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PARLIAMENTARY DEBATES
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HOUSE OF LORDS

OFFICIAL REPORT

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

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House of Lords

Wednesday 25 September 2019

3 pm

Prayers—read by the Lord Archbishop of Canterbury.

In light of the judgment of the Supreme Court in the case of R (on behalf of Miller) v The Prime Minister and Cherry and others v Advocate General for Scotland, the following items of business in the Official Report of 9 September at cols. 1399-1404 should be disregarded: Royal Commission, Royal Assent, Her Majesty's Speech and Prorogation. Instead, the House stood adjourned at 1.40 am.

Death of a Former Member: Lord Northbourne

Announcement

3.08 pm

The Lord Speaker (Lord Fowler): My Lords, I regret to inform the House of the death of the noble Lord, Lord Northbourne, on 8 September. On behalf of the House, I extend our condolences to the noble Lord's family and his friends.

Lord Speaker's Statement

Announcement

3.08 pm

The Lord Speaker (Lord Fowler): My Lords, welcome back. It is very good to see you all. As noble Lords will know, in the light of the judgment of the Supreme Court yesterday, Parliament is not prorogued. Accordingly, the Clerk of the Parliaments will delete the following items of business from the Minute of Proceedings of 9 September: Royal Commission, Royal Assent, Queen's Speech and Prorogation. Instead, the Minute will record that the House adjourned at 1.40 am. I should also inform the House that signification of Royal Assent to the Parliamentary Buildings (Restoration and Renewal) Bill will take place in due course. I take this opportunity to thank the staff of the House and all those who have worked against the clock to make the resumption of business possible.

I now return to our constitutional duty of scrutinising legislation and holding the Government to account. I call on the Government Chief Whip to make a business statement.

Lord Ashton of Hyde (Con): My Lords, before I turn to the business before us today, there is one thing I think we can all agree on, and that is to echo the comments of the Lord Speaker and thank all the staff who have returned at very short notice to get this Chamber up and running. We are very grateful to them. Some noble Lords will have noticed that some of the usual facilities are not available, but alternative arrangements have been made. I urge all noble Lords to be tolerant: services may not be fully staffed and refreshment outlets may be busier than usual.

For those noble Lords who may not have had time to study a copy of today's list, our business today is as follows: there is a Private Notice Question on the

extension of Article 50; an Oral Statement on Thomas Cook; an Urgent Question on the Attorney-General's legal advice; and three more Oral Statements, on Brexit readiness, Iran and an update from the Prime Minister. For the Prime Minister's Statement repeat, I have agreed with the usual channels that the time for Back-Bench questions will be increased from 20 minutes to 40 minutes. We then intend to finish the day's business with a debate on the spending round. I cannot provide any certainty on timings as we are subject to the timing of Oral Statements in the other place. We will endeavour, though, to communicate any updates via the annunciator and the usual channels. Tomorrow, there will be four statutory instruments, ranging from tachographs to a gas tariff code. I will ensure that the Printed Paper Office has the details of these SIs so that they can be made available for noble Lords. Further usual channels conversations are required before business is confirmed for next week; however, it is my intention to issue a *Forthcoming Business* tomorrow afternoon, or Friday morning at the latest, providing the details of our business for next week.

Baroness Smith of Basildon (Lab): My Lords, on behalf of these Benches I concur with the comments of the Lord Speaker and the noble Lord the Chief Whip about the work the staff have undertaken to get this place ready for us: anybody who saw it last week may have doubted that it could be done quite as quickly and efficiently as it has. We are very grateful to them and to the other staff of the House, who have been mucked around a fair bit and had their plans disrupted. We are grateful that they are here. I also thank the noble Lord the Chief Whip for his advance notice, as far as he is able to give it at the moment. We welcome his announcement of business next week. We hope this House will be sitting until there is time for a very short Prorogation prior to the Queen's Speech. All I would add is that while we are here, we want to do our constitutional duty, as he mentioned and as outlined in the Supreme Court judgment, and get best value for the time we are here. A number of Bills were stalled and were to be carry-over Bills had the Prorogation not been ruled unlawful. We would like work to continue on that legislation so that we get the best value for the time we are here and make best use of that time now that we are indeed sitting.

