence, and I mentioned the south Asian group, which has increased screening and diagnosis. It has reduced mortality, which has been affected. Clearly, that is something we need to do more of.

Lord Rennard (LD): My Lords, does the Minister accept that NHS England may in the past have been too restrictive in its use of the relevant drugs? How might improved procurement policies result in greater use of those drugs, including more innovative products, as well as providing better value for the NHS in reducing the prevalence of hepatitis C?

Lord O'Shaughnessy: The noble Lord asked an excellent question. It is very rare to come across diseases you can cure; that is one of the exciting potentials here. Unfortunately, the drugs were expensive when they came out and we did not come up with a way of paying for them over a number of years as we should have done. Happily, through competitive tendering, prices have dropped. The NHS is spending over £200 million a year. We have just engaged in a very complex procurement which I hope will yield some fantastic results. We are using that procurement process to drive down prices and to help find the people who need this treatment.

Brexit: Media Hubs

Question

3.10 pm

Asked by ***Baroness Bonham-Carter of Yarnbury***

To ask Her Majesty's Government whether they have considered how broadcasters based in the United Kingdom will be able to maintain their United Kingdom media hubs if Brexit happens; and what discussions they are having about this within the framework of the Brexit negotiations.

The Parliamentary Under-Secretary of State, Department for Digital, Culture, Media and Sport (Lord Ashton of Hyde) (Con): My Lords, the United Kingdom is an important broadcasting hub due to its favourable regulatory and economic environment, access to top talent, and cultural factors such as language. Leaving the EU will not change this. As we have said publicly, we seek to strike a bespoke deal with the EU that will allow for continued cross-border broadcasting post EU exit. This would enable international broadcasting businesses to maintain their UK bases. We have been working with the broadcasting sector to understand its needs and concerns and will work hard to negotiate the right future relationship with the EU over the coming months.

Baroness Bonham-Carter of Yarnbury (LD): My Lords, I thank the Minister for his Answer. I am a bit reassured by what he said, but the broadcasting sector is affected by the same problems of uncertainty as businesses such as Airbus. We are already seeing a number of channels based in this country actively looking to relocate. Can he be a bit more precise on what the Government are doing about the potentially serious matter of country of origin, to which he referred? If the UK loses that, we lose our leadership position as a world-class, international broadcaster. We will also lose a large number of jobs.

Lord Ashton of Hyde: I do not necessarily agree with those two assertions. As I said, we have cultural and economic reasons for remaining an audio-visual world hub. We hope to have a mutually agreeable deal with the EU, but we understand that the country of origin principle itself will not apply—there will have to be a negotiated deal. If that does not apply, we are making contingency plans to help not just the broadcasting sector but the wider production sector linked to it.

Baroness McIntosh of Pickering (Con): My Lords, does my noble friend agree that EU funds and EU co-productions have been a great bonus to the UK film industry—though sadly most of the results seem to have been Ken Loach films? Will he ensure that, were we to leave the European Union itself, we will continue to benefit from co-production funds?

Lord Ashton of Hyde: We have already said that, subject to negotiation, we would like to remain part of Creative Europe and that any deal done with it will be guaranteed until the end of the multi-annual financial framework. We agree that the new Creative Europe is useful for the UK, not so much in terms of money, but in terms of partnership and the way we can co-operate with creative producers in Europe.

Lord Stevenson of Balmacara (Lab): My Lords, we are talking about an industry which represents 5% of our GDP and has huge potential to grow and be at the forefront of our economic recovery. It seems strange that the Government are taking a laissez-faire approach to this, if I read the Minister correctly. Country of origin means that any broadcaster licensed in this country can operate without further regulation across the whole of Europe. Will he specifically reassure the House that that issue alone will be at the top of the agenda when it comes to negotiating the special deal that he talked about?

Lord Ashton of Hyde: It will not be country of origin in the way we have it now, because we will not be part of the audio-visual and media services directive. However, we would certainly like to retain the principle that we can broadcast to the EU. There are reasons why that is of mutual benefit. We have the best and most well-resourced regulator in the whole of Europe; we lead broadcasting regulation. On average, 45% of channels in EU countries come from abroad. It is therefore essential for them to have a regulator they can have confidence in.

Lord Holmes of Richmond (Con): My Lords, does my noble friend agree that there are few things like broadcasts to bring a nation together? Twenty million of us gathered round the television on Saturday to watch England. Will he encourage everybody to get round the set on Wednesday night to support our English lions? We should declare "Waistcoat Wednesday" to support England against Croatia.

Lord Ashton of Hyde: I am very pleased to move seamlessly from the digital part of my brief to sport, and of course I agree with everything my noble friend said.

Lord Clement-Jones (LD): My Lords, the Minister has put a brave face on it but is it not a fact that, once the Prime Minister had ruled out membership of the digital single market in her Mansion House speech, the chances of reaching an agreement on country of

[Lord Clement-Jones]
origin principle with a single UK regulator were nil? Does that not mean that it is a question of when—not if—these broadcasters will move their licences, particularly as the Government can give absolutely no certainty, which is what they need?

Lord Ashton of Hyde: It is a good thing that the noble Lord is not in charge of our negotiations if he goes in with that attitude. As I tried to point out, there are good reasons for us to continue with a bespoke deal that is to our mutual advantage. I pointed out the fact that our regulation is widely supported around the EU. He asked for certainty; of course there is not 100% certainty, but you never go into a negotiation with that. As we have said, we are preparing a contingency position, just in case the country of origin principle or equivalent is not negotiated.

Lord Pannick (CB): Does the Minister agree that an effective relationship with the EU in the broadcasting context, as in so many other contexts, will in practice depend on this country accepting the judgments of the European Court of Justice?

Lord Ashton of Hyde: I am not sure I accept that. The principle we have in broadcasting is that there is a licensing arrangement: if we are licensed in this country, other countries are prepared to accept that. We delegate that to an independent organisation, Ofcom. I hate to disagree on matters of law with the noble Lord, but I am not sure that that applies. However, of course I will look at what he said, because he knows more about the law than I do.

Mental Health Units (Use of Force) Bill

First Reading

3.17 pm

The Bill was brought from the Commons, read a first time and ordered to be printed.

Prisons (Interference with Wireless Telegraphy) Bill

First Reading

3.18 pm

The Bill was brought from the Commons, read a first time and ordered to be printed.

Health and Social Care (National Data Guardian) Bill

First Reading

3.18 pm

The Bill was brought from the Commons, read a first time and ordered to be printed.

Creditworthiness Assessment Bill [HL]

Report

3.18 pm

Report received.

New Towns Act 1981 (Local Authority Oversight) Regulations 2018

Motion to Approve

3.19 pm

Moved by ***Lord Young of Cookham***

That the draft Regulations laid before the House on 4 June be approved.

Relevant document: 33rd Report from the Secondary Legislation Scrutiny Committee

Lord Young of Cookham (Con): My Lords, these regulations are made under powers in Section 16 of the Neighbourhood Planning Act 2017. That section originates in an amendment to the legislation tabled by the noble Lord, Lord Taylor of Goss Moor, supported by the noble Lord, Lord Best, and others but also with the Government's support. I know that both he and a number of other noble Lords who spoke in favour of the amendment when it was introduced are well placed to explain the purpose and merits of these regulations. I shall accordingly be brief in my opening remarks.

Section 16 of the Neighbourhood Planning Act enables, in principle, the creation of new town development corporations which are accountable to an oversight authority composed of the local authority or authorities covering the area designated for the new town, rather than to the Secretary of State. These regulations make the detailed changes to the New Towns Act 1981 to make that work in practice.

This will be the second time I have had the pleasure of amending the New Towns Act 1981, having done so in 1982, after it was introduced, while working as a junior Minister in the then DoE. Building on the success of the first-generation new towns, we consider that new town development corporations may be, where there are complex delivery and co-ordination challenges, the right vehicle for driving forward high-quality new communities at scale. With a statutory objective to secure the laying out and development of new towns, and with their own suite of powers, they should have the focus and heft to get things done.

In line with our locally led approach to new garden cities, towns and villages, we think it is right to provide the option for new town development corporations to be overseen not by the Secretary of State but by the local authorities covering the area for the new town. That, in essence, is what these regulations do, although, as their length testifies, it is in practice a little more technically complex than simply replacing the words "Secretary of State" with the words "local authority or local authorities".

We have also, to the extent that the scope of the regulation-making power allows, sought to reinforce key themes which we think should underpin delivery by locally led new town development corporations.

We have emphasised, through provisions in the regulations, the central importance of quality, community participation, long-term stewardship and legacy planning. We want to ensure that locally led new town development corporations deliver exceptional new places.

Clearly, where local authorities are accountable for new town development corporations, they must be able to exercise proper oversight, but we want to ensure that the development corporation is able to act and think independently, drawing in private sector expertise and investment in effective partnerships to get things done. Therefore, the regulations require that, for example, a majority of the board of the development corporation, including the chair and the deputy chair, are independent members with relevant skills and experience.

The new town development corporations will not have plan-making functions, as this power will rest with the oversight authority. However, we would encourage consideration being given to the use of local development orders where appropriate as a means of securing high-quality development at pace and strengthening the planning certainty of new town projects.

These regulations are an important localising measure and, given that context, a number of respondents to the consultation on the draft regulations expressed unease that HM Treasury consent was required for borrowing in excess of £100 million by the new town development corporations. We have listened to those concerns, including from Members of your Lordships' House, and have amended the requirement in the regulations for HM Treasury consent for borrowing. Instead, we will establish the broad financial parameters for development corporations, including levels of borrowing, on a case-by-case basis prior to the establishment of each locally led new town development corporation.

Finally, I emphasise that these regulations do not in themselves create any locally led new town development corporations. Where a local authority or authorities—which will always initiate the process—wish a locally led new town development corporation to be established, subject to our being satisfied by the proposal and subject to consultation, further regulations will be laid before Parliament for debate.

These regulations are part of a process but they are an important stage. They mean that we can create locally led new town development corporations where local authorities want them and their proposals are robust. It is my hope that, in turn, those development corporations will lead the delivery of a new wave of garden cities and towns that will stand out as exceptional places for generations to come, building on the success of those built in the post-war years. I beg to move.

Lord Taylor of Goss Moor (LD): My Lords, I draw the House's attention to my interests in the register. This is an area I work broadly in—much of it is unpaid but some of it is paid. I was also the original mover of this amendment, and I did so with not only the Government's support but support from across the House. As the Minister said, this measure is not to establish specific new town corporations but to allow that where they are established—and I hope they will be established—they will be locally led. This is an extraordinarily important moment in the delivery of the homes this country needs and of the services and infrastructure to support vibrant communities. I believe that that is what the new garden village and town programme is capable of doing.

I ask the indulgence of the House for a moment as I give some perspective on this. It was Harold Macmillan in the 1950s, in the middle of the baby boom and during the period of post-war reconstruction, who committed to deliver 300,000 homes—the same number that we need to deliver today. Having delivered only half of that for a couple of decades, we have become short of millions of homes. Many of us experienced that shortage through our constituents in the other place, across all incomes and backgrounds and in many parts of the country. I suspect that many in this House have realised that suddenly, their children or grandchildren are unable to afford a home. Those who do not already own a home or have big capital have increasingly found themselves unable to do it.

In the post-war period, as we introduced planning controls, we sought to create three ways to deliver the homes that were needed. One was through the regeneration of the great cities and towns, which had been emptied out post industrialisation and by the Luftwaffe, and which needed a certain amount of emptying out to deal with the slums. Therefore, we needed to rebuild. The second focus was on some growth around historic towns and cities. There was an awareness, however, that that aroused a lot of opposition from the people who lived there and could have detrimental impacts on the quality of historic communities and the services provided within them. The third leg to deliver those 300,000 homes a year—which were delivered by the Government at the time—was through new communities: new towns that built on the pre-war ideas of Ebenezer Howard and others. Those new towns delivered 2.8 million homes and we would not have delivered the homes that people needed in this country without them. They were extraordinarily successful.

Of course, the new towns were designed in an era when we used a particular approach. Material shortages affected the quality of some of the build; the car was seen as a solution and not necessarily a problem; and it was an era of big government, when not just homes and people but businesses, such as steel works and car factories, were moved in the direction of central government. The nature of their design is often criticised, but those new towns successfully provided fantastic homes for many people. Some of the more successful new towns are no longer even thought of as new towns and have just become places where people live.

New towns were, however, no more than products of their era, and it was an era in which central government took the decisions. Naturally, therefore, the New Towns Act gave powers to the Secretary of State effectively to control the corporations delivering homes for local people in a way that simply does not apply now. The amendments that these regulations will put into effect bring the process up to date with the modern era of localism and a belief in communities themselves taking decisions, owning and controlling the assets, and ensuring that they provide exactly the legacy of great places

[Lord Taylor of Goss Moor]
that the Minister referred to. They will have the opportunity in capturing land value to invest in place and community, to create 21st-century towns and villages fit for the needs of those growing up now in a generation that is so badly short of homes. One of those needs is for the people and the communities around them to have that control, not the Secretary of State.

These regulations should not only be uncontroversial to this House but welcomed by it as a step in delivering the quality new homes and, more importantly, the new communities that people need in the 21st century, in which they can afford to live and thrive. It is also a step into the 21st century in terms of localism and local accountability. It is, as I said, an historic moment when we finally return to a place where we deliver homes of the quality that people expect and deserve, with all the facilities that they need to live and thrive.

I look forward to these regulations being used in cases where the best way to deliver the new supplement is through a new town corporation. As the Government have indicated, that would usually be for a larger scale supplement because it is doubtful that such a corporation would need to be established for a smaller one—although it might be established for a multiple of new supplements. The key is flexibility and that it is brought forward by local communities to meet their needs. I look forward to that happening. However, it will be only a part of a range of opportunities because many will be brought forward without the need for new town corporations.

Let us be clear: the very fact that landowners and investors know that this opportunity is there will probably encourage them to raise their game in the quality of what is delivered, because they know that otherwise, these powers will enable communities to step in and deliver what needs to be delivered themselves.

I welcome the regulations. I am obliged to the Ministers and their officials who have collaborated and spoken openly to me about this process. On the one key change that was made from the draft regulations, £100 million is a lot of money but, within the context of creating a new supplement, it is barely a start. For the Government to have required these corporations to keep coming back to the Treasury to ask for money to do what needed to be done when the principle was accepted seemed a nonsense, and I am glad that Ministers have responded to the concern that was widely articulated on that front.

Lord Shipley (LD): My Lords, I remind the House that I am a vice-president of the Local Government Association, and I recognise the contribution of my noble friend Lord Taylor of Goss Moor in getting us to this stage.

As the Minister said, these regulations relate to both the new town development corporation model and to the oversight of them being transferred from the Secretary of State to local government where local government requests it—and, rightly, any designation will be subject to consultation and parliamentary scrutiny. As he also said, it is important that this process is locally led.

Our country has a proud history of the creation of new towns, mostly through the development corporation model. However, local government has a strong history of delivery—Northumberland County Council with Cramlington new town is an excellent example of local government leadership.

My noble friend Lord Taylor of Goss Moor referred to changing the regulations so as not to have an imposed borrowing limit of £100 million. That is the right thing to do. However, it means that strong financial controls will need to be in place and, in that respect, it will be necessary for the boundaries of the local authority oversight powers and the new town development corporation's powers to be clarified in some detail in guidance as to exactly where the dividing line between the two is.

I am also pleased that the membership will be made up of a majority of independent members, who will have to demonstrate the required expertise and skills to make a success of the development corporation. However, what steps might the Government introduce in guidance to make sure that the appointment of independent members is a full and open process in which it can be demonstrated why they have been appointed?

My noble friend Lord Taylor of Goss Moor talked about the quality of development and the number of homes of quality that are required. He was absolutely right in what he has said. From my perspective, in order for this process to work, we need more highly professional planners who understand how to build communities rather than dormitory developments in the form of new housing estates. In my view, over recent years planning has become more about gatekeeping developers than strategic planning, so I hope that these regulations will be seen as a major opportunity to reverse that trend.

In conclusion, as the Minister said, this is about local ownership. Moreover, as my noble friend Lord Taylor of Goss Moor said, this should not be controversial because it is a major and welcome step forward.

Lord Kennedy of Southwark (Lab Co-op): My Lords, I declare my interest as a vice-president of the Local Government Association. I am happy to support the regulations before the House and I congratulate the noble Lord, Lord Taylor of Goss Moor, on securing this change to the legislation when the Bill was going through the House. I am very happy that we will provide local authorities with the option of being able to lead on new town developments. That is a good thing and, as other noble Lords said, will allow a level of independence so that they can go forward. Given that, I am happy to support the regulations as they are.

I was pleased that the Government listened to the responses to the consultation on the financial limits; that is very good news. However, the report of the Secondary Legislation Scrutiny Committee talks about the length of the consultation. I have mentioned a number of times the question of consultations from the department. This appears to be truncated down to four weeks, whereas ideally it should be six weeks and perhaps even longer. There is also a general point to be

made about the consultation itself, in that, whether it produces negative or positive responses, the level of those responses is actually very low. The Government should look at ways of trying to get more people to engage with what they are doing.

I agree strongly with the comments of the noble Lord, Lord Taylor of Goss Moor, about the construction of new towns and bringing the process up to date. Indeed, it is a good intention on the part of the Government to deliver on this. A number of noble Lords observed that new homes must be of sufficient quality, which is extremely important. They must be properly energy efficient, built using the best techniques and set within the right infrastructure. In that way we will have homes in new towns and elsewhere that will be there for many years. If we do not get this right, we will simply create housing problems for future generations. I am conscious that in the 1950s, 1960s and 1970s, while Governments of all persuasions built a lot of housing, in the end a good deal of it turned out to be of very poor quality. For all the promises, those houses failed the families who had to live in them. Of course, some of the properties are still here today. So it is important that, whatever is built, be it in new towns or elsewhere, quality should underpin it. Hopefully, having a local element in new towns, with local people being fully involved, will help with that. Again, I am happy to support the regulations.

Lord Young of Cookham: My Lords, I thank all noble Lords who have contributed to the debate, in particular the noble Lord, Lord Taylor of Goss Moor, for his continuing support and for putting these proposals into an historical context. As the Minister responsible for new towns in the 1980s, I found it rather nostalgic to be taken through the history of the new towns. As he and other noble Lords said, the climate has changed since then. There is more of an appetite for local engagement, and indeed, as the noble Lord, Lord Shipley, said, we now have the proven competence of local authorities to undertake major developments.

The noble Lord, Lord Taylor, said that the introduction of the regulations was a necessary and important step in helping to increase the country's housing supply. Indeed, I think that there is general agreement on all sides of the House that localising new town development corporation powers will provide local authorities with a new and powerful vehicle for driving forward high-quality new communities at scale. I endorse what the noble Lord, Lord Kennedy said about quality. That is why we have written that into the regulations. The Government want the initiative to be a success and we recognise that the change that we have made, with the slightly lighter touch of the Treasury, makes it a more appetising proposition for local authorities.

I shall pick up some of the points that were made. The noble Lord, Lord Shipley, asked about the relationship between the oversight authority and the new town development corporation. Prior to agreeing to the establishment of a locally led development corporation, we would expect to see a proposal for governance arrangements that provided appropriate oversight of and independence for the new town development corporation.

On the membership of the development corporation, we want it to have operational independence to get on with the job, but we have required that the board should have a majority of independent members. In response to the question asked by the noble Lord, Lord Shipley, the appointment of the chair, the deputy chair and the independent board members should be through an open, transparent and publicly advertised process in line with the broader principles for local authority appointments. There has already been some indication of an appetite for these new regulations. The four local authorities that lead the North Essex Garden Communities project have expressed an interest in setting up a locally led new town development corporation.

The regulations provide a vital lever for delivering the transformational housing growth that we need while ensuring that surrounding existing communities will also benefit from well-planned infrastructure and community amenities. I beg to move.

Motion agreed.

Cambridgeshire and Peterborough Combined Authority (Business Rate Supplements Functions) Order 2018

Liverpool City Region Combined Authority (Business Rate Supplements Functions) Order 2018

West of England Combined Authority (Business Rate Supplements Functions) Order 2018

West Midlands Combined Authority (Business Rate Supplements Functions and Amendment) Order 2018

Motions to Approve

3.41 pm

Moved by ***Lord Young of Cookham***

That the draft Orders laid before the House on 4 and 7 June be approved.