Lord Adonis (Lab): My Lords, may I ask where the Leader of the House is? Should she not be in her place, given her responsibility for these events?

Lord Ashton of Hyde: I think she is preparing for what will, no doubt, be close questioning on her Statement.

Extension of Article 50

Private Notice Question

3.14 pm

Tabled by Lord Wallace of Tankerness

To ask Her Majesty's Government what is their policy on the extension of Article 50.

Lord Wallace of Saltaire (LD): My Lords, with the permission of my noble and learned friend Lord Wallace of Tankerness, who is delayed coming in from the airport, and at his express request, I beg leave to ask the Question standing in his name on the Order Paper.

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, our focus remains on getting a deal at the October European Council and leaving the EU on 31 October. We have been working enthusiastically to negotiate a deal with the EU. Renegotiations have intensified, with regular sessions taking place over a number of weeks; these have been constructive, and we have been making good progress. The Government are clear that we will not be deterred from getting on and delivering on the will of the people to come out of the EU on 31 October.

Lord Wallace of Saltaire: I am most impressed by the optimism the Minister expresses on the progress of the negotiations. We all hear reports that the Government have presented three sides of paper in their proposals so far in Brussels; it does not seem that either the pace or the detail has got very far yet. Given that, and given that business and the Civil Service are struggling with uncertainty around how far they should take preparations for no deal at the present—uncertainty which is very damaging for the economy and our society as a whole—and given that Operation Yellowhammer, in so far as we have been allowed to read the reports, suggests that the outcome of no deal would be disastrous, would it not be helpful if the Government were now to say that if the negotiations do not make sufficient progress, they will shortly ask to extend Article 50?

Lord Callanan: The noble Lord has been reading the wrong newspapers. We are optimistic about the progress of the negotiations: there is an official-level delegation conducting technical discussions in Brussels today; the Prime Minister met with Leo Varadkar yesterday; the Secretary of State in my department met with Michel Barnier last Friday; and intensive discussions took place over a number of days last week. We are optimistic on getting a deal. We will leave the EU on 31 October.

Baroness Hayter of Kentish Town (Lab): Reading tweets avidly, as I do, I see that somebody is still briefing that while the letter asking for an extension—as required in this Act—will be sent by the Prime Minister, it might be accompanied by another one saying, “But please don’t say yes”. Could the Minister confirm that there will be no attempt to circumvent the Act and that any legal advice from the Attorney-General will be double-checked with the noble Lord, Lord Pannick, for accuracy?

Lord Callanan: I am not sure we could afford his fees.

Noble Lords: Oh!

Lord Callanan: Sorry. We will, as the noble Baroness would expect, of course abide by the law.

Lord Cormack (Con): My Lords, I am sure the noble Lord, Lord Pannick, would work pro bono. Will my noble friend confirm that in the unhappy event that no deal is reached by 31 October—for me, it would be an unhappy event—the Prime Minister will abide by the law that Parliament has passed?

Lord Callanan: I am happy to confirm to my noble friend the answer I just gave: the Government will of course abide by the law.

Lord Harris of Haringey (Lab): My Lords, I am not sure that the Minister has answered the question asked by my noble friend Lady Hayter. We assume, of course, that the Government will abide by the law, but her question was whether a second letter will be sent to the EU saying, “Please don’t accept our request”. Can he give a categorical assurance that the Government will not do that and that they will not seek to go around the wording of the law which was passed by this House?

Lord Callanan: I can give the noble Lord a categorical assurance that the Government will abide by the law. We write all sorts of letters, to all sorts of people, all of the time. I am sure that letter writing will continue, even if there is no deal. I can go no further than to repeat what I have said: we are a law-abiding Government and we will abide by the law.

Lord Lansley (Con): My Lords, my noble friend will confirm, I hope, that it is the Government’s intention to leave the European Union on 31 October with a deal. That being the case, Parliament has probably no more than three weeks to debate such a deal and, in the case of the other place, to approve it. However, at present, we have no details with which to discuss it. Will my noble friend give the House the papers that have been shared with the European Commission so that we might examine what this deal could look like, and if not, why not?

Lord Callanan: My noble friend is of course correct that it is the Government’s intention to get a deal. However, negotiations are ongoing and I am sure that he will understand, from his time in government, that we are unable to share confidential negotiating papers at the moment. He can rest assured that as soon as we get a deal, we will publish the full documentation.

Baroness Royall of Blaisdon (Lab): My Lords, can the Minister say whether the Government think that they would be abiding by the law if they were to send two letters instead of one?

Lord Callanan: I can see that noble Lords today have a great fondness for the work of the international post office. We will abide by the law.

The Earl of Listowel (CB): My Lords, should there be no deal agreed by 31 October, is the Minister aware that there is considerable concern about families on low incomes who may be faced with increased prices

on staple foods? Have the Government carefully considered the possible adverse impact on those families and do they have clear plans to ensure that these families are not adversely impacted by a no-deal Brexit?

Lord Callanan: We have indeed given extensive thought and consideration to all the possible impacts of no deal. If the noble Earl wishes to stick around until later this afternoon, we will be updating the House further.

Lord Tugendhat (Con): Does my noble friend agree that in some ways the collapse of Thomas Cook provides a dress rehearsal for what might happen in the event of no deal? A no-deal crash out would certainly be very damaging to this country but, as in the case of the Thomas Cook collapse, it would have reverberations all over Europe, leading to job losses and financial losses in all kinds of unexpected places.

Lord Callanan: No, I am afraid I would not agree with my noble friend that there is any parallel between the two events. The collapse of Thomas Cook, about which we are to get a Statement, is totally unrelated to Brexit and—

Noble Lords: Oh!

Lord Callanan: I was in the Department for Transport when Monarch Airlines collapsed two years ago; I assume that noble Lords wish to equate that with Brexit as well. I think that for some noble Lords, if the sun did not rise in the morning it would be the fault of Brexit. I agree with my noble friend that we need to make all the appropriate preparations, but our focus is on getting a deal if we possibly can, and if not then we should leave on 31 October. We will do all that we can to mitigate the effects of no deal and will say more about that later this afternoon.

The Archbishop of Canterbury: Does the Minister agree that Parliament has, justifiably or not, seen its reputation sink very low over the last few months and that one of the ways of dealing with that is transparency? Regardless of how many letters there may or may not be, will he therefore undertake that the Government will be completely transparent and honest in the spirit and not merely the letter of the law about the actions they take over the next few weeks in connection with an extension?

Lord Callanan: We always endeavour to be as transparent as possible with regard to these matters, while of course still preserving the confidentiality of the negotiations.

Lord Purvis of Tweed (LD): In the light of the Supreme Court judgment, and in the light of the Minister's Answer, will he allay the fears that there may be multiple letters or letters signed by officials and not the Prime Minister, or other ways in which the Government may seek not to abide by the spirit of the letter of the law? There is nothing preventing the

Government now publishing a statement as to how they would abide by the law and its mechanisms. Will the Government do that?

Lord Callanan: No matter how many times noble Lords wish to press me on this, I am afraid I have given the answer that I am going to give. We will of course abide by the law of the land; we are a law-abiding Government. Democracy in this country rests on adherence to the rule of law and we will abide by it.

Lord Foulkes of Cumnock (Lab Co-op): My Lords, on another aspect of this, what is the parliamentary authority for the huge expenditure on the advertising campaign Get Ready for Brexit, when the House of Commons has decided specifically against a no-deal exit on 31 October and has not decided in favour of a deal for exit on 31 October? On what basis is that money being spent?

Lord Callanan: The noble Lord is an experienced parliamentarian, so he knows very well the answer he is going to get on this matter. Under the European Union (Notification of Withdrawal) Act 2017, this House and the House of Commons voted to invoke Article 50, and the consequence of Article 50 is that we leave two years after the expiration of Article 50 unless there are extensions granted. The legal default remains that we leave on 31 October. The noble Lord can shake his head; I do not know whether he voted for that legislation or not, but the majority in both Houses did so. That is now the law of the land, and therefore we have to assume that that is the legal default in the absence of anything else happening.

Thomas Cook *Statement*

3.24 pm

The Parliamentary Under-Secretary of State, Department for Transport (Baroness Vere of Norbiton) (Con): My Lords, with the leave of the House, I shall now repeat a Statement made by my right honourable friend the Secretary of State for Transport in the other place. The Statement is as follows:

“Mr Speaker, I would like to make a Statement about the steps the Government have been taking to support those affected by the collapse of Thomas Cook, in particular the 150,000 passengers left abroad without a flight back and also the 9,000 people here who have lost their jobs in the UK.