Lord Young of Cookham (Con): My Lords, the draft orders, if approved and made, will confer the power to raise a business rate supplement on to the Cambridgeshire and Peterborough, Liverpool City Region, West of England, and West Midlands combined authorities, to be exercised by their respective mayors.

The order for the West Midlands Combined Authority will implement a commitment, made in the second devolution deal that the Government agreed with the West Midlands Combined Authority and announced at the Autumn Budget, that we would,

[Lord Young of Cookham]

"subject to the agreement of Parliament, provide for the Mayor of the West Midlands Combined Authority to have the power to introduce a business rate supplement, which would be subject to a ballot of affected businesses".

It also amends the list of roads comprising that combined authority's key route network. Mayors of combined authorities are responsible for driving economic growth and regeneration in their areas.

We recognise that, to succeed, mayors need the right resources to enable investment in economic growth priorities. That is why we have agreed ambitious long-term investment funds with mayoral combined authorities amounting to £20 million a year to Cambridgeshire and Peterborough, £30 million a year to Liverpool City Region and to the West of England, and £36.5 million a year to the West Midlands, and empowered them to direct funding in their areas, including skills and employment, housing and transport. This was further enhanced by the announcement at Budget 2017 of an ambitious £1.7 billion transforming cities fund for essential investment in improving transport within cities, with £74 million going to Cambridgeshire and Peterborough, £80 million to the West of England, £134 million to Liverpool City Region, and £250 million to the West Midlands. We have also launched a mayoral capacity fund of £2 million over two years for each of these combined authorities to help to ensure that these institutions have the right skills to deliver on what matters in their areas.

We are now going further by enabling mayors to raise a business rate supplement of up to 2p in the pound to promote real, long-lasting economic growth in their areas, such as through transport and digital connectivity.

Mayors are working with partners across their areas to provide a louder voice, strong co-ordination and clear accountability for local people. Such mayors are ideally placed to provide a strategic overview of the local infrastructure requirements and work closely with businesses on developing proposals that will benefit both business and the broader community. The business rate supplement could raise £15 million a year in Cambridgeshire and Peterborough, £16 million in the West of England, £17 million in Liverpool City Region and £35 million in the West Midlands to drive jobs, growth and productivity across the region.

Each mayor, combined authority and all constituent councils affected by these orders have consented to their making. The mayor will, rightly, need to put forward a convincing vision and use their visibility and position to build consensus with local businesses—culminating in a successful ballot of rate-paying businesses—before being able to deploy this power. Regardless of the outcome, the mayor must cover the cost of consultation and ballot. County councils, unitary district councils and the Greater London Authority already have the power to levy a supplement on business rates. These orders will extend that power to the Cambridgeshire and Peterborough, Liverpool City Region, West of England and West Midlands combined authorities, in each case to be exercised by the mayor. The business rate supplement will have the same purpose and be subject to the same safeguards, as with other levying authorities.

The supplement has a clear purpose: to raise funds for a project, or projects, that will promote economic development in the area. Money raised from the supplement must go towards projects that would not otherwise have gone ahead. This is about creating additional value. The funds cannot be put towards the authority's day-to-day costs or for services it has existing obligations to provide. Before levying any supplement, the mayor is required to consult on and publish a prospectus setting out the benefits of the proposed project the supplement would fund. It is crucial that there is a clear vision for what the supplement will help to deliver, and that affected businesses are fully engaged in the process. The proposed supplement is then subject to a ballot of those businesses that would be affected. It must be approved by a majority of affected individual business rate payers who vote, and the aggregate rateable value of those businesses in favour who vote must exceed those against. The supplement, or supplements aggregated, cannot exceed 2p in the pound of rateable value.

The legislation protects smaller businesses. The supplement may be levied only on business properties with a rateable value of £50,000 or more. That level means that between 85% and 90% of business properties in these combined authority areas will not be required to pay the supplement. In addition, the mayor may increase but cannot reduce this threshold, and can apply any other reliefs as they may set out in the prospectus. The mayor will not use these powers lightly or indiscriminately, but where they can make a compelling case to the business community, demonstrating common cause and mutually desirable outcomes, this can open a valuable source of funds for mayoral projects. The Government seek to confer this power on to mayors who have asked for it. Before laying the draft order before the House, we obtained the consent of each mayor, combined authority and their constituent local authorities.

The West Midlands Combined Authority Order also provides the opportunity to make some necessary amendments to the key route network in the West Midlands, the map of roads of strategic importance which the combined authority has responsibility for. The key route network is crucial to serving the strategic demands of the area for the movement of people, goods and services—with large traffic volumes—and providing connections to the national strategic road network.

The West Midlands Mayor, with the assistance of the combined authority, exercises concurrently with councils in the area highway and traffic functions in relation to agreements with strategic highway companies, road traffic reduction, permit schemes and highway bridge or transport works. These minor amendments would ensure that the definition in legislation properly describes all roads that are part of the strategic network of key local roads.

We seek parliamentary approval to make these orders, drafts of which we are considering today, to help boost local growth in the areas of the combined authorities while ensuring that affected businesses have the opportunity to approve any supplement in a ballot.

Lord Shipley (LD): My Lords, I again remind the House that I am a vice-president of the Local Government Association. I welcome these orders. I am a firm believer in voluntary taxation, and the system used in this case with the business rate supplement is similar to that used for business improvement districts. In that respect, it is a procedure that can command public support: if the business rate payers involved do not want to pay the money they have the right to reject it in a ballot. There is therefore a democratic process, which is very helpful.

On average, around 90% of business rate payers under any of these four orders will not be paying any additional money. Around 10% in Cambridge and 14% in Peterborough will have to pay a bit more. The Minister kindly read out the total sums of money that could be raised with a 2p in the pound levy. Clearly, rateable values vary. Could the Minister, either now or in writing, tell us the highest amount that might have to be paid by a business rate payer in each of these four areas, given that the threshold is to be a £50,000 valuation but some clearly have a higher valuation than that? Of the £35 million in the West Midlands, say, what is the highest single amount that might have to be paid by a business rate payer?

Overall, I do not think that these orders relate to the overall structure of combined authorities. There have been debates about mayors' powers and the fact that the scrutiny systems need to be made stronger in combined authorities. Of course, in London an assembly lies behind the mayoral structure, which does not exist for the combined authorities elsewhere in England. All that having been said, the specific process relating to a business rate supplement stands on its own. It seems appropriate and should be supported.

Lord Kennedy of Southwark (Lab Co-op): My Lords, I also draw the attention of the House to the fact that I am a vice-president of the Local Government Association. I am generally happy to support the orders before the House, but there is a point to be made about business rates. I accept that this is a supplement and in that sense it could be subject to a referendum, a plan and stuff, but there is the point about business rates in general and what business has to pay in an area. We have many questions here about the cost to business of further taxation. In the West Midlands, for example, if a further £35 million is raised, what does that do to the economy? Is that the best use of that money?

That then comes back to the whole issue of combined authorities. Where they are established, the funding provided by government is relatively small. I am sure the noble Lord will not agree, but I have made the point before to his noble friend Lord Bourne that we have this rather confusing patchwork of local government emerging in England. We need a clear structure that we will get to. I am all in favour of devolution, but I would like to understand what the plan is. Certain places will potentially have four, five or maybe six authorities, whereas in another place there will be just one. That does not seem to be very good government at all. I am all in favour of devolution, but I am not convinced that the combined authority model is the best way forward.

I am happy to support the orders, as I said. I welcome the fact that the supplementary rates will have to be subject to a ballot. That is good news, but generally there is the whole issue of business rates and the effect on businesses, particularly on the high street.

Lord Young of Cookham: My Lords, I am grateful to both noble Lords for their support for the measures before the House. I say to the noble Lord, Lord Shipley, that the average increase, if we go ahead with 2p in the pound, is 4% on the business rate bill, but I would like to write to the noble Lord—a generous suggestion that he made—setting out what the highest amount might be in the highest rateable-value property in a particular area.

I am grateful to the noble Lord, Lord Kennedy, for his broad support. I know that he finds these differing structures untidy and has complained about them before, but the Government are responding to what local people want, which varies in different parts of the country so different patterns emerge. I am not sure that I can take the debate any further today. Doubtless, when we have future debates on combined authorities, I will make the same point. In the meantime, I commend the orders.

Motions agreed.

Single Source Contract (Amendment) Regulations 2018

Motion to Approve

3.55 pm

Moved by ***Earl Howe***

That the draft Regulations laid before the House on 4 June be approved.

Relevant documents: Special attention drawn to the instrument by the Joint Committee on Statutory Instruments, 28th Report

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, a substantial proportion of the MoD's annual procurement spend, amounting to some £8 billion a year, goes on single-source contracts. Given this level of expenditure, it is critical that the department obtains value for money. It is also critical that we protect the long-term future of the defence industry by ensuring that suppliers get a fair return on single-source work.

When the noble Lord, Lord Currie, produced his independent report on non-competitive defence procurement in 2011, he concluded that the arrangements then in place were simply unfit for purpose. The result was a weak negotiating position for the department and poor value for money for the taxpayer.

Following the noble Lord's report, in 2014 we introduced a new framework as part of the Defence Reform Act. Our intent was clear: the new framework sets out firm rules on pricing single-source defence contracts and puts the onus on suppliers to demonstrate that their costs are "appropriate, attributable and

[Earl Howe]
reasonable". Where there is a dispute, either party can refer the matter to an impartial adjudicator, the Single Source Regulations Office, for a decision.

Since coming into force in December 2014, the new framework has made considerable progress: more than £19 billion-worth of single-source contracts have been brought under the framework, and the benefits to the MoD have been significant.

However, any new regime of this complexity needs to be refined in the light of experience. The Act therefore requires the Defence Secretary to carry out a thorough review of single-source legislation within three years of the framework coming into force. This review was completed in December 2017 and several proposals were identified as potential improvements to the framework. We have incorporated the first of these into the SI under consideration, but we plan to introduce further amendments later in the year.

The main amendments under consideration here relate to those types of single-source contract, known as "exclusions", which cannot become qualifying defence contracts. Experience in implementing the framework has shown that there is some confusion about how such exclusions are applied and that some contracts, relating to intelligence and international co-operative programmes, are being unnecessarily excluded. We therefore propose a clearer and more precise definition of these two categories.

We are also adding a further category of exclusion to deal with situations where contracts are transferred from one legal entity to another, such as where an internal restructuring of industry has taken place. In such cases, although the legal identity of the supplier may have changed, the contract itself has not otherwise changed in a material sense.

We have engaged extensively in drafting these amendments and believe that the proposals will be generally welcomed by suppliers. I beg to move.

Baroness Smith of Newnham (LD): My Lords, I am grateful to the Minister for introducing this statutory instrument and apologise for arriving momentarily after he started. He mentioned that the changes introduced in 2014 were intended to improve value for money and MoD procurement arrangements in general and that, since then, £19 billion had been spent using the single-source procurement mechanism. Will he explain a little more how the changes proposed in the SI will benefit the MoD and the taxpayer? I heard him say that the changes will be of benefit to the supplier. While we do not want to do down the suppliers, it would be helpful to understand how the changes will benefit the taxpayer as well.

Lord Tunnicliffe (Lab): My Lords, I thank the Minister for presenting the regulations. Part 2 of the 2014 Act and the subsequent Single Source Contract Regulations 2014 are supported by these Benches. Unfortunately, I have lived through every bit of their creation and evolution. The key thing is: are they effective? The way to judge their effectiveness is, first, to understand the mechanisms, which the Minister has been invited to expand on, and, secondly, to look at how extensive they are. Does the Minister have at hand how much is being spent on equipment and infrastructure in a typical year, say, 2017-18? How much of that is single sourced? I believe the answer is nearly half. What proportion—and this is the key issue—are qualifying defence contracts? I wonder if he has similar figures for contracts with BAE.

The Explanatory Memorandum says that three of the five categories are "working well", meaning that they describe the exclusions clearly. Two relate to land, I believe, and the third to government-procured equipment. Three are new or modified. The first, Regulation 7(b), is where there is international co-operation. The modification is that there should not be an exclusion if all parties agree. I have great trouble working out why parties would want to agree, because the mechanism is designed to give the Government, the SSRO, the MoD or whoever a better understanding of what is happening in the contract, giving them rights to challenge the suppliers. Why would anybody want to agree to this? Have any firms actually agreed to this?

The second modification relates to "intelligence activities". This is clearly a case of unintended consequences because all intelligence activities are currently excluded. This turns it on its head to require only those contracts that are a risk to national security to be automatically excluded. Paragraph 7.9, I think, of the Explanatory Memorandum effectively defines "risk to national security"; that is, reports that would normally be required by the SSRO would contain information above a certain security level. Am I right in that understanding? Am I right that the key test will be the security level of the information that the SSRO would naturally demand if they became qualifying contracts? Otherwise, how is national security defined and who defines it?

The final modification relates to what one might loosely describe as novation. That does not give me any pain at all.

The key question about the modifications is: how many more, or what greater proportion of, single-source contracts will be brought into the ambit of the Single Source Regulations Office by these changes? Will the number be trivial or substantial? My final question relating to the order is: when will the MoD respond to the other SSRO recommendations?

Lastly, I have a question that is completely out of order. I point out to the Minister that the NATO summit is, I think, on Wednesday and Thursday. Will he give some indication of when he will give an overview of the defence modernisation programme promised before the NATO summit?

Earl Howe: My Lords, I am grateful to the noble Baroness and the noble Lord for their general support for these regulations, and for their questions. The noble Lord, Lord Tunnicliffe—if I may address his questions first—asked about the level of MoD procurement spend for the last full financial year and the level of single-source procurement within that. In the last full financial year, 2017-18, the MoD spend on procurement was just over £24 billion, of which just over £8 billion went on single-source contracts. We do not track the value of defence qualifying contracts on

a year-by-year basis, but I can confirm that since the framework came into force in December 2014, up until the end of May 2018, a little over £19 billion-worth of single-source contracts have been brought under the framework. For the same financial year, the MoD placed contracts worth more than £3.6 billion with BAE systems—about which the noble Lord asked me specifically—of which around £3 billion were on single-source contracts. I am afraid I cannot disclose the proportion of the single-source spend covered by the SSCR framework because it is commercial in confidence.

The noble Lord and the noble Baroness, Lady Smith, asked how much the department expects this situation to change as a result of these regulations. We have identified approximately 8% to 10% of single-source spend which we would seek to bring under the regulations as a result of this amendment, subject to the consent of the suppliers in question. Obviously, before the contracts are signed, it is a bit difficult to quantify the amount of money that we expect to save, but I hope that that gives a rough order of magnitude to both noble Lords.

Lord Tunnicliffe: Is that an 8% to 10% increase in the contacts which become qualifying, or is it a 50% increase in those that qualify? If the noble Earl does not know, I am perfectly happy to wait for a letter.

Earl Howe: I will vouchsafe to the noble Lord that my note is ambiguous on that point and I think, therefore, that I should write to him. We have identified 8% to 10% of single-source spend, which makes it more or less clear that we are talking about single-source spend as a whole rather than that proportion of the spend that comes within the framework. But I will confirm that.

The noble Lord asked me about the exclusion relating to international co-operative programmes which would require the consent of the suppliers involved. He made a very good point about obtaining consent, which was a matter on which we deliberated long and hard. We came to the conclusion that to remove supplier consent altogether would mean that we would have to seek agreement with partner nations, which in practice might sometimes be difficult to achieve. We believe that this proposal represents a pragmatic approach. In fact, we are reassured to note that such agreement on several large contracts has already been achieved with the supplier. Since the framework came into force in December 2014, 11 contracts have been made into qualifying defence contacts on amendment—that is, with the consent of the supplier in question—with a total value of more than £10 billion. The background to that is that many suppliers recognise that the Government are fully committed to implementing the framework and accept that it is in their long-term interests to co-operate with it.

The noble Lord asked me about how the intelligence exclusion would work in practice. Under current legislation, single-source contracts relating to "intelligence procurement" would be excluded from the framework. The problem with that is that experience has shown that there is confusion over exactly how this definition is applied. That is why we have proposed the amendment. Under this change, single-source contracts would be excluded where complying with the single-source legislation would involve having to release information to the SSRO that it is not authorised to see. That significantly raises the bar required for exclusion.

It might be easiest if I gave a hypothetical example. It may be that we sign a single-source contract allowing us access to a specific port overseas in support of a sensitive operation. If this becomes a qualifying defence contract, the reporting requirements under the framework would mean disclosing to the SSRO who the contractor in question was. That would very quickly reveal the location and the likely purpose behind the contract. It is that aspect that we wish to keep classified because of the risk of a negative impact on national security.

The noble Lord asked me when we will respond to the review of single-source legislation. I can tell him that when my right honourable friend the Secretary of State completed his review of single-source legislation last December, several proposals were identified which could improve the operation of the framework, but he asked officials to carry out further work on how these might be implemented, so as to avoid any unintended consequences. Part of that included an extensive process of cross-Whitehall engagement to ensure a fully joined-up position, as well as additional engagement with key stakeholders to take forward the proposals. That work is nearing completion, and we expect to publish our full response shortly.

Finally, on the noble Lord's last question about the NATO summit and when we expect to announce headline figures from the modernising defence programme, unfortunately, I cannot promise anything this week—contrary to the hopes that I and others have expressed at similar previous occasions. We are endeavouring to make the delay in the announcement as short as possible, and I shall be sure to give the noble Lord as much warning as possible before that event.

Motion agreed.

Companies (Miscellaneous Reporting) Regulations 2018

Motion to Approve

4.13 pm

Moved by ***Lord Henley***

That the draft Regulations laid before the House on 11 June be approved.

Relevant document: 34th Report from the Secondary Legislation Scrutiny Committee

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, I beg to move that the draft Companies (Miscellaneous Reporting) Regulations 2018, which were laid before the House on 11 June, be approved.

The United Kingdom has an international reputation for the strength of its corporate governance framework. It is an important factor in making the United Kingdom an attractive place in which to invest and do business.

[Lord Henley]
One of the reasons we have maintained this reputation is that we have kept our corporate governance framework up to date.

In this spirit, the Government published a Green Paper on corporate governance reform in November 2016. The Green Paper focused on ways of improving shareholder scrutiny of executive pay and strengthening boardroom engagement with employees and other stakeholders. It also looked at the case for strengthening corporate governance in large, privately held businesses.

The backdrop to the Green Paper was public disquiet about high levels of executive pay and continuing concern about a disconnect between remuneration and performance. There were also concerns about boardrooms being remote, unrepresentative and disconnected from their employees. There was heightened interest, too, in standards of corporate governance in large private companies in the wake of the failure of BHS and some other large private companies.

The Government received 375 written responses to the Green Paper from a wide cross-section of business, professional and trade bodies, and wider society. They also had the benefit of the BEIS Committee's report on corporate governance. The Government's response, announced last August, set out a package of reforms combining new statutory reporting requirements, changes to the UK corporate governance code and industry-led measures.

The draft regulations being debated today will implement the new company reporting elements of the reform package. First, all large companies will be required to explain in their annual reports how their directors have complied with the requirements of Section 172 of the Companies Act, including the need to have regard to employee interests and relationships with customers and suppliers. This new information will make it easier for shareholders to hold companies to account and encourage directors to think more carefully about how they are taking account of these matters.

Secondly, very large private companies will need to make a statement about their corporate governance arrangements, including whether they follow a corporate governance code and if so, how. Thirdly, quoted companies with more than 250 UK employees will be required to publish pay ratios comparing the CEO's remuneration to median employee pay and employee pay at the 25th and 75th quartiles. The ratios will need to be accompanied by an explanation, including the reasons for any change to the ratio from year to year and whether the median pay ratio is consistent with the pay, reward and progression policies for UK employees as a whole. This information will give shareholders new information to assess whether pay at the top is justified and consistent with pay and incentive arrangements in the rest of the workforce.

Finally, quoted companies will be required to illustrate for shareholders the impact of future share price growth on the value of share-based incentive plans. This will give shareholders a better understanding of how significant share price growth over a performance period can increase executive pay. It will also encourage remuneration committees to avoid mechanistic pay outcomes linked to share price growth. None of these reporting requirements will apply to small businesses. The measures are aimed at quoted, large and very large companies. The total costs for business arising from the new reporting requirements are expected to be £16.7 million in year one, and £9.8 million annually thereafter.

The reporting obligations complement and reinforce other elements of the corporate governance reform package. For example, the new requirement for large private companies to make a statement about their corporate governance arrangements is linked to work being undertaken by James Wates and a business and wider society coalition group to develop voluntary corporate governance principles for use by large private companies. These principles are currently being consulted on with a view to finalising them by the end of the year. Other links are with the Financial Reporting Council's UK Corporate Governance Code. The new requirement on companies to state how they have had regard to the employee and other wider stakeholder issues in Section 172 of the Companies Act will help to underpin revisions to the code.

These changes include a new provision requiring boards, on a comply or explain basis, to establish at least one of three robust methods for gathering the views of the workforce: a director appointed from the workforce, a formal workforce advisory panel or a designated non-executive director. The FRC has been consulting on these changes and expects to publish the final revised code this month. In addition, the Investment Association, at the Government's request, has launched a public register of companies encountering significant shareholder dissent of 20% or more to executive pay packages and other resolutions. This is shining a light on companies which are not listening to their shareholders, and in particular on companies that face significant opposition in successive years.

I refer briefly to the final part of the regulations, which relates to reporting by community interest companies. The Companies (Audit, Investigations and Community Enterprise) Act 2004 requires CICs to produce a community interest company report annually, including information about directors' remuneration. The obligation covering small CICs was inadvertently removed when associated provisions regarding small companies were repealed in the course of implementing the accounting directive in 2015. This was not part of the corporate governance reform package, but these regulations represent a good opportunity to correct the earlier error. It is uncontroversial and does not involve any change in policy. Indeed, small CICs have continued to file the information. I commend these regulations to the House.

Lord Haskel (Lab): My Lords, I welcome any attempt to raise the reputation of business and to increase the trust and confidence in business in the eyes of the public, so I very much welcome these regulations, but I wonder how effective they will be.

These regulations require public companies and large private companies to publish pay ratios and other data to show that the directors are taking into account the broader interest of customers, employees and communities, as the Minister has explained. These data are useful to provide more information to enable shareholders to question the directors and, if necessary,

to vote at shareholder meetings. But who are the shareholders? Many shares are held by institutions, which are reluctant to act as long as the financial returns are as expected. Frequently they have a limited and sometimes short-term interest in the company. Also, much share trading is carried out by algorithms—and who knows on what formula they base their decisions? There are still many day traders active, and their trading, again, is based purely on numbers. As I understand it, this is the way the majority of shares now change hands.

I ask the Minister: even if the published data leads to naming and shaming, how effective will these regulations be in changing behaviour? I know there is a lot of concern about misleading comparisons between companies, but perhaps we should ask for other data to be published, such as benchmarking data on productivity so that shareholders can compare how well their company is doing in comparison with competitors.

Surely, there must also be concern about the reliability of the numbers. The big four accountancy firms almost exclusively audit for the large companies that are the subject of these regulations; they are also their financial advisers. In their role as financial advisers to these companies, I am sure that they will have lots of schemes to make the ratios look a lot more attractive. This joint relationship has come in for a lot of criticism recently. Is there any sign of any change so that these regulations will become more effective?

I welcome the rules applying to large privately held businesses. Most respondents in the consultation wanted to see more data about these companies and I hope that these regulations will produce it. Generally, I welcome these regulations, but would like to see them widened and made more effective.

Baroness Bowles of Berkhamsted (LD): My Lords, I first apologise to the Minister for being caught out—

Baroness Vere of Norbiton (Con): Is it really appropriate that the noble Baroness speaks, given that she was not here for any of the Minister's introduction of the statutory instrument at all?

Baroness Bowles of Berkhamsted: I apologise: I got caught out because I was advised of a rather different timescale. With the permission of the House, may I speak?

A noble Lord: Yes, I think you had better.

Baroness Bowles of Berkhamsted: Thank you. I notice that I am not the only one who had to run in. I declare my interests, as in the register, in particular as a non-executive director of London Stock Exchange plc. I welcome the provisions in these regulations and will speak mainly about the Section 172(1) report and stakeholder engagement.

Recent events surrounding BHS and Carillion have reminded us, yet again, that it is not just shareholders but the public purse, ordinary workers and pensioners that bear the brunt of corporate failures and misdemeanours. Incorporation and limited liability is a bargain with society, meant to encourage entrepreneurism and growth for the common good. The public-interest side of that bargain has to be upheld. That is the message from the Green Paper responses: 86% and 85% respectively of respondents agreed with steps to strengthen stakeholder voice and governance for private companies.

In fact, looking after the public interest has always been the majority view. I took the time a couple of years ago to go through the evidence in the Law Commission consultation leading up to the Companies Act 2006. It was a minority—a concerted one—who supported "one master, the shareholder", which then became "enlightened shareholder value". The majority wanted a more express public-interest requirement, but lost out as they were not co-ordinated around a single suggestion. So here we are again, just as with the creation of the strategic report, trying to fix it again.

I am not sure whether it counts as an interest, but I was the author of the Liberal Democrat response to the Government's Green Paper, in which I put a long—32-paragraph—section on interpretation and enforcement of Section 172 of the Companies Act 2006. It included a call for legislation to correct the distortion that has occurred in practice to the intentions of the so-called enlightened shareholder value and for the discharge of the duty in Section 172 to be susceptible to checking and challenge. That is a regulator's job: they look after the public interest on behalf of the Government, and that matter needs some revision and upgrading for companies.

I doubt that all the deficiencies in Section 172 could be dealt with by secondary legislation, but these regulations are a decent attempt to remedy the fact that the "have regard to" formulation is weak, to the point of being non-existent. I sincerely hope that the 172(1) reporting proves, as I put it, "susceptible to checking and challenge", and that the perfunctory statements which, in effect, say "we thought about it and dismissed it" are not left unchallenged. I say this also with regard to the requirements in paragraph 13 of Part 3 regarding engagement with employees, suppliers, customers and others. These clarify that there must be not only an explanation of the engagement with employees and wider stakeholders, but statements explaining how directors have performed the "have regard to" requirements and a summary of the effect of that regard on principal decisions. These statements must not be allowed to say "no effect" without substantive reasoning—no getting away with the sort of simplistic, "we take the best person for the job" explanations that have been prevalent on gender equality.

In paragraph 9.2 of the Explanatory Notes, it says that the FRC has agreed to include guidance on how companies should make a Section 172(1) statement. The forthcoming revised corporate governance code will have a "comply or explain" requirement concerning the mechanism of employee engagement, choosing from the three options of a designated non-executive director, a formal employee advisory council or a director from the workforce. I have no problem with having options, and suggest that again, this has to be a "comply or say what you are doing instead that is just

[Baroness Bowles of Berkhamsted]
as effective" type of comply or explain, not a "we didn't think it suited our business" type of explanation. Indeed, a weak explanation would seem to offend against the employee involvement provisions in Part 3 of these regulations.

4.30 pm

Guidance must be watched very closely, because the FRC has in the past issued guidance that has been far from helpful with regard to the intent of the strategic report, and that has undermined if not conflicted with company law. An example that I gave in my Green Paper response was restricting the strategic report to "only report on those matters of direct relevance to shareholders". There is no such "direct relevance to shareholders" restriction in the prevailing requirement of the "success of the company". Another poor showing I mentioned was encouraging companies to focus on the "application of materiality to disclosures", which is a good way to make qualitative and subsidiary company issues disappear.

In the light of criticism, the FRC has recently made corrections, but let us make sure—from the start this time—that similar dilution does not happen and that there is appetite to monitor explanations for adequacy and act on complaints, remembering that whatever a code says, the law says something above that. The law—these regulations that are coming in—is not "comply or explain".

A noble Lord: Too long!

Baroness Bowles of Berkhamsted: The time shown on the timer is not all mine.

With regard to employee engagement, I take this opportunity to suggest that it is worth looking at employee-owned businesses—that is, businesses where, alongside some share ownership, employees have a significant say through various different mechanisms. I commend to noble Lords the report *The Ownership Dividend*, launched at the end of July, which followed a year's inquiry and, for the first time, substantial collection of UK data. I had the honour to chair the inquiry so I declare an interest. The inquiry showed that many governance problems are solved, including those around wider stakeholders, and that productivity increases when there is employee ownership. So embracing the formal involvement of employees is nothing to shy away from, even if it is not within a formal employee-owned structure.

I have spent some time on the Section 172 and stakeholder matters because they are key to culture. The fact that these regulations need more pages dedicated to executive pay than the other governance matters is itself a sad reflection on corporate and executive culture. I welcome the additional transparency and ratio comparisons; the truth needs to be told, and unfairness and mechanistic escalators exposed. Hopefully, some rebalancing will happen, whether that be through shareholders or shaming.

Baroness Neville-Rolfe (Con): My Lords, I declare my interests as set out in the register, and as a director of companies over a number of years and as a chartered secretary. I will not delay the House, but I am doubtful of the value of some of these changes, which represent micromanagement and/or bureaucracy, and there is a decidedly mixed level of support for some of them, as can be seen on pages 49 to 51 of the impact assessment.

I am a huge supporter of good governance, but it should be geared towards long-term value creation, and in a responsible way. Good companies create value, and the tax-take from such companies—not only company taxes but all the taxes they collect: VAT, rates and income tax—finances our schools, hospitals and public services.

There is no sunset clause but perhaps the Minister can confirm that there will be a review of these arrangements in five years' time. Further, does he agree that creating long-term value and companies' contribution to our economy, including productivity, which was mentioned by the noble Lord, Lord Haskel, should form part of that review?

Baroness Drake (Lab): My Lords, I am conscious that Members of the House want to move on to other business, so I shall concentrate on two issues in the regulations that I think warrant being brought out and receiving attention.

There is a cross-cutting concern that, in referring to directors' reporting responsibilities in relation to engagement with and having regard to the interests of their employees, the regulations do not refer to their "workers"; they refer only to their "employees". This is a weakness in the regulations, as they do not encompass the reality of modern employment practices and business models, explicitly referred to in the Taylor review and the impact assessment. Reporting on a company's impact on employment should be reflective of the entire workforce and not just direct employees.

A significant minority of the UK's workforce is now not covered by the term "employee" and there is a correlation between indirect employment and low pay and insecurity. Excluding indirectly employed workers, some of whom are the most vulnerable, from the scope of these regulations contradicts a key rationale for statutory intervention—promoting equality and fairness. It will mean that directors' reports will present an incomplete picture of engagement with the people whose work contributes to companies' output and value. Therefore, do the Government intend to review Section 172 of the Companies Act to allow reporting on directors' duties to address the workforce as a whole and not restrict it to employees only?

Another element of the regulations concerns me. Regulations that require reporting on the pay ratios of CEOs' remuneration to employees' remuneration are to be welcomed, but there is a risk that these regulations will fall short of what is needed. Again, they refer to employees and not the whole workforce, and that could result in misleading evidence on those pay ratios. The public interest is in the gap between wider workforce pay and executive remuneration. There is a precedent: gender pay-gap reporting covers both workers and employees, not just employees.

If evidence on pay ratios is to contribute to restoring public trust in business, it is important that there is integrity around the data collected and reported. Clear audit requirements need to be put on these pay-ratio

exercises, and the lessons learned from the reported gender pay gap, highlighted by the *Financial Times* analysis, should not be missed. The *Financial Times* revealed that one in 20 UK companies that has submitted gender pay-gap data to the Government has reported numbers that are statistically improbable and therefore almost certainly inaccurate. Therefore, when do the Government intend to extend pay-ratio reporting to cover both workers and employees, and how will they satisfy themselves about the quality of the data provided on these pay-ratio reports?

Lord Stevenson of Balmacara (Lab): My Lords, I am conscious that the House wants to move on but it would be wrong to pass over these regulations, because there are rather important points within them. My noble friend Lord Haskel raised a number of points about the overall shape of the Government's response to company powers. He talked about the need to think again about the way that shareholders are always given priority and the missed opportunity to stress the importance of productivity. My noble friend Lady Drake raised a number of points about how the figures can be used in a positive way, and I want to come back to that, although I will not go through all the points in detail. In fact, a lot of them were covered by the noble Baroness, Lady Bowles, although I am afraid that she lost the House during her speech. It may be worth reading again what she said, because a lot of it was very relevant to what our future agenda needs to be.

First, I congratulate the team behind these regulations. The Explanatory Memorandum that accompanies them runs to 55 pages and is one of the best that I have seen, but I bet that very few people here have read it. They should do so because, even if they are not up to speed with the latest arithmetical terms, it will tell them about averages and means in a way that will bring home any questions that they might have had about why people use one term or another. If I may say so, it has chosen the wrong term, but has done so in a way that has allowed it to at least shine a spotlight on the difficulty of comparing, for instance, the pay of the top person in a company with the median or average or whatever other term you want to use. It points out more difficulties than it solves so it is worth reading.

Secondly, on the date of application of the regulations, some Members of the House will be aware that I have concerns about the fact that we are observing in its absence the common commencement dates for when new regulations are placed on companies and businesses. These regulations come in 21 days after they are passed and not on the common commencement dates, which are 6 April and 1 October. I am keeping a score of the Minister's efforts in this matter. He will be delighted to know that, of the 13 regulations he has brought forward recently, his score is now 11:2, and even those two were almost cheating because one of them was done by exception and another was done a year late. Nevertheless, I appeal to him to try to up his game.

The key point is: why are the Government not doing more on Section 172(1) of the Companies Act 2006? This section requires directors to act in a way that they consider in good faith promotes the success of their company as a whole and to have regard to, among other things, the long-term consequences of their decisions and the interests of their employees. This needs to be looked at very seriously and rewritten for the 21st century. As part of that, the review should look at the issues that should be in place for all directors, whether in private or public companies, and should include matters such as late payment of suppliers, productivity and the use of powers to try to ensure that stakeholders of the company benefit from it.

Thirdly, the point has already been made that the threshold of 250 UK employees mirrors existing thresholds, but it does not make any sense for it to be limited to UK citizens only. The Government should make it clear that the intention of the legislation is for companies to report on their whole workforce. My noble friend Lady Drake asked why we are not including "workers" as well as "employees". All employees are workers but not all workers are employees, and it is time that this was updated to reflect that. I think the Minister has already accepted that, in time, they will do that.

My final point is that, without some central registry of reports, this requirement will not be satisfactory. I hope that the Minister will take account of what I have said and perhaps write to us on the key points, in order that we might make progress today.

Lord Henley: My Lords, like the noble Lord, Lord Stevenson, I would like to make progress, and I suspect that the House would also—I am sure the Chamber is not as full as it is purely to listen to me wind up on this order.

I start by dealing with the noble Lord's comments about common commencement dates; I know this is a matter of great concern to him, and I always try to comply. Wherever practical we like to follow them but, because we are proposing to introduce these significant new regulations designed to coincide with the start of the company reporting year, we felt that 1 January might be more suitable. I will allow him to continue to keep his scorecard and on those rare occasions that we diverge from the common commencement dates—although they are perhaps less rare than they might be—I will make it clear why we are doing so.

My noble friend Lady Neville-Rolfe asked whether we could have a review of some of the arrangements in five years, particularly in the light of her comments on pages 41 to 51 of the impact assessment. I give an assurance that we will do that. The success criteria include company executives focusing more on long-term performance, and the new Section 172 reporting requirement must include reporting on the impact of directors' decision-making in the long term.

I appreciate that although the noble Lord, Lord Haskel, welcomed the regulations, he felt that they possibly should go further. He expressed concern about the reluctance, particularly of some institutional shareholders, to intervene. It is important to remember that increasing knowledge is always a benefit to any shareholders. I think that he recognised this and that shareholders were increasingly becoming more assertive in holding companies to account. They have, for example, strongly backed pay ratios and other rules introduced today. The Investment Association's new public register

[LORD HENLEY]
of shareholder dissent, to which I referred in my opening remarks, is putting significant and welcome new pressure on companies to listen to their concerns.

The noble Baroness, Lady Drake, asked about the definitions of "employee" and whether they should also cover other workers. The regulations we are using are made under the Companies Act and, therefore, we will follow the definitions of "employee" in that Act—that is, someone employed under a contract of service with the company. Having said that, I recognise her more general concerns about the definitions of "employee"—we have discussed these matters on other occasions—given the changing nature of the workforce. The Taylor review has addressed this issue and the Government will need to respond further in the light of that and recent court decisions. However, for the moment, for these regulations it is necessary that we stick to the Companies Act definition.

As the noble Lord, Lord Stevenson, suggested, it would be right for me to write in greater detail on some of the questions put to me in the course of the debate. However, I have heard a general welcome for these regulations.

Motion agreed.

Exiting the EU
Statement

4.46 pm

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

"Mr Speaker, I am sure that the House will join me in sending our deepest condolences to the family and friends of Dawn Sturgess, who passed away last night. The police and security services are working urgently to establish the full facts in what is now a murder investigation. I want to pay tribute to the dedication of staff at Salisbury District Hospital for their tireless work in responding to this appalling crime. Our thoughts are also with the people of Salisbury and Amesbury. My right honourable friend the Home Secretary will make a Statement shortly—including on the support we will continue to provide to the local community throughout this difficult time.

Turning to Brexit, I want to pay tribute my right honourable friends the Members for Haltemprice and Howden and Uxbridge and South Ruislip for their work over the past two years. We do not agree about the best way of delivering our shared commitment to honour the result of the referendum. But I want to recognise the work that the former Secretary of State for Exiting the European Union did to establish a new department and steer through Parliament some of the most important legislation for generations. And, similarly, to recognise the passion that the former Foreign Secretary demonstrated in promoting a global Britain to the world as we leave the European Union. I am also pleased to welcome my honourable friend the Member for Esher and Walton as the new Secretary of State for Exiting the European Union.

On Friday, at Chequers, the Cabinet agreed a comprehensive and ambitious proposal that provides a responsible and credible basis for progressing negotiations with the EU towards a new relationship after we leave on 29 March next year. It is a proposal that will take back control of our borders, our money and our laws—but do so in a way that protects jobs, allows us to strike new trade deals through an independent trade policy, and keeps our people safe and our union together.

Before I set out the details of this proposal, I want to start by explaining why we are putting it forward. The negotiations so far have settled virtually all of the withdrawal agreement. And we have agreed an implementation period which will provide businesses and Governments with the time to prepare for our future relationship with the EU. But on the nature of that future relationship, the two models that are on offer from the EU are simply not acceptable.

First, there is what is provided for in the European Council's guidelines from March this year. This amounts to a standard free trade agreement for Great Britain, with Northern Ireland carved off in the EU's customs union and parts of the single market separated through a border in the Irish Sea from the UK's own internal market. No Prime Minister of our United Kingdom could ever accept this. It would be a profound betrayal of our precious union. While I know that some might propose instead a free trade agreement for the UK as a whole, this is not on the table because it would not allow us to meet our commitment under the Belfast agreement that there should be no hard border between Northern Ireland and Ireland.

Secondly, there is what some people say is on offer from the EU: a model that is effectively membership of the European Economic Area, but going further in some places and remaining in the customs union for the whole of the UK. This would mean continued free movement, continued payment of vast sums every year to the EU for market access, a continued obligation to follow the vast bulk of EU law, but no independent trade policy and no ability to strike our own trade deals around the world. I firmly believe that this would not honour the referendum result. If the EU continues on this course, there is a serious risk that it could lead to no deal. Moreover, this would most likely be a disorderly no deal, for, without an agreement on our future relationship, I cannot see that this Parliament would approve the withdrawal agreement with a Northern Ireland protocol and financial commitments—and without these commitments, the EU would not sign a withdrawal agreement.

A responsible Government must prepare for a range of potential outcomes, including the possibility of no deal. Given the short period remaining before the conclusion of negotiations, the Cabinet agreed on Friday that these preparations should be stepped up. At the same time, we should recognise that such a disorderly no deal would have profound consequences for both the UK and the EU. I believe that the UK deserves better. So the Cabinet agreed that we need to present the EU with a new model, evolving the position that I set out in my Mansion House speech so that we can accelerate negotiations over the summer, secure

that new relationship in the autumn, pass the withdrawal and implementation Bill, and leave the European Union on 29 March 2019.

The friction-free movement of goods is the only way to avoid a hard border between Northern Ireland and Ireland and between Northern Ireland and Great Britain. It is the only way to protect the uniquely integrated supply chains and just-in-time processes on which millions of jobs and livelihoods depend. So at the heart of our proposal is a UK-EU free trade area which will avoid the need for customs and regulatory checks at the border and will protect those supply chains. To achieve this requires four steps.

The first is a commitment to maintaining a common rulebook for industrial goods and agricultural products. To deliver this, the UK would make an up-front sovereign choice to commit to ongoing harmonisation with EU rules on goods, covering only those necessary to provide for frictionless trade at the border. This would not cover services because this is not necessary to ensure free flow at the border. It would also not include the common agricultural and fisheries policies, which the UK will leave when we leave the EU. The regulations that are covered are relatively stable and are supported by a large share of our manufacturing businesses. Moreover, we would continue to play a strong role in shaping the European and international standards that underpin them. There would be a parliamentary lock on all new rules and regulations, because, when we leave the EU, we will end the direct effect of EU law in the UK. All laws in the UK will be passed in Westminster, Edinburgh, Cardiff and Belfast. Our Parliament would have the sovereign ability to reject any proposals if it so chose, recognising that there would be consequences, including for market access, if we choose a different approach from the EU.

Secondly, we will ensure a fair trading environment. Under our proposal, the UK and the EU would incorporate strong, reciprocal commitments relating to state aid. We will establish co-operative arrangements between regulators on competition and we will commit to maintaining high regulatory standards for the environment, climate change, and social, employment and consumer protection.

Thirdly, we would need a joint institutional framework to provide for the consistent interpretation and application of UK-EU agreements by both parties. This would be done in the UK by UK courts, and in the EU by EU courts, with due regard paid to EU case law in areas where the UK continues to apply a common rulebook. This framework would also provide a robust and appropriate means for the resolution of disputes, including through the establishment of a joint committee of representatives from the UK and the EU. It would respect the autonomy of the UK and the EU's legal orders and be based on the fundamental principle that the court of one party cannot resolve disputes between the two.

Fourthly, the Cabinet also agreed to put forward a new, business-friendly customs model: a facilitated customs arrangement. This would remove the need for customs checks and controls between the UK and the EU, because we would operate as if we were a combined customs territory. Crucially, it would also allow the UK to pursue an independent trade policy. The UK would apply the UK's tariffs and trade policy for goods intended for the UK, and the EU's tariffs and trade policy for goods intended for the EU. Some 96% of businesses would be able to pay the correct tariff or no tariff at the UK border, so there would be no additional burdens for them compared to the status quo and they would be able to benefit from the new trade deals that we strike. In addition, we will also bring forward new technology to make our customs systems as smooth as possible for those businesses that trade with the rest of the world.

Some have suggested that under this arrangement the UK would not be able to do trade deals. They are wrong. When we have left the EU, the UK will have our own independent trade policy, with our own seat at the World Trade Organization and the ability to set tariffs for our trade with the rest of the world. We will be able to pursue trade agreements with key partners, and on Friday the Cabinet agreed that we would consider seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Our Brexit plan for Britain respects what we have heard from businesses about how they want to trade with the EU after we leave and will ensure that we are best placed to capitalise on the industries of the future, in line with our modern industrial strategy.

Finally, as I have set out in this House before, our proposal also includes a far-reaching security partnership that will ensure continued close co-operation with our allies across Europe, while enabling us to operate an independent foreign and defence policy. So this plan is not just good for British jobs but good for the safety and security of our people at home and in Europe, too.

Some have asked whether this proposal is consistent with the commitments made in the Conservative manifesto. It is. The manifesto said:

> "As we leave the European Union, we will no longer be members of the single market or customs union but we will seek a deep and special partnership including a comprehensive free trade and customs agreement".

That is exactly what the proposal agreed by the Cabinet seeks to achieve. What we are proposing is challenging for the EU. It requires the EU to think again, to look beyond the positions it has taken so far and agree a new and fair balance of rights and obligations, because that is the only way to meet our commitments to avoid a hard border between Northern Ireland and Ireland, without damaging the constitutional integrity of the UK and while respecting the result of the referendum. It is a balance that reflects the links we have established over the last 40 years with some of the world's largest economies and security partners. It is a bold proposal that we will set out more fully in a White Paper on Thursday. We now expect the EU to engage seriously with the detail and to intensify negotiations over the summer so that we can get the future relationship that I firmly believe is in all our interests.

In the two years since the referendum we have had a spirited national debate, with robust views echoing around the Cabinet table as they have around breakfast tables up and down our country. Over that time I have listened to every possible idea and every possible version

[Baroness Evans of Bowes Park]
of Brexit. This is the right Brexit: leaving the European Union on 29 March 2019; a complete end to free movement, taking back control of our borders; an end to the jurisdiction of the CJEU in the UK, restoring the supremacy of British courts; no more sending vast sums of money each year to the EU, but instead a Brexit dividend to spend on domestic priorities such as our long-term plan for the NHS; flexibility on services where the UK is world leading; no hard border between Northern Ireland and Ireland or between Ireland and Great Britain; a parliamentary lock on all new rules and regulations; leaving the common agricultural policy and the common fisheries policy; the freedom to strike new trade deals around the world; and an independent foreign and defence policy. It will not be the most distant relationship possible with our neighbours and friends, but a new, deep and special partnership: frictionless trade in goods; shared commitments to high standards, so that together we continue to promote open and fair trade; and continued security co-operation to keep our people safe.

This is the Brexit that is in our national interest. It is the Brexit that will deliver on the democratic decision of the British people and it is the right Brexit deal for Britain. I commend this Statement to the House".

My Lords, that concludes the Statement.

5 pm

Baroness Smith of Basildon (Lab): My Lords, first, I concur with the noble Baroness's statements on Salisbury. I thank her for repeating the Statement today. It was Harold Wilson who reportedly remarked:

"A week is a long time in politics".

How the Prime Minister must wish that were true. We have to picture the scene on Saturday afternoon. Having achieved an agreement at Chequers, the Prime Minister can enjoy the fine weather and the positive mood that was, at that point, sweeping the nation. England have booked their place in the World Cup semi-final; Lewis Hamilton has qualified in pole for the British Grand Prix; and a plucky Kyle Edmund takes the lead, albeit temporarily, at Wimbledon. All is well. This is the high point of Theresa May's premiership.

Fast forward to Sunday evening, when David Davis informs the Prime Minister that he is now unpersuaded by the Chequers position and is unwilling to play the role of what he calls a "reluctant conscript". He resigns. Steve Baker follows and, just in case there was any doubt as to the dissatisfaction in the Brexiteer camp, Boris Johnson has also, after getting others to test the water first, taken the apparently principled decision to resign. With just 264 days until we leave the EU, we have a brand new Brexit Secretary and will soon have a new Foreign Secretary.

David Cameron as Prime Minister was so sure that he would get his own way in the referendum that he did not even plan for a leave vote. That was arrogant and irresponsible. Theresa May as Prime Minister, confident that she had a plan, promised the country,

"strong and stable government in the national interest",

in an unnecessary general election; and we are being asked to believe that the Government are delivering a "smooth and orderly Brexit", even though no one can agree what this means and nobody believes it. Following the June summit, the President of the European Council issued a last call to the UK, pleading for progress to be made ahead of the October summit. Last Friday—464 days after the triggering of Article 50—the Cabinet met, debated and apparently reached a decision. For a brief moment in time, the Cabinet was united. There was radio silence from the usual suspects, for a time, and now we have chaos at the heart of government when we most need stability. There are rumours of letters being submitted to the 1922 Committee. One Conservative MP dared to declare: "I think Theresa May's premiership is over".

Far from offering answers, this melodrama raises only questions. Luckily for your Lordships, the noble Baroness the Leader of the House was at the Cabinet meeting at Chequers. Can she comment on reports that the advice of the Commons Chief Whip was that the Cabinet had to back this facilitated customs arrangement as a so-called compromise, as otherwise MPs would vote to stay in a customs union? Also, after spending the day with Mr Davis and Mr Johnson, did she get any inkling of the dramas that were about to unfold? Was the PM right to be so confident that she had convinced them, brought them with her and won the day?

The Government's plan is not one that would have been adopted by Labour—not least because it includes no real plan for services, which account for almost 80% of our economy—but with only six weeks of negotiations before the October summit, there is at least a proposal on the table. It is not quite what the Prime Minister presented at Lancaster House or Mansion House, and it will not be clear what the EU 27 make of the offer until a White Paper is published later this week. EU diplomats are displaying a level of discipline that would baffle some in the Cabinet.

Reinforcing the view that this was more about Conservative Party unity than the national interest, the Environment Secretary acknowledged yesterday that the agreed position amounts to a fudge, in part because of party divisions but also due to parliamentary arithmetic. Having tried different versions of Brexit on for size, the Cabinet has now chosen one that is a soft shade of pink. The UK will leave the single market but will continue to maintain a common rulebook for goods; the jurisdiction of the European court will come to an end but UK courts will be bound to have the regard to its future rulings; and the UK will no longer allow free movement but will offer a mobility framework that allows continued travel, study and work in each other's territories.

While this blurring of the red lines suggests a recognition of the political and economic reality, can the agreement really be said to amount to a substantial evolution in the Government's thinking? It seems not. Instead of combining elements of two customs plans already rejected by the EU 27, surely a better approach would have been to propose a formal customs union with the EU, a position supported by business organisations and trade unions. While some argue that a UK-EU customs union would prevent us from striking new trade deals, it is worth noting that, while the Cabinet was locked away, the EU announced that it would sign a new agreement with Japan on Wednesday—a reminder that while this Government are consumed by

Brexit, the EU just carries on. Could the noble Baroness the Leader of the House confirm whether the UK will seek to be a party to the EU-Japan trade agreement after Brexit, or do the Government really plan to turn their back on all existing agreements after the transition period to pursue participation in the as yet unratified Comprehensive and Progressive Agreement for Trans-Pacific Partnership?

Over the weekend it was suggested that the new mobility framework might allow for preferential treatment for EU migrants, and Prime Minister refused to rule that out, but the Leader of the Commons said on the "Daily Politics" that,

"there'll be no special favours for EU citizens".

Could the noble Baroness provide clarity on this specific point?

I want to ask about the area that most concerned David Davis, albeit for very different reasons. Paragraph 6.f of the Government's statement from Chequers asserts that Parliament will have a lock on incorporating future EU laws into the UK legal order, meaning that,

"choosing not to pass the relevant legislation would lead to consequences for market access, security cooperation or the frictionless border".

Does that mean that each and every individual EU regulation will require the consideration of both Houses? If so, have the Government estimated how much parliamentary time would be required each year? Would that proposal, if accepted by the EU 27, amount to a Swiss-style sector-by-sector agreement whereby, for example, the EU's failure to implement a measure on car safety could lead to a loss of market access to that sector and therefore the imposition of tariffs? Where would that leave companies such as Jaguar Land Rover, which has already expressed its concerns? How can the Government avoid implementing the Northern Ireland backstop if the EU 27 cannot be sure that the UK will honour its commitments?

Although the Chequers proposal may offer more clarity on the Government's thinking, it is no more coherent than previous Brexit plans. Whether you voted leave or remain, confidence in the Government's management of Brexit is at an all-time low. As a result, faith in politics has been seriously undermined. Luckily—for some, maybe—the Cabinet will meet again tomorrow. There will even be a new face or two, or perhaps more by tomorrow, around the Cabinet table. I therefore echo the thoughts and comments of the noble Lord, Lord Finkelstein, in his excellent article in the *Times* newspaper, where he urged Theresa May to follow the example of Robert Peel by putting the national interest ahead of those of her party. I hope that today the noble Baroness the Leader will be able to answer my questions.

Lord Newby (LD): My Lords, I add my condolences to the family and friends of Dawn Sturgess.

The Statement and the subsequent resignations lay bare the fundamental dilemma at the heart of Brexit. What is most important, access to EU markets and institutions, which is necessary for prosperity and security, or control, which is necessary for real independence of action? The former Foreign Secretary accurately summed up the Government's approach when he said that it was to have their cake and eat it, and the agreement at Chequers still aims to perpetuate that impossibilist policy.

The Government have tried to avoid saying that they plan to remain a de facto member of a customs union by calling it a "free trade area", but they have agreed to harmonise our rules with EU rules for trading goods, possibly in perpetuity if they cannot get their preferred long-term solution of the so-called facilitated customs arrangement to work. The Chequers statement is so incomplete on this concept that it is frankly pointless to try to discern how it would work, but I will ask one question. The Government say that the UK will eventually apply UK tariffs to goods intended for the UK and EU tariffs for goods intended for the EU. Do they envisage that the EU will adopt the same system, or have they given that idea up as politically and technologically impossible?

The Government have decided that there will be no attempt to have a common approach to services—some 80% of the economy and more than 40% of our exports. The Chequers statement says that this will mean that we,

"will not have current levels of access to each other's markets".

These words mean that there will be fewer service sector jobs in the UK post Brexit. Have the Government made an assessment of how many jobs are likely to be lost and can they give another single example of where any UK Government have previously adopted a policy that knowingly has job losses at its heart? The text refers to setting our own tariffs. When is the earliest that the UK believes it will be in a position to strike independent trade deals, given that this can happen only if the facilitated customs arrangement is in place? What assessment have the Government made about potential gains to be made in jobs under the Trans-Pacific Partnership compared with the jobs that will be lost in the services trade with the EU?

The noble Baroness, Lady Smith, asked some questions about the role of Parliament as envisaged in the Chequers statement. I have one supplementary question: does the noble Baroness the Leader of the House agree with David Davis, speaking this morning, that the concept of Parliament having a real say on customs matters was more illusory than real? Who are the Government seeking to fool by spinning that illusion?

On the movement of people, the Chequers statement contains but one sentence. It is deeply worrying. It says that EU and UK citizen should be able,

"to travel to each other's territories"—

on unspecified terms—and EU citizens should be able to "study and work". The Government clearly envisage major restraints on freedom of movement. Have they made any assessment of the impact of this approach on UK citizens wanting to travel, work and study in the EU, given that we must assume that freedom of movement will be restricted by the EU if we do the same to their citizens coming here?

The Prime Minister was at pains to stress that the Government will step up preparations for no deal. Can they confirm that while the Dutch, for example, have already recruited 800 new customs officers to cope with such an eventuality, the UK do not even plan to begin to do the same until later in the summer? How, therefore, could the customs service be even

[Lord Newby]
remotely ready for any no deal scenario next April? Does not the lack of planning to date mean that the bold brave talk of no deal is simply bluster?

Finally, the noble Baroness the Leader of the House was present in the room last Friday and, if reports are to be believed, like all other members of the Cabinet expressed her views. As virtually every other Cabinet member has already done so, could she possibly tell the House the gist of her contribution?

We will have a full debate on the Government's White Paper on 23 July. Who knows what the Government will look like then? Today, however, they are simply a complete shambles.

Baroness Evans of Bowes Park: I thank the noble Baroness and the noble Lord for their, as ever, positive comments about where we are.

The noble Baroness asked about existing EU trade deals. We have been consistently clear that we want to roll over existing arrangements, and that is what we will continue to do.

The noble Lord and the noble Baroness asked about freedom of movement. The Prime Minister has been very clear: freedom of movement will come to an end and we will control the number of people who come to live in our country. It will be brought to an end through the immigration Bill, which we will see next year and which will bring migration from the EU back under UK law. Last July, as noble Lords will be aware, the Government commissioned the Migration Advisory Committee to gather evidence on patterns of EU migration and the role of migration in the wider economy ahead of our exit. Its final report is due in September. We will take account of its advice when making decisions about our future immigration system. However, we have been clear that we want a mobility framework so that UK and EU citizens can continue to travel to each other's territories and provide services, which will be similar to what the UK may offer other close trading partners. The Prime Minister has also said that no preferential access will be offered to EU workers that is not on offer also to other trading partners with whom we seek ambitious trade agreements.

The noble Baroness asked about the common rulebook. She will be well aware that the EU will remain an important export destination for UK manufacturers. Maintaining a common rulebook would ensure that manufacturers could continue to make one product for both markets, preventing dual production lines while protecting consumer choice. As yet, there is no demand from UK manufacturers to change current regulations on industrial goods, but if in future changes are made to the rules that the UK feels unable to accept, we will be in a position to choose not to accept them. Both Houses of Parliament will have a role in making those decisions.

The noble Lord asked about services. He is right: we will strike different arrangements for services, because we believe that it is in our interest to have regulatory flexibility and we recognise that the UK and EU will not have current levels of access to each other's markets. However, with services being such an important part of our economy, we want to be able to strike great deals in this area with other nations.

I can assure both the noble Lord and the noble Baroness that there has been much planning for no deal across government, but the Cabinet recognised that we need to step up on this. It is something that will be ramped up over the summer, to ensure that, while we do not want it, we will be ready for a no-deal situation. However, we will be focused in these negotiations on this clear and comprehensive proposal, which the Prime Minister will talk about with both the EU Commission and EU leaders in the coming weeks to make sure that we get a deal that works for the UK and for the EU.

5.17 pm

Lord Lamont of Lerwick (Con): My Lords, I thank the noble Baroness for repeating the Statement and welcome certain aspects of it, particularly the commitment on free movement of labour. Perhaps I may press her on the common rulebook and how she would distinguish a common rulebook from an EU rulebook. While many manufacturing businesses want, as she said, to observe European standards, it is one thing to observe European standards when exporting to a third country, but it is another to be compelled by law to observe them both domestically and internationally. I appreciate that there would be parliamentary procedures for alterations in the future, but that is already the case with many European regulations. How would the noble Baroness distinguish this from being in the single market, which was one of our red lines?

Baroness Evans of Bowes Park: We will maintain the common rulebook and make an up-front, sovereign choice to do so. As my noble friend said, the rules are relatively stable and are supported by a large share of our manufacturing business. Of course, we would continue to have a strong role in helping to shape the international standards that underpin them, but, importantly, if Parliament did not wish to maintain this level of harmonisation, it would be able to say, "No, we don't wish to do this". We will understand the consequences of doing it, but Parliament will have the right to say no and to decide to take a different course.

Lord Foulkes of Cumnock (Lab): My Lords, the Leader of the House has indicated that a lot more work has been done by the Government on the possibility of a no-deal outcome. How would such an outcome affect the Northern Ireland border, the position of European Union citizens in the United Kingdom and United Kingdom citizens in Europe, and our payments to the European Union?

Baroness Evans of Bowes Park: As the Statement made clear, a disorderly no deal is not something that we want or are working towards, which is why we have put this comprehensive and detailed proposal together, in order to have good discussions with the EU going forward, because that is what we are working for. But any responsible Government have to be prepared for all eventualities. The noble Lord would certainly criticise us if we did not do that. So that is what we are doing, but we are focusing on making sure that we receive a good deal with the EU.

Lord Hannay of Chiswick (CB): My Lords, first, what the Leader of the House has said about dispute settlement for trade seems incredibly complex. Can she say whether there is any precedent for introducing into international law—because this will eventually be a treaty—the concept of "due regard" by one court for another? Has that ever been done before? This proposal is completely unsuited to some parts of the future partnership, particularly those dealing with justice and home affairs and the European arrest warrant, which cannot possibly be handled on the basis that has been set out. Would it not have been wiser to have looked at the precedent of the EFTA Court, on which we could have representation and which would provide a means of dispute settlement, for both goods and justice and home affairs? Secondly, the Statement states categorically and flatly that what has been proposed does not inhibit our right or ability to make deals with third countries. Can she name any third country that agrees with that proposition? Finally, the Brexit dividend seems to have come up. Could she table at some stage the size of the Brexit dividend, just for the next five financial years?

Baroness Evans of Bowes Park: I am sure that the noble Lord will be pleased to know that Malcolm Turnbull has welcomed the fact that we want to talk about joining the Trans-Pacific Partnership after we have completed our exit from the EU. There are certainly countries which are very keen to have trade relationships with us. In relation to his question about dispute resolution, where there is a dispute, it will be raised in a joint committee, which can refer a question to the CJEU only with the agreement of both parties. If the joint committee cannot resolve the dispute, it will go to independent arbitration. That mechanism respects our red line that the court of one party cannot resolve disputes between the two and the EU's red line that the CJEU has to be the ultimate arbiter of EU law.

Baroness Ludford (LD): My Lords, can the Leader of the House confirm that there is a fig tree at Chequers? This position is one long series of fig leaves. It is surely a pretence that Westminster could make a sovereign choice to depart from an EU rule with only modest consequences, when in fact the whole house of cards in a legally binding treaty would collapse. It is surely a pretence that the autonomy of the UK's legal order would be maintained, when in practice the ECJ would at the very least severely constrain it. Lastly, it is surely a pretence that the complicated and baroque customs model would be business-friendly. In fact, it is heavy with red tape and is a smugglers' charter. Far from being a soft Brexit, is this not a fictional kind of Brexit, which the people should be able to reject in favour of remain?

Baroness Evans of Bowes Park: I am afraid that I completely disagree with everything that the noble Baroness has just said.

Lord Howell of Guildford (Con): My Lords, I believe that the Prime Minister's Chequers plan is actually moving in entirely the right and sensible direction. I particularly welcome the suggestion of an accession to the Trans-Pacific Partnership, because that is where all the great growth in consumer markets over the next 10 years is going to be. But does the Leader agree that it is perhaps time to point out to the two extreme wings and polarised views on this whole debate, first, that on the other side of the Channel in the EU things are changing very quickly indeed—there are convulsions going on, borders are being closed and an entirely new pattern is emerging, much more in line with the ideas of some of us about reforming the European Union generally—and, secondly, that in some ways it took us 20 years to work out how to enter the European Union in the first place and it is bound to take at least five years to get out, and a little more patience in politics is often rather useful?

Baroness Evans of Bowes Park: I thank my noble friend. As I have said, this is a comprehensive and detailed plan and we are looking forward to negotiating with the EU. We do need to move at pace. Following Chequers, the Prime Minister has called a number of European leaders to take them through the plan. We are looking forward to negotiating our relationship. Those she spoke to, including Donald Tusk, Jean-Claude Juncker and the Prime Ministers of Sweden, Malta and Ireland, welcomed the further clarity. Of course, we will be putting more information out on Thursday in the White Paper, and we will then be taking negotiations at pace in order to achieve a deal that works for both sides.

Lord Wigley (PC): My Lords, earlier this afternoon the Prime Minister was repeatedly pressed on the UK's participation in the single market and customs union. Indeed, a Select Committee of the other place this morning recommended that it would be in the best interests of the UK to retain membership of those two organisations. The Prime Minister rested her defence for not doing so on the question of unqualified free movement. If it were possible for the mobility framework to be tweaked, and in the context of the new thinking in several countries in Europe on the movement of people, might it not be possible to look again at the question of the single market and customs union?

Baroness Evans of Bowes Park: I am afraid not. The UK's current position implies two models of relationship: a standard free trade agreement for Great Britain with Northern Ireland remaining in the customs union and single market or membership of the EEA and a customs union. The Prime Minister has made clear that neither of these is acceptable or delivers on the referendum result. That is why we have put forward a comprehensive detailed plan, which we are now looking forward to discussing with our EU partners, to ensure that we can move these negotiations on at pace and deliver the best deal for the UK and the EU which all Members of this House, across this House, want to achieve.

Lord Browne of Ladyton (Lab): My Lords, the Government's first duty is to protect the public, so we should be reassured that this Statement and, indeed, the Chequers agreement, apparently agreed that we would be seeking a far-reaching security partnership with the EU. Indeed, the Prime Minister has been seeking that since the Munich security conference,

[Lord Browne of Ladyton]
with a united Cabinet behind her. Since then, we have discovered from Federica Mogherini that we can have such a relationship in security but as a third party not as a partner. Secondly, we have discovered that when the EU is contracting it has put in a break clause that means that it can get out of contracts of the nature we would be seeking if the contractor is not an EU member, which effectively freezes British companies out of contracting for security contracts, and then we have the Galileo row. So we have an example of a Prime Minister with a united Cabinet behind her negotiating. What progress have we made in negotiating a deep and meaningful security agreement with the EU since the Munich security conference?

Baroness Evans of Bowes Park: The noble Lord is absolutely right that we currently enjoy a high level of co-operation with EU member states. There is a challenge in finding a way through and our ability is currently being put at risk because, as he rightly says, the existing legal frameworks for third countries do not allow us to realise the ambitious future security partnership we are seeking. We are making these points with the EU. We are working very constructively with our EU partners. For instance, since the Salisbury incident we have led work with them to propose a package of measures to step up our communications against online disinformation, strengthen our capabilities against cybersecurity threats and further reduce the threat from hostile intelligence agencies. We have an excellent relationship in this area. The noble Lord is right that there are challenges, but we believe it is in both our interests to have a strong security partnership. We will continue to say that, and we believe that our EU partners agree. We will work through these current issues in order to make sure we achieve that end.

Lord Tugendhat (Con): My Lords, may I say first how glad I am to see the Leader of the House still in her place? I hope she will still be with us when we debate the White Paper. Secondly, does she agree that many of the questions that have been put to her today are quite impossible to answer until we have the details in the White Paper, that what is clear is that the Government have put together a basic plan which will enable us to negotiate with the other members of the EU to act as the basis for a final agreement and that what differs between this proposal and those who attack it so frequently is that the Government have a plan and those who dispute it have put forward no plan of their own?

Baroness Evans of Bowes Park: I thank my noble friend for his comments. He is absolutely right: we will be bringing forward more detail on Thursday in the White Paper. I thoroughly commend it to all noble Lords to read, and we look forward to the debate shortly to talk about it further.

Baroness Smith of Newnham (LD): My Lords, the Minister suggested that we need to work expeditiously. As the EU withdrawal Act took 49 weeks from introduction to Royal Assent, how does she propose that the business of getting the withdrawal implementation Bill through before 29 March will happen? Can she explain how the Government expect the EU 27 to accept a commitment from the Government that the UK will maintain a common rulebook in a sovereign way while retaining a parliamentary lock, given that no Parliament can bind its successor?

Baroness Evans of Bowes Park: We are confident we will be able to reach an agreement with the EU. On the withdrawal Act, a White Paper will be published in the coming weeks which will provide more detail on what will be in the Bill.

Lord Reid of Cardowan (Lab): My Lords, I first apologise for having missed the first few minutes of the noble Baroness repeating the Statement. I was in the other place, listening to the Prime Minister's Statement. With great respect, it does not improve much by repetition. On the subject of the quaintly named "facilitated customs arrangement"—in simple terms, for anyone who has not ploughed their way through the three pages, it means that we will have two different rates of taxation at the border of the United Kingdom for imports—the noble Baroness is a very intelligent Leader of the Opposition—

Baroness Smith of Basildon: Leader of the House!

Lord Reid of Cardowan: Sorry, that was both inordinate expectation and a Freudian slip—probably overhopeful thinking. Does she not recognise that having two rates of import tax at the borders will inevitably lead, first, to a bureaucratic nightmare for British manufacturers and, secondly, to a smugglers' paradise not only here but in Northern Ireland—I speak as a former Secretary of State for Northern Ireland, where they have 300 roads between the north and the south? Thirdly, it is clearly a method of undermining fair competition in manufacturing throughout the United Kingdom, as anything that you as a distributor claim that you are importing for a British manufacturer will be incorporated in a product at less cost, which we will then try to export to Europe. Lest I am accused of not having an alternative plan, why do we not just stay in the customs union?

Baroness Evans of Bowes Park: I thank the noble Lord for his question. We believe that this is a business-friendly model which will seek to facilitate the greatest possible trade between the UK and its trading partners, whether in Europe or the rest of the world, while allowing the UK to set its tariffs. There will be no new routine checks or controls for UK businesses trading with the EU. In relation to his suggestion of a smugglers' paradise, the proposal includes additional behind-the-border enforcement to prevent third-country trading countries from seeking access to the UK through trade circumvention rather than through agreeing free trade agreements with preferential tariffs.

Viscount Hailsham (Con): Will my noble friend tell the House what the Government propose to do to ensure that British financial institutions have continuous and successful access to the European market? The Statement is remarkably silent on that matter.

Baroness Evans of Bowes Park: In relation to financial services, we will be proposing arrangements that preserve the mutual benefits of integrated markets and protect financial stability.

Lord Liddle (Lab): My Lords, on non-financial services, does the noble Baroness accept that this sector of the economy, one of the most dynamic, creative, innovative sectors of the economy, has simply been thrown to the Brexit wolves? Why have the Government wilfully ignored the evidence and report of your Lordships' Select Committee, which took extensive evidence on the non-financial services sector, which proved conclusively that membership of the single market was key to its success and business model? Finally, does she accept that not doing anything for services also means that the Government are contemplating what I would regard as unacceptable restrictions on the freedom of movement of British citizens on the continent and of EU citizens in our country, with very negative effects indeed?

Baroness Evans of Bowes Park: First, I say to the noble Lord that we always read the reports from your Lordships' Select Committees with great care and attention. We may not always agree with their conclusions, but that does not mean that the work and intelligence within them is not taken very seriously by the Government. He is absolutely right about the importance of our services-based economy, which is exactly why we want to provide regulatory flexibility, because we believe that this is where potential trading opportunities outside the EU are largest. The UK will be able to negotiate our own trade deals focusing on services and digital, and these are very high in our thoughts.

Lord Wallace of Saltaire (LD): My Lords, the Statement says that we will continue to play a strong role in shaping European standards and the international standards that underpin them. Those standards are negotiated within the European Union in a whole series of committees, on which British officials and other representatives sit alongside others. We will have left all those. Can she possibly explain how we will continue to play any role at all in shaping new European standards?

Baroness Evans of Bowes Park: As the noble Lord will be aware, many European standards are built on international standards, which we shall play an important role in helping to shape.

Viscount Waverley (CB): My Lords—

Lord Maude of Horsham (Con): My Lords—

Lord Taylor of Holbeach (Con): My Lords, we will hear from my noble friend Lord Maude.

Lord Maude of Horsham: My Lords, will my noble friend be minded respectfully to suggest that this plan will mean that for trade in goods, for some years at any rate, this will mean that Britain will remain effectively in the single market—of course, the single market in services, especially financial services, is very far from complete—but that these arrangements will not be set in perpetuity? This is a moveable feast. It was not the case that Britain was in the EU in perpetuity. Those who comment on this should be careful not to assume that everything has to be done all at once. The one thing that is absolutely clear that would be catastrophic for this country, given the decision made last June, would be for us to falter and not deliver on the Brexit that people voted for.

Baroness Evans of Bowes Park: I entirely agree with my noble friend.

Renewables Obligation (Amendment) Order 2018

Motion to Approve

5.38 pm

Moved by ***Lord Henley***

That the draft Order laid before the House on 4 June be approved.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, this draft instrument seeks to amend the Renewables Obligation Order 2015, which provides the framework for the operation of the renewables obligation scheme in England and Wales. The purpose of this draft instrument is to control the costs to consumers of supporting new large-scale generation from two types of generating station: biomass conversion stations and co-firing stations. Biomass conversion stations are former coal plants converted to run wholly on biomass. Co-firing stations run on a mixture of coal and biomass.

The renewables obligation scheme has been the main financial mechanism to incentivise large-scale renewable electricity generation in the UK. It is now closed to new biomass co-firing and conversion projects, but existing projects will continue to receive support up to 2027. The scheme does not provide direct cash payments to renewable generators. Instead, it operates through a system of tradable renewables obligation certificates. Ofgem issues renewables obligation certificates to generators in relation to the renewable electricity they generate. Generators sell these certificates as tradable commodities.

An annual obligation is placed on electricity suppliers to present a certain number of these certificates to Ofgem, the scheme's administrator, in respect of each megawatt hour of electricity they supply to consumers. It is assumed that the cost to suppliers of complying is passed on to consumers through their energy bills. The renewables obligation scheme has been highly successful, with over 25,000 stations across the UK, and generation equivalent to 22% of the UK electricity supply market. However, the Government are committed to keeping energy bills as low as possible for consumers.

Biomass co-firing and conversion generating stations have an important transitional role in decarbonising the electricity grid and can generate at high levels more or less continuously. However, stations accredited under the renewables obligation scheme can increase the amount of biomass they use quickly, and without any prior notification. This could significantly increase support costs. The Government acted in 2014 to

[Lord Henley]
discourage deployment of new generating capacity by removing grandfathering for certain co-firing and biomass conversion generating stations. Grandfathering gives guarantees of support, but despite these changes, evidence in 2017 suggested that significant unforecast generation was still likely. Without intervention, we estimate that the additional spend under the renewables obligation would increase average household bills by up to £2 a year. Business users with low electricity consumption would see increases of up to £140 a year, and the bills of energy-intensive industrial users would increase by up to £53,000 a year.

To control these costs, this draft instrument applies annual caps on the number of renewables obligation certificates that certain stations or units can receive. Capped stations are not protected by grandfathering policy. The number of certificates these stations can receive in each obligation year will be capped at 125,000 certificates for each combustion unit of which the station is comprised. Mixed generating stations combine capped units and exempt units which continue to benefit from grandfathered support. The total cap for the station will be an estimate of the number of certificates likely to be issued for generation by the exempt units during the obligation year, plus an allowance of 125,000 certificates for each of the station's capped units.

The instrument also makes technical changes unconnected to biomass conversions and co-firing. First, it brings certain combined heat and power stations into line with an existing requirement to provide a declaration that subsidy will not be claimed under another support scheme. Secondly, it clarifies that existing greenhouse gas trajectories in the 2015 order apply equally to electricity-only dedicated biomass stations and to those with combined heat and power. Lastly, it corrects some minor typographical errors.

In conclusion, the Government are committed to keeping energy bills as low as possible for consumers, while cutting greenhouse gas emissions and supporting economic growth. The flexible-cap mechanism implemented through this order balances the interests of generators and consumers. Stations will be able to optimise generation across their units. If generators decide to maximise output at their exempt, grandfathered units, there will be no restriction on the number of certificates for those units, provided the capped units remain within their allowance. This flexibility will allow units to generate more when electricity demand is highest. The cap protects consumers by limiting the number of certificates that will be issued. The size of the obligation for electricity suppliers is set each year, based on the number of certificates expected to be issued. The obligation for this year takes account of expected generation under the caps. Future obligations will do the same. The caps will not cause a shortage of certificates, nor a rise in their value. I commend this order to the House.

5.45 pm

Lord Redesdale (LD): My Lords, I understand the purpose of this order; it covers one of the problems that many in the renewable industry have faced, especially the problems associated with a sudden rise in the number of people wanting to claim FITs. However, will the Minister say whether this is part of a longer-term strategy to deal with renewable heat, which is very difficult, and ROCs was one of the main planks for dealing with it, or whether this is just a way of making sure that the subsidy cap falls within the budgetary requirements set? I declare an interest as CEO of the Energy Managers Association—so I quite understand my members' need for lower bills. However, if we are to diversify the energy systems, we need to look at biomass quite carefully. I quite understand that ROCs is an expensive way forward on this. One final question: does this have any effect on the anaerobic digestion industry?

Lord Grantchester (Lab): I thank the Minister for his explanation of this order, which seeks to control the costs of supporting two forms of renewable energy generation under the renewables obligation scheme: in former fossil-fuel generating stations using as fuel biomass, or a mixture of biomass and fossil fuels—called co-firing. It also requires a declaration to be provided by certain stations when claiming support for combined heat and power generation, and clarifies the greenhouse gas emissions trajectories with which certain CHP stations must comply.

It must be said at the outset that although this RO scheme has not yet come to an end, it is now closed to new applicants and has been superseded with a contracts for difference scheme. It also needs to be said that, in 2011, the Government introduced the levy control framework to govern the budget for low-carbon electricity schemes, including the RO scheme, which are paid for through consumer bills.

The operation of the LCF has come in for considerable criticism for being opaque and disingenuous, such that in the Autumn Budget 2017, the Conservative Government announced the control of low-carbon levies to limit new levies until the LCF can be seen to be falling. The scheme here is set to achieve a further constraint on expenditure by setting a limit on the number of ROCs that can be applied for. It is fair to say that in the other place there was a long debate on whether this order would achieve the intention, as the amount of expenditure can vary according to the price of ROCs in the market.

The accompanying documentation to the order appears to confuse the process of creating a ROC, which is done by the generating station producing a certain amount of power and hence creating a ROC, and accounting for the value attached to that ROC, which is created and varies according to the demand for ROCs by suppliers which are obligated to purchase them from generators to meet their renewables obligation quotas. However, it does not follow that the reduction in the number of ROCs issued translates directly into savings in overall amounts paid for ROCs, and hence savings on customers' bills—an amount set against the LCF—because ROC prices vary with supply and demand against the obligation level. The reduction in supply may send the value of a ROC up because more people are bidding for fewer ROCs to meet a fixed obligation level. The calculations attached to the SI do not appear to take this factor into account, but instead treat the estimated range of income as a fixed range determined by the number of ROCs.

As part of the consultation, several comments reflected that this could lead to discouraging biomass in a co-firing plant. This order could have a perverse effect and the proposals could potentially place more coal back on to the system, and do not properly account for the mechanisms behind ROCs. We therefore have great reluctance in passing the SI and suggest that the Government should take the measure away and recast it. It is a complex jigsaw that seeks to use the number of ROCs as a way of constraining expenditure, when the price of ROCs is not set but can vary. There are serious misgivings that the scheme will not do what it claims. However, as a scheme that is now replaced by the CfD scheme, the situation may be contained over time. With that, I can reluctantly approve the order.

Lord Henley: My Lords, I am grateful to the noble Lord, Lord Grantchester, for his comments. He started off by saying that he had some doubts about the order, as to whether it would lead to lower costs, but as I made clear, we have made this intervention because we wish to see lower costs for consumers. That is why I made it clear that, on average, without this order, we would see additional costs to the consumer of about £2 per household and higher figures for business users and considerably higher figures for some of the more energy-intensive users. I think it is right that we should make such an intervention in the way that we are to achieve those ends. I am therefore grateful that the noble Lord ended by at least agreeing to support the order in full today.

The noble Lord was also worried that there would be an impact on the ROC market. We believe that the mechanism is compatible with the operation of the renewables obligation and will not lead to the market shortage that he was worried about nor inflate the price. The annual obligation set by BEIS fixes the cost of the renewables obligation and provides for the demand of ROCs. The obligation level is calculated by estimating the number of ROCs likely to be issued during the obligation year and then inflated by a 10% headroom to ensure that there is still demand for ROCs, even if the actual number of ROCs issued turns out to be higher than estimated—for example, if it is windier or sunnier than forecast when we set the obligation. The impact of the caps on generation are factored into the annual obligation calculation, so it will be lower. All else being equal, demand will not outstrip supply. However, I am more than happy to write to the noble Lord in greater detail about how we feel that the market works.

As regards the questions from the noble Lord, Lord Redesdale, on how the long-term strategy will affect combined heat and power, the purpose of the instrument is to control the unexpected costs from biomass, biomass co-firing and conversions, and to protect consumers. It certainly does not affect support for renewable heat. Remembering both the noble Lord's and my interest in anaerobic digestion from my time in Defra, I can also give an assurance that this affects only biomass co-firing and biomass conversion and has no effect on anaerobic digestion. I hope that, with those comments, noble Lords will agree to the order. I beg to move.

Motion agreed.

Contracts for Difference (Miscellaneous Amendments) Regulations 2018

Motion to Approve

5.53 pm

Moved by ***Lord Henley***

That the draft Regulations laid before the House on 6 June be approved.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, the draft instrument makes three separate changes to existing CfD regulations. First, it amends the Contracts for Difference (Allocation) Regulations 2014 to establish remote island wind projects as a category of technology eligible to take part in the CfD scheme and compete alongside other less established technologies. In doing so, it delivers on manifesto and *Clean Growth Strategy* commitments.

Secondly, the SI removes from the Contracts for Difference (Definition of Eligible Generator) Regulations 2014 the requirement for certain generators to intend to accredit their project under the combined heat and power quality assurance standard. This minor amendment will facilitate the delivery of future CfD allocation rounds and is not otherwise expected to impact upon the operation of the CfD scheme.

Thirdly, the regulations update the definition of "waste" in the Contracts for Difference (Definition of Eligible Generator) Regulations 2014. This ensures that generators are not incentivised to intentionally modify or contaminate biofuels to avoid the application of sustainability criteria which would otherwise apply. We are proposing these legislative schemes following a 12-week public consultation earlier this year, during which our proposals received broad support.

The CfD scheme is designed to offer long-term price stabilisation to new low-carbon generators, allowing investment to come forward at a lower cost of capital, and therefore at a lower cost to consumers. The scheme typically sees support contracts awarded in a competitive auction process, which ensures costs to consumers are kept to a minimum. The technologies which are eligible to take part in the CfD scheme are categorised into two distinct groups, or pots. Pot 1 contains the more mature technologies, such as solar PV, which typically require less support. Pot 2 contains the less mature technologies, such as offshore wind, which typically require more. The scheme has been very successful, bringing forward significant new investment in large-scale renewable generation. The two previous CfD auctions should deliver over 5 gigawatts of renewable electricity capacity by the early 2020s, helping to meet our decarbonisation targets. We plan to open the next one in spring next year and are laying these amendments today to give certainty to businesses in advance.

I will briefly describe each of the three amendments in turn. The first amendment is to make remote island wind projects eligible for pot 2 auctions. The Government confirmed in the *Clean Growth Strategy* that it was our intention that wind projects on remote islands, where they are expected to directly benefit local communities, would be eligible for the next pot 2 auction. These projects have certain unique characteristics which set

[Lord Henley]
them apart from wind projects elsewhere in the UK, including higher costs. It is therefore appropriate for remote island wind projects to be recognised as a distinct technology within the CfD scheme, one subject to its own administrative, maximum strike price and eligible to take part in pot 2 auctions alongside other, less established technologies.

These regulations set out the criteria that projects must satisfy to constitute a remote island wind project for the purposes of the CfD scheme. These criteria have been carefully selected to ensure that remote island wind projects are sufficiently remote to be subject to more challenging operating conditions, as well as increased network-related costs. Allowing remote island wind projects to compete alongside other less established technologies in pot 2 will allow developers to build on the falling cost of onshore wind and provide a further boost for the supply chain. More than 750 megawatts of wind projects in the Western Isles, Orkney and Shetland could be eligible for the next auction. If successful, these could deliver long-term benefits to the UK.

The second amendment is to remove the requirement for certain generators to intend to accredit their project under the combined heat and power quality assurance standard. The CfD scheme currently supports only two types of project, namely dedicated biomass and energy from waste, if they are built with combined heat and power. The Contracts for Difference (Definition of Eligible Generator) Regulations 2014 currently require developers to those projects who want to be eligible to apply for a CfD to intend to accredit their project under issue 6 of the combined heat and power quality assurance standard, usually referred to as CHPQA. The department recently launched and responded to a consultation on options to replace issue 6 of the CHPQA standard. The incoming, replacement issue of the CHPQA standard will include increased efficiency reference values, against which future CfD-supported CHP projects will be assessed.

These regulations will remove the requirement to intend to accredit from legislation. Developers will still have to accredit their projects under the CHPQA standard to receive CfD support, but this will instead be specified in the contract terms that developers have to agree to, and comply with, to receive CfD support. This amendment will not have a practical impact on the operation of the CfD scheme because, in practice, a developer's intention to comply with the CHPQA's requirements is not something which is capable of being meaningfully tested at this early stage in the CfD application process, long before a plant is actually built.

The third, and final, amendment that we propose concerns a minor change to the definition of "waste" in the definition of eligible generator regulations. This amendment is relevant only to technologies that may use waste as a fuel to generate electricity. It simply makes clear that substances will not constitute waste where they have been deliberately modified, or contaminated, to bring them within the definition of waste. This will make sure that we do not inadvertently encourage generators to modify or contaminate biofuels to avoid the application of sustainability criteria which would otherwise apply.

These legislative changes need to be made ahead of the next CfD allocation round, which is planned for spring 2019, so that developers have certainty as to who will be eligible to take part, and on what basis. Subject to the will of Parliament, these arrangements will come into force on the day after the regulations are made. I commend these regulations to the House.

Lord Redesdale (LD): My Lords, although we support these minor amendments, I have two questions for the Minister. First, there is talk of making sure that there is no contaminated feedstock for combustion. Is this as a result of a particular action, or is it looking forward to a potential breach of the rules? Secondly, CfDs have had one benefit, although they have often skewed the marketplace rather badly: they have shown, through the auction prices, that offshore wind is one of the most economic ways of generating, and that onshore wind is even better at generating power at the lowest cost to consumers. In the light of that, will the Government reconsider their position on onshore wind?

Lord Grantchester (Lab): My Lords, once again I thank the Minister for his explanation of these regulations, which in general we support. I understand that the Government are beginning to be congratulated on allowing onshore wind, in some shape or form, to finally compete in the marketplace for renewable generation. We note that the Conservative Party manifesto introduced a ban on onshore wind and are pleased to be able to welcome this small element of it coming on to the market, albeit in a highly constrained way. These remote islands must, by definition, be 10 kilometres off shore; over 50 kilometres of cabling must be used, of which 20 kilometres must be under sea. I was wondering how important it was that these so-called onshore wind turbines must not be seen and whether I would be able to see them if I went to the top of Blackpool Tower. I am teasing the Minister, but this seems to be a risible attempt to allow some kind of offshoring of onshore wind. I am sure we could all enjoy some of the programmes which could be made around these regulations.

To be more serious, because of these definitions, we feel that we are looking at a more expensive offshoring of onshore wind being favoured over the less expensive contribution of near-to-onshore wind. Regrettably, the costs to the consumer will therefore be more than if the Conservative Party had been able to allow onshore wind to compete openly and genuinely in the marketplace. With that, I approve the regulations.

Lord Henley: My Lords, I am grateful to the noble Lords, Lord Grantchester and Lord Redesdale, for their comments and general welcome to the SI. I am also grateful to the noble Lord, Lord Grantchester, for reminding the House of the figures which I did not give. The remote islands in question are at least 10 kilometres off the mainland and connected to it by at least 50 kilometres of cabling, of which 20 kilometres are under water. He then referred to ascending Blackpool Tower. That is something which I have not done for over 50 years because—sadly—neither we nor the party opposite still go to Blackpool for our party conference. Perhaps that might change, but I do not

have any current plans to ascend the tower. When I do next get an opportunity to do so, I will see what I can see from there, particularly in relation to offshore wind.

I am also grateful to the noble Lord, Lord Redesdale, for reminding the House how effective and useful wind, particularly offshore wind, can be and—as I made clear in my Statement on Swansea the other day—how its cost has come down well below nuclear. However, we have no plans to reconsider our position on onshore, other than in relation to the remote islands referred to in these regulations which are suffering from particular problems. These are places which are over 10 kilometres and 50 kilometres of cabling away from the mainland. The wind there can be very good but the costs can be greater and some help is therefore needed. The noble Lord, Lord Redesdale, also asked whether we were aware at the moment of problems with contaminated feedstock and biofuels. We are not aware of anyone currently doing this, but there is obviously a potential for it. We therefore considered it necessary to take action; I am sure he would agree.

I think I have dealt with the questions raised by both noble Lords and commend these regulations to the House.

Motion agreed.

Amesbury Update

Statement

6.07 pm

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, with the leave of the House, I will repeat a Statement made in another place by my right honourable friend the Home Secretary. The Statement is as follows:

"With permission, Mr Speaker, I would like to make a Statement updating the House on recent developments in Salisbury and Amesbury. As I told the House last week, a major incident was declared in Wiltshire on Tuesday after two people were found unwell at a home in Amesbury. Both were taken to Salisbury District Hospital, where they were treated for exposure to a nerve agent of the type known as Novichok. This has been identified as the same type of nerve agent that contaminated both Yulia and Sergei Skripal.

It is with profound sadness that I must inform the House that one of the patients, Dawn Sturgess, died last night at Salisbury District Hospital. I know that the whole House will want to join me in expressing our sincere condolences to her family and friends. The police are working to ensure that her family have all the support they need at this extremely difficult time. I know that the House will also want to join me in expressing our sincere thanks to the police and emergency services and to the staff at Salisbury District Hospital for their tireless professionalism and for the dedicated care they provided to Dawn Sturgess, and which they continue to provide to Dawn's partner, 45 year-old Charlie Rowley, who remains critically ill in hospital. I met some of them at the weekend and I know just how hard they have worked and how committed they are to doing the best job possible.

Honourable Members may also be aware that a police officer working on the investigation was seen at Great Western Hospital and later transferred to Salisbury District Hospital as a precautionary measure. I can report to the House that the police officer was not poisoned, did not require treatment and has since left hospital.

Dawn's death only strengthens our resolve to find out exactly what happened and who is behind it. I have just chaired a COBRA meeting to discuss the next steps, and the Prime Minister and I will continue to receive regular updates about the situation. This is now a murder investigation, which is being led by around 100 detectives from counterterrorism police command, alongside officers from Wiltshire Police and other constabularies.

We know that tests conducted at Porton Down have shown that both individuals were exposed to the same type of Novichok used to poison Sergei and Yulia Skripal in March. Officers are still trying to work out how the pair were exposed to the nerve agent, although tests have confirmed that they touched a contaminated item with their hands. The investigation is now moving as quickly as possible to identify what the source of the contamination was. Police officers have cordoned off a number of sites in Amesbury and Salisbury that we believe the two individuals visited in the period before they fell ill. This is a precautionary measure while we continue to investigate how they came into contact with the substance.

As I told the House last week, there is no evidence that either person visited any of the sites that were decontaminated following the attempted murders of Sergei and Yulia Skripal in March. We have taken a very robust approach to decontamination, and all sites reopened following the attempted murders in March are safe. Last week, the Chief Medical Officer for England said that the risk to the wider public remains low but that the public should not pick up any strange items, such as needles, syringes or unusual containers, given that the source of the contamination has not yet been found. This advice remains unchanged. However, in light of recent developments and to provide further reassurances for residents, I have asked the Government's Scientific Advisory Group for Emergencies to reassure itself that the advice remains appropriate in the light of the news we heard overnight.

This has been a very upsetting time, not just for Dawn's family but also for the people of Amesbury and Salisbury, who have seen places they know and love cordoned off and become a murder investigation scene. I would like to reassure them that we are doing everything we can to keep people safe. I have also agreed with my colleagues that the Cabinet Office will work across government departments to develop a suitable support package for local businesses.

The murder investigation is ongoing, and investigators are working urgently and around the clock. This work will take time, and the investigation must be allowed to proceed on the evidence and the facts alone. I will keep the House and the public updated on any significant developments. I commend this Statement to the House".

My Lords, that concludes the Statement.

6.12 pm

Lord Rosser (Lab): I thank the Minister for repeating the Statement made earlier in the House of Commons. We associate ourselves with the condolences already expressed to the family and friends of Dawn Sturgess, who, tragically, has died after exposure to the nerve agent Novichok, and extend our good wishes for a full recovery to Charlie Rowley. We also take this opportunity to express again our thanks and gratitude to the security and intelligence services, the military, the police, emergency services and medical staff, who have worked continuously to protect and look after us and to help ensure that we have a country in which it is safe and enjoyable to live.

Four months ago it was the attempted murder of the Skripals. That was awful and outrageous enough. Now, it looks like not attempted murder but in all probability, in effect, the murder of Dawn Sturgess and the attempted murder of her partner Charlie Rowley, two innocent British nationals, on our own soil. The circumstantial evidence that the attempted murder of the Skripals was an act by the Russian state against Britain is strong—certainly strong enough to convince many of our allies to act with us against Russia.

Can the Minister say what the prospects are for naming, if not apprehending, the actual perpetrators of the earlier attempted murders four months ago, and now of the very recent murder and attempted murder, in effect, of two British nationals? The Government have stated that the risk to our citizens is low, but it is lethal when it happens, and presumably is not quite so low for people in Salisbury and its vicinity, compared with elsewhere in the country.

The Chief Medical Officer gave advice after the Salisbury incident that people should not pick up any unknown or already dangerous objects such as needles and syringes. In the light of what has now happened to Dawn Sturgess and Charlie Rowley, are the Government satisfied that that advice was repeated frequently and regularly enough, particularly to people in Salisbury and the surrounding areas? Messages only tend to get through if they are said and given time and again. Could the Minister say how often, by what means and to whom that message was repeated over the last four months?

The Home Secretary said last Thursday that it was,

"completely unacceptable for our people to be either deliberate or accidental targets, or for our streets, parks or towns to be dumping grounds for poison".—[*Official Report*, Commons, 5/7/18; cols. 535-36.]

I am sure we would all agree with that. But what advice do the Government now intend to give to the people of Salisbury and the surrounding areas, particularly in view of what has just happened? If the Government are sure that no more of the poison Novichok has been dumped, to use the Home Secretary's word, no doubt the Minister will tell us that when she responds. But if the Home Secretary is not sure, how will the Government update the advice given after the attempted murder of the Skripals to reflect the fact that the threat from the poison Novichok being dumped has materialised in such a tragic and horrific manner? Equally importantly, what steps will the Government take to maximise the chances of getting their message and advice across to as many of our fellow citizens as possible, not just now but in the days and weeks ahead?

I will make two final points. First, how long will it take to develop the suitable support package for local businesses that was mentioned in the Statement? Secondly, what exactly is the role and responsibility of the elected police and crime commissioner for the force area affected when an attempted murder and an actual murder take place of British nationals, quite probably as a result of actions by a hostile state, within the area of that PCC when the investigation is being led by detectives from Counter Terrorism Command?

Lord Paddick (LD): My Lords, I also thank the Minister for repeating the Statement. Our thoughts are with the friends and family of Dawn Sturgess and Charlie Rowley, who must be very concerned about him, as he is still critically ill. Clearly, we support the Government, the police, the security services and the military in their attempts to uncover what has happened here and in the earlier poisoning of the Skripals. We also commend the staff at Salisbury District Hospital for their unstinting efforts to treat the victims.

Assistant Commissioner Neil Basu, the head of UK counterterrorism policing, which is leading the investigation, said of the most recent incident:

"This means they must have got a high dose and our hypothesis is that they must have handled a container that we are now seeking".

Can the Minister confirm that the police have not been able to talk to either victim and therefore do not know for sure how they were contaminated, what sort of container they are looking for or where to find it?

One hundred detectives were already working round the clock to try to establish how Dawn Sturgess and Charlie Rowley were contaminated with Novichok. What will change as a result of this becoming a murder inquiry? Has what has been assumed to be an accidental poisoning resulting in the tragic death of Sturgess been caused by an even higher dose of nerve agent than the deliberate poisoning of the Skripals, or has this case been fatal for some other reason?

Neil Basu also said that he was "unable to say" whether the incident in Amesbury was linked to the poisoning of the Skripals on 3 March, although that was the police's working hypothesis. Yet the Statement says that both individuals were exposed to the same type of Novichok used to poison Sergei and Yulia Skripal in March. Can the Minister explain the difference between what appears to be those two very different statements?

There is reportedly growing unease among some people in Salisbury and Amesbury that they are not being given enough information. Ricky Rogers, a Wiltshire councillor and the leader of the Labour group on Wiltshire council, said that the death of Sturgess had "heightened tension". He said:

"Local residents have never been told enough about the first incident back in March. I think someone from counter-terrorism needs to come here and tell us what they know".

I repeat the question that I asked the noble Baroness on Thursday, to which I received no reply. What can she say to the people of Salisbury and Amesbury to reassure them?

Baroness Williams of Trafford: I thank both noble Lords for their questions. The noble Lord, Lord Rosser, asked about the prospect of being able to name the suspects. Clearly, there is now a murder investigation. We have the poisoning of the Skripals, plus the gentleman in hospital. An investigation is ongoing and, as with any investigation, one would always hope to get to the truth of who it was. The Russian state was named in the original poisoning of the Skripals. As the noble Lord, Lord Paddick, said, there is a working assumption that the poison in this case is the same as was used on the Skripals. The noble Lord, Lord Rosser, said that the risk is low but lethal, and he is absolutely right. This nerve agent is lethal, and all the more so because it is so difficult to detect.

In terms of repeated messages to the public, the noble Lord, Lord Paddick, asked again what I can say to reassure them. I can only repeat the Chief Medical Officer's point that the risk is very low but that residents should be vigilant. Residents can expect to see an increased police presence and wide cordons round the locations to protect the public. That will look very similar to the activity that took place in Salisbury earlier this year. The Government's Scientific Advisory Group for Emergencies is keeping the current public health advice under review, and the Home Secretary has asked it to provide him with a further update tomorrow. Residents who are worried should refer to the advice of the Chief Medical Officer and Public Health England, which draws on the full breadth of the specialist scientific expertise available to the Government. Wiltshire Police has set up two telephone numbers for anyone who has concerns relating to this incident, and of course the media continue to emphasise vigilance but also that the risk remains low.

On that point, the noble Lord, Lord Rosser, asked about the role of the PCC. The counterterrorist police are leading the investigation but the PCC will liaise with them carefully and closely as they continue their investigation. They have an operational role, whereas the PCC will have much more of a strategic role going forward and during the investigation.

The noble Lord, Lord Rosser, asked whether we are sure that the threat has now gone. That would be the hope. Clearly, the police are continuing to surveil the area and are trying to get to the source of the contamination. We hope that when the source is found the threat will have gone, but the whole investigation is ongoing, so I cannot say with certainty that it has completely gone.

The noble Lord, Lord Paddick, asked a valid question: if the police have not spoken to the victims, how do they know that there was a container? He will recall that last week the police spoke to witnesses. There is CCTV footage of the movements of the individuals but, of course, not of the container, syringe or whatever it might be. However, the police will be operating on witness statements about the movement of the two individuals and what they were seen to be doing. The noble Lord also asked whether this would be treated as a murder inquiry. The death of Dawn Sturgess is already being treated as a murder inquiry. I conclude by saying that I take the Chief Medical Officer's advice that people are at low risk but it is wise that they are vigilant in the weeks and months to come.

Finally, the noble Lord, Lord Rosser, again asked about the local economy. Not only has it taken a double hit but people must now be quite scared of going to Salisbury. I know that MHCLG is working with the town council on a recovery plan for the local economy.

6.26 pm

Lord Elystan-Morgan (CB): Is there any prospect whatever that this nerve agent could have come to Salisbury other than from a state source, and does the finger of blame seem to point very clearly at the Russian state in this matter?

Baroness Williams of Trafford: The noble Lord will remember that back in March we were sure that the incident bore all the hallmarks of a Russian state-type poisoning. We have no evidence that it came from another source, so I think that at this stage we can be fairly sure that the source is the Russian state.

Earl Attlee (Con): My Lords, can the Minister confirm that the original advice to residents was correct? Further, does she agree that it is inconceivable that the authorities had not considered the risk of a discarded container? However, would it not have been grossly irresponsible to raise alarm among the general public when there was no possibility of finding the container, with the risk that members of the general public might go hunting for it when they were ill equipped to find it? As we know, there is the difficulty of the poison being very difficult to detect. Therefore, does the Minister agree that the advice and actions of the authorities dealing with this matter have been correct in all respects?

Baroness Williams of Trafford: Like my noble friend and other noble Lords, I pay tribute to the police and the health clinicians who have worked on both incidents. Like my noble friend, I think that the original advice to residents was correct: there was, and remains, a low risk. There was no assumption about there being a source of the poison or about the possibility of it still being there, because one would not have known—in fact, one still does not know—that there was a discarded source of the poison. I suspect that local people were not hunting for it, but in the course of the investigation it will become clear how they managed to happen upon it.

The Lord Bishop of Durham: My Lords, as it happens, over the weekend I was talking to a member of the clergy who is a resident of Salisbury. I simply asked her how it feels, and she said, "Grim and deeply disturbing", because of the second occurrence. She said that people were just beginning to come out of this and now they do not know how to react. She was talking about community life, businesses and so on. In exploring support for businesses, does the Minister understand that this feels like a double hit for people in Salisbury, and that community encouragement and up-building is needed, not simply economic support? I ask this largely in the name of my noble friend the right reverend Prelate the Bishop of Salisbury.

Baroness Williams of Trafford: I totally understand the right reverend Prelate's point and the point that his friend made to him. It is not just about the economy—it

[Baroness Williams of Trafford]
is the whole life of the community. I read a comment from a resident who said that the whole park has been cordoned off, and it had been the centre of community life. I totally take his point that it is not just a double hit: the effect has been felt more widely now. He does not need to persuade me; I understand where he is coming from. A whole-community response is needed and it must be more than just updates—there must be support for this community.

Rural Areas: Public Services

Question for Short Debate

6.31 pm

Asked by ***Baroness McIntosh of Pickering***

To ask Her Majesty's Government what assessment they have made of the provision of public services in rural areas.

Baroness McIntosh of Pickering (Con): My Lords, I am delighted to have secured this debate and I look forward to hearing the contributions of other noble Lords, in particular my noble friend Lord Haselhurst, who is making his maiden speech. I welcome my noble friend the Minister to his place. I refer to my interests on the register: I work with the Dispensing Doctors' Association; I chaired the Environment, Food and Rural Affairs Committee for five years; I grew up in Teesdale, one of the most rural areas in the Pennines, and represented another in north Yorkshire for 18 years in the House of Commons; I am an honorary vice-president of the Association of Drainage Authorities; and I a member of the Rural Affairs Committee of the Church of England synod.

Living and working in the countryside is the envy of many, yet rural dwellers face challenges of which their urban counterparts are blissfully unaware. That is why I am delighted to have secured this debate on the challenges and costs of providing public services in rural areas. Public services are coming under increasing pressure in rural areas. Delivering health and social care, affordable housing, adequate transport to work or to visit the doctor or dentist, and accessing the digital economy via broadband and mobile phones are major challenges facing rural dwellers. For years, successive Governments have failed to tackle these issues. Officials appear to be metro-centric and urban based, and in many cases have never been exposed to the challenges of rural life.

Funding per head of population for education, health and other sectors is less in rural areas than in urban areas. For example, taxpayers in North Yorkshire pay two and a half times more council tax than residents of Westminster yet receive less government funding, have 29% less core spending power per capita and receive fewer services. Average weekly wages, however, are 86% higher in Westminster than in North Yorkshire. Rurality is poorly reflected in the current formula for council funding. Population density is given eight times more weighting than rurality. North Yorkshire has 707 parishes with populations below 5,000, with the majority of these below 350. This demonstrates the very sparse and dispersed nature of the county's population.

There is often a higher proportion of middle-aged and older people living in rural areas. They can suffer fuel poverty because of the higher costs of vehicle and heating fuel. There are clear pockets of rural deprivation given the background of low pay, higher living costs and a lack of affordable homes. Finding an affordable home, travelling to a job some distance away, using the electronic prescription service in rural GP practices, reporting an emergency with a poor mobile phone signal, and access to local post offices and banks for individuals and small businesses are some of the everyday challenges that rural communities face.

Planning decisions can throw up perverse consequences in rural areas. The Campaign to Protect Rural England notes a failure to recognise the views of local communities and the value of open countryside. In my view, there is no good reason to prefer garden cities taking rafts of rural area for housing over sites in urban areas with established infrastructure and brownfield land. We must protect areas of outstanding natural beauty and our national parks but be mindful of the needs of those who live and work there.

The Government rightly laud their policy for a digital economy. However, they must grasp the fact that digital access in the countryside, which represents the 5% hardest-to-reach broadband access, precludes rural GPs accessing electronic prescriptions to the benefit of the patient and precludes farmers downloading and completing farm payment claims online.

The recruitment and retention of new GP partners in rural areas is of concern. I should confess here that I am the daughter of a GP and the sister of a GP. Poor mobile signals and poor internet access will hamper the new NHS app and the use of smartphone technology for interacting with the NHS. Dispensing doctors face an increasing number of perverse incentives in the drug reimbursement systems, and the forthcoming implementation of the EU falsified medicines directive will add costs to practices via the workload and costs associated with the scanning technology used to verify these medicines.

In the recently published report *Bricks and Water*, we concluded that there was only limited and patchy co-ordination on planning for housing and water at a catchment scale, with a current lack of sustainable drainage to prevent flooding. We urge neighbouring local authorities to co-operate more and call for the new environmental watchdog to be truly independent yet accountable to Parliament, facing both Defra and the Ministry of Housing, Communities and Local Government, and giving strategic advice on housing growth and water management issues.

As far back as July 2013, in its report on rural communities, the Environment, Food and Rural Affairs Select Committee identified local authority funding, rural broadband, not-spots in mobile phone coverage, affordable housing, access to public transport and developing the rural economy as crucial factors that needed to be addressed. That was five years ago, but the issues are still so familiar today.

In early July of this year, the Post-Brexit England Commission published an interim report on threats to rural areas after leaving the EU. It found a deepening divide between rural and urban areas, unaffordable

homes, an increasing skills gap and poor connectivity to the internet—I think there is a theme here. The commission recommends greater powers to local authorities to tackle the problems; to give all councils the ability to borrow to build new homes; to devolve funding and control over skills and employment schemes to local areas; and to plug the adult social care funding gap, which is expected to reach £3.5 billion by 2025.

Recently, the House of Lords ad hoc committee reported on the implementation of the Natural Environment and Rural Communities Act 2006. It criticised the Government for abolishing the Rural Communities Commission and ceasing to rural proof policies. It recommended that the Cabinet Office oversee the rural proofing of policy in all departments.

This week sees the 160th Great Yorkshire Show, celebrating the countryside and showcasing farm produce and livestock. From deliciouslyorkshire food to the cattle lines to the craft goods to the fur and feather, producers across the region take great pride and joy in showing their produce at the height of the season. As we marvel at the craftsmanship and husbandry of the produce on display, I urge the Government to be mindful of the everyday needs of country folk.

There must be more joined-up, cross-departmental policy, and rural dwellers should be treated equally with their urban cousins. I urge the Government to come forward with a way and means of rural proofing all policies, alive to the challenges of public services and the cost of delivering these in rural communities. I can think of no better person to deliver on this issue than my noble friend the Minister, who will wind up the debate today.

6.41 pm

Baroness Harris of Richmond (LD): My Lords, I live in the beautiful county of North Yorkshire, in the famous and equally beautiful town of Richmond. It is not to be confused with its southern namesake, because my Richmond is the original Richmond of all the Richmonds in the world—currently 56 of them. Four Members of your Lordships' House have taken this title in the past 20 years, each of us acknowledging our good fortune to live there. With a population of 8,413 at the last count, our nearest large town is Darlington, some 12 miles away as the crow flies. We are at the head of the Yorkshire Dales, with small hamlets and villages scattered over a huge area, where farming is the predominant industry, closely followed by tourism.

I declare an interest as a former councillor in Richmond for many years, and I congratulate the noble Baroness, Lady McIntosh, on securing this important debate. We have known each other for many years.

Public services in my part of the world have been decimated since I first joined the county council in 1981 and are now in crisis. We hear much up north about the northern powerhouse, but any benefits accruing to this so far have been generally in the cities and urban areas of this region and have yet to percolate to those of us who live in the vast rural areas of North Yorkshire. Our local enterprise partnership, which is a pale shadow of the former Yorkshire Forward regional development agency, works hard to deliver the benefits through many projects in its strategic economic plan. I wish it well, but the deep rural areas in which our communities live need greater attention and commitment in order that they, too, may achieve their potential.

The Select Committee's report in the Session 2017 to 2019, *The Countryside at a Crossroads: Is the Natural Environment and Rural Communities Act 2006 Still Fit for Purpose?*, states:

> "Each and every Government department should be seeking to take account of the circumstances facing rural communities when developing policies"—

as the noble Baroness said. It goes on to suggest that Defra, being the responsible government department for these matters, does not have the cross-government influence or capacity required to embed rural proofing more widely. Will the Minister comment on this? Are there any plans to introduce this essential work? Does he feel that Defra should be empowered to do so?

In considering our small rural schools—many of which have had to close, ensuring that children have longer journeys to travel—Rural England, in its *State of Rural Services 2016* report, states that rural FE students face particular barriers with transport, with fewer than 40% of them able to get to a secondary school by public transport in reasonable travel time. They also have less choice of which school or college to attend. In North Yorkshire—disgracefully—parents are charged for transport for their children when they reach 16-plus.

Fuel costs are greater, and for North Yorkshire this is a major consideration as it takes well over two hours to drive from one end of our county to the other, and much longer in the summer months. This also means, of course, that there are hundreds of miles of roads that need upkeep, with potholes to fill and verges to clear. The county council's network report shows huge variations in school transport costs, with North Yorkshire spending £207 per head, while Leeds spends £15 and Bradford £30. It goes on to state:

> "On average, county councils received £650 per person for public services in 2017/18, such as adult social care, buses, libraries, bin collections, pothole repairs and children's social services. In contrast, a city or Metropolitan borough resident, receives £825 for their services, whilst those who live in inner London enjoy £1,190 per person".

It is grossly unfair that we receive £3.2 billion less than other parts of the country for services to which we have an equal right. We need a fairer funding settlement and so I ask the Minister: when are we likely to get this?

With health provision in rural areas—in particular where I live in Richmond—the key problem is access to services, and the frustration for the people who live there is the lack of democratic accountability. The main trust for our area is the James Cook University Trust in Middlesbrough, which is a good hour from where I live and much longer for dales people. Do not have a heart attack in Hawes. That trust has gradually run down one of our treasured hospitals—the Friarage in Northallerton. There is a veneer of apparent consultation, such as the current one over the potential closure of the accident and emergency unit there, but we all know what the outcome of the consultation will be.

The alternative for inhabitants of the two most northern dales is to travel to Darlington, where the emergency services are in constant fear of closure, or

[Baroness Harris of Richmond]
to the well-provided James Cook University Hospital. Behind many of the closure decisions is the mantra, "We can't get the staff we need". This particularly applies to anaesthetist posts. The professional body, the deanery, should address this problem.

Recruitment problems and the possible measures that could be taken are well discussed in the 2016 report *Training in Smaller Places*, commissioned by Health Education England. Is the Minister aware of this document? If so, does he support its recommendations? If the answer is that he is not aware of the document, will he ensure that his colleagues in the Department of Health read it? There is no reason why a training programme for all potential consultants should not include two years at a smaller hospital, such as the one at the Friarage in Northallerton.

I shall finish on a more positive note. Innovative ideas are coming forward from one of our rural police officers. He manages to keep crime rates in his area right down by having an excellent relationship with local farmers and linking them together with radios so that they can report directly to each other and to the police any crime suspected of being committed. There is a huge success story in Richmond that has little to do with public services because of the small amount of public money given but has a great deal to do with the lifeblood of rural areas: volunteers. We renovated and rejuvenated our old station building a few years ago into a film, food and arts centre. The station has two cinemas, an art gallery, a heritage centre, a superb award-winning bakery, a microbrewery and a fantastic ice cream parlour, which is very good in this weather.

The Richmond Building Preservation Trust looks after the building, which has won many awards and has 300,000 visitors a year. Moreover, we are looking to develop more special buildings in our town for community use. We have the Green Howards Museum and the superb Richmondshire Museum, which was voted one of the best small attractions in Great Britain. That is an absolutely fantastic achievement. Again, it was built and is run by a hugely committed group of volunteers. And, of course, we have our famous Georgian Theatre Royal, which gets a very small amount of public funding. So, despite our services crumbling, local people are proud of our town and area, and I warmly invite noble Lords to pay us a visit.

6.50 pm

Lord Haselhurst (Con) (Maiden Speech): My Lords, in rising to make my maiden speech within a week of my introduction, I risk being thought very impulsive, but the subject put forward for debate by my noble friend Lady McIntosh was too tempting. She and I share something of the same approach to what life is like in the rural parts of our country. I can but seek encouragement from the words of the late Lord Butler of Saffron Walden, who at the outset of his maiden speech in 1965 said:

"I have been singularly well trained in parliamentary manners and etiquette, having been for some considerable time a Member of another place".—[*Official Report*, 15/11/1965; col. 258.]

I pray that my similar but not nearly so distinguished background will protect me from any lapses of courtesy and custom in your Lordships' House.

I also learned very early in my parliamentary life that we are well supported by attentive staff and officials. That has been amply evidenced to me once again since the start of my pre-introduction period. I wish to record my very grateful thanks to those who have already helped me so much, not least my mentor and my whip.

On 10 December 1966, a young man rose in the Royal Festival Hall to make a keynote speech at a crowded gathering of Conservative youth. A political star was born. His public life and mine have been intertwined in friendship, and just occasionally rivalry, since that time, so I am especially grateful to my noble friend Lord Hunt of Wirral for acting as my senior supporter. In his maiden speech he expressed his concern for the careers and well-being of young people. But just before the end he added:

"We must also ensure we make greater use of older people".—[*Official Report*, 1/4/1998; col. 296.]

I draw some comfort from that sentiment.

A very high proportion of my previous service at the other end benefited from the tutelage of the noble Lord, Lord Lisvane. Our respective roles connected at many points: the European legislation Committee, the Deputy Speakership, the Administration Committee, the Estimate Audit Committee, the Commonwealth Parliamentary Association and restoration and renewal. In his maiden speech, the noble Lord spoke feelingly about,

"the condition of this wonderful building".—[*Official Report,* 1/6/15; col. 217.]

I share his passion. Above all, the service paid to me by the noble Lord, Lord Lisvane, was the fact that he was the person who revealed the value of a smartphone in providing full ball-by-ball updates for all first class cricket matches. I feel greatly honoured that the noble Lord agreed to be my second supporter.

In 1970 I became the Member of Parliament for Middleton and Prestwich in Greater Manchester. I was a Yorkshireman representing a Lancashire seat; perhaps that was at least a nod in the direction of diversity in those days. In that Parliament I had the opportunity to introduce the Youth and Community Bill. It had its Second Reading on 1 February 1974 and the Dissolution of Parliament took place one week later. There has been controversy lately about blocking Private Members' Bills, but it seems to me that dissolving Parliament is taking it a bit far. Some 44 years on, I note that the honourable Member for Brighton Kemptown is trying to introduce a youth services Bill—which rather suggests that time has stood still on that subject.

When I was chosen for Saffron Walden, I was already persuaded from both a northern and an environmental perspective that a third London airport should not be in a rural inland site. On election, I have to say, partly at the expense of the noble Lord, Lord Stoneham of Droxford, that I found myself campaigning against major development at Stansted. Up to that point, I had thought that marching up Whitehall and orating in Trafalgar Square was for others and not for me, but circumstances forced that extreme action. The battle was lost and I have accepted the reality, but what I have not accepted so easily is the

lack of connectivity that has occurred in its wake. In some bigger countries airports may be seen as welcome for the benefits they can bring, but in this country the opposite happens. Roads become more congested: junction 8 on the M11 is notorious. Who, after all, would decide to put a motorway services area there after making it the point of access to a major airport? And rail travel gets worse, because the decision taken in the wake of Dr Beeching's report in the 1960s, leading to two rail tracks being ripped up, means that we have a totally inadequate railway from Liverpool Street to Cambridge when an airport has to be served, as well as many other extremely important businesses that are vital to the future of this country. So we get to a state where even the principal beneficiaries—the owners, the airlines and the employees—of a major development such as an airport, needed no doubt in the national interest, gradually become just as upset as the local communities in which they have been implanted by the absence of adequate infrastructure.

It is inevitable that the costs of providing the same range of public services to people are higher in rural areas than in towns and cities. But we are now in an era when technology can help us to bridge the gap. Distance can be made less of a problem by mobile telephony and broadband providing information, combating loneliness and dealing, as we now know, with health needs—and there will be other means, too. We ought therefore to recognise and espouse the principle of equality of entitlement. If you do business in the countryside, if you study in your rural home or if you farm, you need broadband and mobile telephony in order to function. The distinction between town and country has blurred to the extent where a great deal of business and industry now takes place in country areas. It is a growing political issue and it can be dealt with at a cheaper cost than many other projects which are seen as necessary—and, frankly, there is no downside.

I welcome what the Government have done to date so far as the spread of broadband is concerned, but I would urge them to look at two things in particular. One is the delays caused by companies taking on bespoke territory and then not moving fast to provide the service for which they get locals to sign up. That creates an enormous amount of ill will—and still communities wait for connection. There is also now the possibility of self-build, as we have learned from a community in Wales. If people can build the network for themselves, perhaps we should think of giving them incentives to do so. I believe that new technology can go a long way to help us bridge the gap between town and country.

The late Lord Butler in his maiden speech, albeit on a major issue that had prompted an emergency debate, spoke for 21 minutes. I have always felt that brevity rarely offends, and I hope that today it has not.

6.59 pm

The Earl of Caithness (Con): My Lords, it is a great privilege to be the first to congratulate my noble friend Lord Haselhurst on his maiden speech. In his non-parliamentary parlance, he was batting at number three today and he played some beautiful shots that my noble friend will have to field. He is obviously going to test my noble friend on a number of occasions.

It was quite right that my noble friend quoted from Lord Butler of Saffron Walden's speech, because my noble friend served that constituency very carefully and well for 40 years. But that was not his first experience in Parliament, as he mentioned: he had the happy experience of being defeated at a general election and having to start again outside before coming back to Parliament. What he did not tell your Lordships was that he spent 13 years as Deputy Speaker and Chairman of the Ways and Means Committee, serving under three Speakers. We will not ask him to put them in batting order, but I am sure that at some time, in the bar, he may tell us a few stories about them. There is another thing that my noble friend did, before I move on to the debate: he was the first British parliamentary Member to hold the position of chairman of the Commonwealth Parliamentary Association since Colin Shepherd in 1996. He will be a great benefit to the House, and I congratulate him on his speech.

I thank my noble friend Lady McIntosh for introducing this debate. It is the second Monday in a row that we are cantering around this course—we discussed the NERC report a week ago, which touched quite heavily on rural policies. All the points that she mentioned will be covered by the Rural Economy Committee, on which I have the pleasure to sit. Its chairman is the noble Lord, Lord Foster of Bath, who I am pleased to see in his place paying great attention to what has been said.

As my noble friend said, rural policy is a diverse problem, and I shall break it down into three little areas. One is rural proofing, which my noble friend mentioned. This is different from rural policy: rural proofing is about getting government to think about rural policies in advance. It is hugely important, and every department is involved. For instance, why has the Department of Health stopped GPs getting payment for holidaymakers in their area? That seems to me to be something that will affect GPs in rural communities, and it should have been tackled. Then we come to the courts, which are being revised. What about access? How are people going to get there when they live in the country? The noble Baroness, Lady Harris, mentioned schools, so I shall not say anything more about that.

We were told at a meeting of the Rural Economy Committee last week that Defra's permanent secretary, Clare Moriarty, had written to all permanent secretaries. Can my noble friend tell me when she did that? It was given to us as an example of good government policy. Noble Lords might look at it the other way: it was actually an indictment that the permanent secretary had to write to all the other permanent secretaries in 2018. It should not be necessary. As a result of this letter, can my noble friend tell me how many specialists in all the other departments are looking at rural proofing, now that they have been told that a senior official needs to be in charge of it?

I move on to rural policy, a lot of which has been covered. The key to rural policy is inevitably money. Unless one has the necessary finances, services suffer. We all get used to services when times are good; when times are not so good and services have to be cut, we all pay the price. However, that is a cyclical event; it

[The Earl of Caithness]
has happened before, and I remember when rural policies were very badly funded. They have got better badly funded, but it seems to be getting worse again. In the 2018-19 provisional settlement, urban areas received from central government some £123 per head more than their rural counterparts in settlement funding assessment grant. Can my noble friend explain why that has happened and why rural residents pay, on average, 20% more per head in council tax than their urban counterparts, while receiving less in government grants? It seems there is a lack of equality here that we on the committee will certainly want to look into, but perhaps my noble friend could help to start that ball rolling today.

There is also what is called the additional unit cost, because of the sparsity of population and the longer time taken commuting as rural roads get busier and urban roads get less busy. It is the delivery times: people have to take time off work to receive a parcel that is going to be delivered either am or pm, if you can get that slot rather than the whole day. There is also the older population problem. The population in the countryside is getting older: the proportion has moved up from about 24% in 2001 to 29% now. That is going to add considerable costs to local authorities and put extra strain on old people's services and on GPs. These are issues that have to be tackled at an early stage if they are going to be handled successfully.

My noble friend Lady McIntosh said she is the sister of a GP. I thought she produced a slightly gloomy picture of the countryside. When I lived in Caithness not so long ago, our GP was an Englishman who had come up to the north coast of Caithness for a better quality of life in the true countryside, not the urban areas of north Yorkshire. There is a huge benefit in the countryside. Bus services have been cut: Cumbria does not support any bus services now, and that is a problem. Rural broadband has been touched upon. Last year, 17% of rural premises could not access a 10 megabits per second connection, which is the minimum necessary for efficient online activities. As ever more public services require everything to be done on the internet, this is an area on which we have to continually push. I know that my noble friend is fully seized of the point, but we have to be relentless to make certain that those in the most remote areas get connected, and connected quickly.

My third point concerns research and statistics. It is something that I mentioned last week. The noble Baroness, Lady Harris, mentioned the *State of Rural Services* report from Rural England. She will know that at the end of that, Brian Wilson, who was its author and is an adviser to the Rural Economy Committee, says how difficult it was to get accurate figures, because of lack of research. This is an area that needs looking at. Since all the changes in the way that Defra handles country policies, one of the most common complaints is about the lack of research. It needs to be tackled because one of the great things that the Countryside Agency and its successor did was to provide a database independent of outside bodies. I hope that my noble friend will agree that something like that needs to happen again.

7.08 pm

Baroness Bakewell of Hardington Mandeville (LD): My Lords, I am also grateful to the noble Baroness, Lady McIntosh of Pickering, for securing this important debate. I declare my interests as a district councillor and a vice-president of the LGA. I also congratulate the noble Lord, Lord Haselhurst, on his maiden speech. I am sure that this will be the first of many contributions that he will make to debates in this Chamber.

As noble Lords will know, I live in a delightful rural area in Somerset, close to the Dorset boundary and, therefore, close to the south Jurassic coast, with its fishing ports, its pebble beaches and swannery. All this is, indeed, an idyllic situation which many city dwellers envy. However, this masks the lack of public services which many of those living in populated urban areas take for granted: they would feel deprived if they had to exist without their benefit. Local authorities of all sizes and types across the country have suffered severe cuts since 2015 and have made alterations to the way in which they deliver services, to try to bridge the gap between spending and dwindling income from central government. In some cases, this has led to very innovative and successful ways of service delivery. In others, it has led to outsourcing to private companies, which has also been successful. Regrettably, this is not always the case. Sometimes the level of service delivery has been far less than when provided by the local authority itself. Staff, despite TUPE, have been laid off and service users have been left distressed and unhappy. Then the private provider, finding that it is unable to make the level of profit it thought possible, has handed back the contract causing further upset and change for service users. When the contract involved is one providing day-centre services to adults with learning disabilities, this is doubly upsetting for those involved.

Cash-strapped local authorities are finding it increasingly hard to deliver the level of service that residents require. Libraries are closing or open for only very limited hours, often making it impossible for those at work during the day to use them. For more and more people on zero-hours contracts, earning the minimum wage and with no certainty about the hours they will be offered to work, buying a paperback is a luxury. Libraries were provided for just such people to be able to enjoy the pleasure that reading books can bring. With broadband extremely patchy and unreliable in rural areas, as we have heard, it is often to the library that people turn to fill in their job applications online as they seek employment.

The rural economy is struggling. Connectivity is poor, broadband is non-existent in some areas and, as the noble Baroness, Lady McIntosh, said, businesses and farmers are finding it extremely difficult to function without a reliable internet connection. Businesses rely on being able to make regular contact with their supply chains and their customers. There are more SMEs per head of the population in rural areas than in urban areas. These businesses deserve a decent broadband speed in order to survive.

Not only are libraries becoming a scarcity; the local bus is also becoming an endangered species. Bus companies find it more profitable, understandably, to provide services in and around urban areas where

there will be plenty of ticket-paying passengers to cover their costs, but this leaves those in villages and hamlets stranded. I know that I have spoken about this before in the Chamber but, unfortunately, the situation has not improved. Weekend bus services have been axed and weekday services drastically reduced. Even where there are buses they pick up in the morning, take their passengers on a circuitous route to the town and drop them off, returning far too quickly to allow them to complete their personal shopping, visit the opticians or dentist and carry out their business at the bank before returning. Some may wish to visit the council offices to discuss housing benefit; perhaps they have a hospital appointment. The alternative is an expensive taxi home or a long wait for the only other bus that day, in what may be a draughty bus shelter or station, encumbered with their shopping.

I will refer now to children and young people and I welcome the comments of the noble Lord, Lord Haselhurst, on young people. Living in a rural setting can mean that they have more freedom to wander than their urban-dwelling equivalents. If old enough, they may be allowed to negotiate the roads safely, to visit the play park with their friends or to gather around the abandoned bus shelter. The rural bus shelters provided many years ago were often built of brick and stone, with proper tiled rooves. These make excellent meeting places for young people after school. After all, no one else will be using them since the buses do not run after 6 pm, if they run at all. Young people like to hang out with their contemporaries. They chat, laugh and support each other. Often, the bus shelter is the only place they have to congregate. The cinema or bowling alley is in the town and requires both a lift and money for the entrance. If they are lucky, there may be a youth club or some provision in a neighbouring village but that again requires one of their parents to provide transport. For those younger children coming home on the school bus, having their friend over for tea is not possible unless they travel on the same bus and live in the same village. Choice is limited and, despite the internet, some children can feel very isolated and lonely. So too can the elderly who, having lived all their lives in their village home, find that they can no longer drive. Some of their friends have passed away or moved to be nearer their families but they are left dependent on the weekly bus to meet a friend for coffee in the nearby town. All this is, unfortunately, very negative. Mercifully, people choose to live in rural areas and enjoy their lives to the full while they are able-bodied, fit and in well-paid employment.

I turn briefly to rural housing. Those who have a home are often reluctant to see large housing estates built but they welcome smaller developments to meet local people's needs. Currently, housing developments of 10 or fewer dwellings do not have to provide affordable housing. This is a great mistake. I do not subscribe to the theory that only the well-off should live in rural areas. It is essential for society that a full range and mix of incomes, religions and people can live in rural areas and bring the richness to their communities that we all want from life. I fear, however, that the deadly squeeze on public services is making it increasingly difficult for this to happen. Can the Minister say whether the Government are thinking of abandoning the 10 dwellings policy for affordable homes in rural areas? I look forward to his response.

7.16 pm

Baroness Jones of Whitchurch (Lab): My Lords, I am grateful to the noble Baroness, Lady McIntosh, for tabling this debate and to all noble Lords who have contributed their expertise today. I particularly enjoyed the maiden speech of the noble Lord, Lord Haselhurst, who made a powerful case for tackling the issue of poor broadband and the contribution that doing so could make in bridging the gap between town and country. I know from the messages he is hearing from others around the Chamber that his words were very well taken. We look forward to campaigning with him, even if it involves a march down Whitehall in future on this issue.

I should say to the noble Baroness, Lady Harris of Richmond—and I think to the noble Baroness, Lady McIntosh—that, perhaps rather foolishly, I am going around Yorkshire in a campervan this summer. Indeed, I am booked to stop off in Richmond, so I am very grateful to her for suggesting all the tourist sites I can visit when I stay there. I hope that all your Lordships will pray for good weather when I am in the process of making that trip.

This is a really important issue and, as we discussed in last Monday's debate on the Natural Environment and Rural Communities Act, one that has been rather neglected by government. As a number of noble Lords have said, this was not helped by the closure of the Commission for Rural Communities, the reduced access to independent research and the lack of a strategy to implement rural proofing across other departments. The result is individual cuts and closures of public services, which are not measured to assess their combined impact on the viability of local communities. It is fair to say, from the debates both last week and today, that Defra is on notice that it must up its game on this issue. I hope that the Minister hears those comments.

By any measure, rural communities are struggling financially at the moment. They face a double whammy of higher council tax bills and fewer public services. The noble Earl, Lord Caithness, and the noble Baronesses, Lady Bakewell and Lady Harris, all talked about local government funding. In its response to the Government's 2017-18 provisional funding settlement for local authorities, the Rural Services Network said that rural areas would lose over 31% of their central government funding while urban areas would lose only about 22%. It concluded that the proposed settlement risks,

"crippling public services in rural areas",

and forcing local authorities to raise council tax to a significantly higher level than in urban areas. Does the Minister share my concern that these charges will hit rural communities hardest, when they are most in need of those public services?

The charges will penalise some of the poorest in our rural communities. It is tough for working people trying to bring up families in the countryside today. Average annual wages are more than £4,500 lower than in urban areas, and the gap between the two has grown by £1,000 a year since 2010. Employment

[Baroness Jones of Whitchurch]
opportunities tend to be low-skilled and low-paid, with limited opportunities for advancement. At the same time, rural areas contain a disproportionate number of older people, as noble Lords have said, with those aged 65 and over comprising 23% of the rural population—well above the 16% figure for the urban population. So does the Minister agree that these demographics are bound to place additional pressure on declining public services?

There are consequences for these trends, and I shall focus on a few examples of the way that they impact public services. First, as has been said, there is an acute shortage of affordable housing in rural areas. The latest IPPR report shows that rural housing is less affordable to local people than in most urban areas, with families in rural areas spending 31% of their income on rent, while rural houses to buy are around £19,000 above the average for England. Only 8% of housing stock in rural areas is classified as affordable, compared to 20% in urban areas. This exacerbates rural poverty and deprivation. It is also contributing to the exodus of economically active young people, creating further terminal decline in our communities. Does the Minister therefore agree that we need a specific strategy for rural homes with a ring-fenced rural grant to build new affordable homes, perhaps supported by a rural living rent based on local earnings? Does he also agree that local authorities should have the discretion to suspend the right to buy, greater powers to limit second homes and empty homes, and greater powers to specify a proportion of affordable homes as part of planning consent?

Secondly, as has also been said by others, the decline of rural bus services is having a devastating effect on those who live and work in rural areas. Young people are particularly affected, with more than 60% of pupils being unable to reach a secondary school by public transport, and access to further and higher education being restricted and requiring longer journeys. Indeed, the noble Baroness, Lady Bakewell, made the case that this is not just about education; it is also about young people having access to youth services and social facilities. This is not helped by the absence of statutory concessionary travel schemes for those aged over 16.

However, this is a much more widespread problem. Working-age people are forced to own a car even if they have low incomes, as that is the only way to get to work, while reducing bus services can of course have a devastating effect on elderly people, who have relied on public transport in the past. The closure of village shops, post offices and cash machines can leave older people effectively stranded and isolated, with implications for their health and well-being. We debated these issues at length during consideration of the Buses Bill, but many of our proposals fell on deaf ears. Does the Minister now agree that the provision of bus services should be looked at in a holistic way with reference to their full impact, rather than on a cost-driven basis and purely as a chance to save money? Does he agree that those commissioning bus services should consider the economic, social and environmental benefits to the community, rather than just focusing on the lowest-cost option? Does he also agree that remote rural communities should be able to delay the cancellation of bus routes to give them time to seek alternative funding sources where they provide a demonstrable lifeline for a local community?

Access to local health services is another huge challenge for rural communities. The campaign group Rural England found that only 56% of rural households have reasonable access to a GP surgery by public transport or walking. This access is getting worse as older GPs retire and younger ones cannot be recruited to replace them, leading to surgery closures. Often, access is limited to outreach surgeries with limited opening hours. Given that rural areas are expected to have the highest proportion of ageing populations, with people living longer, the squeeze on local health provision is bound to lead to poorer care and worse health outcomes. What steps are being taken to address the shortage of GPs in rural areas?

These are just a few examples of the decline in public services in rural areas. We could say the same about the decline of village schools or village halls, which have previously provided an important service in holding communities together. While front-line services decline, as the noble Baroness, Lady McIntosh, and other noble Lords have said, people need to have good broadband to take advantage of internet banking, retail services and job opportunities, but so far it is failing them. Given that rural service users stand to gain so much from access to online services, what further steps are being taken to get broadband suppliers to prioritise investment in rural rollout?

We know that farmers are having a tough time too, with delays to rural payments and increased global competition putting pressure on their profits. The uncertainty of Brexit adds new worries about the distribution of future subsidies, access to markets and labour availability, which could further undermine the stability of rural communities. Can the Minister update us on what is being done to reassure farmers that future EU markets for British food will be retained and that permanent and seasonal EU workers will still be available to work on the land? I look forward to his response.

7.26 pm

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Gardiner of Kimble) (Con): My Lords, I congratulate my noble friend Lady McIntosh on giving us the opportunity to debate public services in rural areas. Having chaired the Environment, Food and Rural Affairs Committee for five years and represented a rural constituency for 18 years, her knowledge of and commitment to rural communities is undoubted. I was very much struck by her reference to "country folk"; this is very much how I consider the tribe that I know, and I thought it was interesting to hear from noble Lords from Somerset, North Yorkshire, Caithness and Essex talking about the experiences and concerns of country folk. My noble friend spoke of the Great Yorkshire Show. Having been the president of the Buckinghamshire County Show in 2007, I know how important the agricultural shows are to rural communities and beyond, and I wish the Great Yorkshire Show every success this year.

It has surely been a highlight of this debate to hear the maiden speech of my noble friend Lord Haselhurst. As Member of Parliament for Saffron Walden from

1977, my noble friend has long been a passionate supporter of rural interest in a beautiful part of rural Essex. We are fortunate to have in your Lordships' House such a distinguished parliamentarian, and I agree with him that infrastructure and connectivity are especially important. I know of his work on the West Anglia network and his report on how the railway network might be improved. In the next few years Greater Anglia will be carrying out a full fleet replacement, investing £1.4 billion in new trains. I am very much looking forward to the benefits that that will bring to customers.

As I said in last week's debate on the NERC Act, this Government are committed to bringing sustainable growth to the rural economy and boosting rural areas so that people who live in the countryside have the same opportunities as those who live in towns and cities. I agree with my noble friend Lord Caithness that many people choose to live in rural areas because of the quality of life. As Minister for Rural Affairs, I strongly believe that the countryside is a great place to live and work, and official statistics reflect this. Since 2008 there has been an increase in net migration to predominantly rural areas in England. Those living in predominantly rural areas are likely to feel more positively about their neighbourhood. Life expectancy is higher. The employment rate in rural areas is higher than the UK average and the unemployment rate lower. Half a million businesses are registered in rural areas of England—one quarter of the total. Indeed, 14 enterprise zones have been established in rural areas and we are blessed with some of the most exceptional landscapes in the world, which, as the noble Baroness, Lady Harris of Richmond, highlighted, underpin a tourism industry that accounts for 14% of rural employment and 11% of rural businesses in England.

The fundamental features of rurality—more geographically dispersed and more sparsely populated than urban areas—can be a key attraction of our rural towns, villages and hamlets, but all of us who live in rural areas know of the challenges of distance and sparsity and their impact on delivery of important services. As a number of your Lordships referred to, there is a higher proportion of older people in rural areas compared with urban areas, which places pressure on, for instance, health and social services. Of course, as the noble Baroness, Lady Jones of Whitchurch, said, and as we are all aware, there are hidden pockets of deprivation in the countryside that we must tackle.

A number of your Lordships raised rural proofing. My noble friend Lord Caithness referred to it being important and the noble Baroness, Lady Harris of Richmond, asked about it. All I can say is that it already takes place. That is why rural proofing is absolutely fundamental to government policy. We published revised guidance last year and we have put more statistical material on GOV.UK to provide a range of evidence for departments to draw on. I say to my noble friend Lord Caithness that the Permanent Secretary's letter of 2 July was a reiteration, not a first step or the beginning of a journey. That is reflected in work across government to make sure there are fair and equitable services in rural areas. All the major funding formulas have components to take account of sparsity and rurality. In the Government's consultation on fair funding for local government, rurality was identified as one of the three main cost drivers.

A number of your Lordships, in particular the noble Baroness, Lady Harris of Richmond, and my noble friend Lord Caithness, referred to education. The revised schools funding formula for 2018-19 led to an increase in funding for rural schools of 3.9%, compared with an average of 3.8%. Indeed, schools in the more sparsely populated villages saw an average increase of 7.5%.

On health, clinical commissioning groups in predominantly rural areas in England receive 17% of funding, which is in line with the proportion of the population that they cover. I was aware of what the noble Baroness, Lady Jones of Whitchurch, and my noble friends Lady McIntosh and Lord Caithness, said. On GPs, the Department of Health announced last year an extension of its targeted enhanced recruitment scheme, which provides a £20,000 salary supplement to attract newly trained GPs to harder-to-recruit areas. Some 238 GP training vacancies were filled by the end of January this year and 250 places are being made available for the rest of this year. That is clearly a very important part of these matters.

I also say to the noble Baroness, Lady Jones of Whitchurch, that the Government have increased the rural services delivery grant to £81 million—its highest level ever and an increase of £31 million on its original allocation. I have not read the report to which the noble Baroness, Lady Harris, referred, but I assure her that it will be in my recess reading.

A number of your Lordships raised the subject of the Post Office. I place great importance in this as part of what I would call the community hub, which is so important for village communities. The post office network has remained relatively stable since 2009, with more than 11,600 post office branches at the end of March 2017, a small increase on the previous year. There are more post offices in rural areas than in urban areas, many collocated with the village shop. I have regular meetings with Paula Vennells, the chief executive of the Post Office, and her commitment to the network in rural areas is striking. We agreed on the need to improve awareness of the significant amount of personal and business banking that can now be undertaken in post offices, which helps rural areas.

The noble Baronesses, Lady Jones of Whitchurch and Lady Bakewell, and my noble friend Lady McIntosh referred to housing. Indeed, I take a personal interest in these matters and facilitated an affordable housing scheme on the farm many years ago. The latest figures show that 119,000 affordable homes were built in rural areas between April 2010 and March 2017. On a per population basis, more new homes were built in rural than in urban areas. The Government have recently introduced changes to permitted development rights that mean that five new homes can be created from existing agricultural buildings on a farm, rather than the maximum three currently permitted. There is a strong rural narrative in the housing White Paper and a separate rural chapter in the draft National Planning Policy Framework, on which the Government have just consulted.

[Lord Gardiner of Kimble]

I agree absolutely with my noble friend Lady McIntosh that we should build the right houses in the right places and that new developments should be mindful of landscape and the character of the village. Indeed only last Friday, as part of Rural Housing Week I visited Mackmurdo Place in rural Essex—an excellent example, providing affordable housing for young and old with a multigenerational community, which I think a number of your Lordships raised and is absolutely important. It is, again, sensitive to the needs of the local area. I specifically asked: there is a SUDS scheme as part of that development.

Digital connectivity also is essential. A number of your Lordships mentioned electronic prescriptions. The Government met their target to provide superfast broadband to 95% of premises by the end of 2017, but that leaves still far too many people without a decent service. We have therefore legislated to bring in a universal service obligation so that no one is left behind. The forthcoming publication of the future telecoms infrastructure review will set out a plan to create the right market conditions to deliver nationwide full fibre and 5G. As my noble friend Lord Haselhurst mentioned, we must work to improve mobile coverage, and the Government are committed to that.

A number of your Lordships referred to buses. The community minibus fund has provided more than 300 local charities and community groups across England with more than 400 minibuses to use for the benefit of passengers. This has been successful particularly in remote rural communities.

My noble friend Lord Caithness raised research, which I agree is important. A panel of academics has been set up in Defra. We will develop a statement on research priorities, as this is clearly an important feature of ensuring that the dynamics of the rural economy are enhanced.

The noble Baroness, Lady Bakewell, mentioned libraries. All libraries now have free wi-fi and access to IT equipment. They provide access points to many services, which I very much endorse.

In the time I am permitted, I of course encourage visitors to Richmond. I hope that the noble Baroness, Lady Jones of Whitchurch, has a rain-free period, although I hope that we have some rain before she goes.

A number of points were raised. I am struck by the richness of local initiatives. As the noble Baroness, Lady Harris of Richmond, said, volunteers and the voluntary spirit in the countryside—as a complement, not a replacement—are an essential part of the vibrancy of the village. Whether it is the village shop, the person who raises the bulk purchasing of fuel or the running of a village hall, all this serves the community.

I am over time, but I want to say that, as rural champion, I will always champion the interests of rural Britain. This Government are determined to secure prosperity and well-being for rural communities and to grasp the undoubted challenges, but let us also celebrate the wonderful features of the countryside. I apologise to my noble friend on the Front Bench for overstepping the mark by a minute, but surely this debate is worthy of it.

House adjourned at 7.41 pm.

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