This is a very sad situation. All parties considered options as to how this company could avoid being put into administration. Ultimately, however, Thomas Cook and its directors took the decision themselves to place it into insolvency proceedings, and it ceased trading at 2 am on Monday 23 September. I recognise that this is a very distressing situation for all involved, and I would like to assure Members that the Government are committed to supporting those affected, including by providing repatriation flights free of charge for all those people.

[BARONESS VERE OF NORBITON]

We have been contingency planning for some time to prepare for this scenario, under Operation Matterhorn. The Government and the Civil Aviation Authority have run similar operations in the past and have been working hard to minimise disruption for passengers and to try to assist Thomas Cook's staff. Even with our preparations and previous experience with Monarch, the task before us represents the largest peacetime repatriation ever undertaken in the UK. Some disruption and delay are inevitable, and we ask for understanding, particularly for Thomas Cook's staff, many of whom are still working alongside the Government to help ensure the safe return of customers.

For example, the situation in Cuba has been reported in the media. The aircraft left this morning, and all passengers from Cuba scheduled to come home today are on that flight.

Normally, the CAA's responsibility for bringing back passengers would extend only to customers who are covered by the ATOL scheme. However, there would have been insufficient capacity worldwide in the aviation market for non-ATOL customers to book tickets independently and bring themselves home. Some passengers would have had to wait for a week or more and others would have suffered financial hardship while they waited for an available flight. This would have created further economic problems, with people unable to return to work or be reunited with their families. With tens of thousands of passengers abroad with no easy means of returning to the UK, I instructed the CAA to ensure all those currently abroad were able to return, ATOL or non-ATOL.

Due to the size, complexity and geographical scope of the Thomas Cook business, it has not been possible to replicate its exact airline and schedule. In the case of Monarch's collapse in 2017, the CAA was able to source enough aircraft of the right size and type to closely match the airline's own operation. Thomas Cook was a much bigger airline, however, and also provided a global network of package holidays. As a result, this operation is much more challenging. Some passengers will be travelling home on commercial flights where other airlines have available seats. I am sure that the whole House would like to thank all the airlines and ground staff who have offered assistance to Thomas Cook passengers in this difficult situation.

I would like to update the House with the latest information and give honourable and right honourable Members a sense of the scale of the operation that has been going on. We have put in place arrangements to bring back more than 150,000 people to the UK across 50 different locations. This requires more than 1,000 flights by CAA-chartered aircraft over a two-week period. Passengers will be able to complete their full holidays, so they should not be leaving early and should be able to return on the day they were intending to.

So far, in the first two days of the operation, nearly 30,000 passengers were returned to the UK on more than 130 dedicated CAA flights, with a further 16,500 passengers whom we hope to repatriate today on something like 70 flights—I checked before I came into the House. So far, 95% of people have been repatriated on their original date of departure. We

have not been able to bring everyone back from the airport they went to because of the different sizes and shapes of the aircraft available. In the first two days, we provided onward coach travel to over 2,300 passengers and arranged an additional flight from Gatwick to Glasgow to relocate passengers who had flown back to the wrong airport. The CAA has reached out to over 3,000 hotels to issue letters of guarantee to ensure that British holidaymakers can remain in their hotels. That has been followed up with calls and contact from FCO officials.

There are over 50 overseas airports involved—around the Mediterranean, in north Africa and in North America—and 11 UK airports engaged in this programme. There have been over 100,000 calls to our customer service centres and over 2 million unique visitors to the CAA's dedicated website. There were close to 7 million page views on the first day alone. In total, 10 government departments and agencies have been involved, including the DfT, FCO, BEIS and DWP in London, and our extensive diplomatic and consular network in the affected countries worldwide.

I have been hugely impressed as the programme has rolled out in the last few days. The response from Thomas Cook passengers has generally been positive, with many praising the CAA, local staff and government officials, even though there has been considerable disruption. For example, people have not been able to use advance check-in, as they are used to doing, instead having to queue—therefore causing the queues as seen on television screens. Despite these robust plans and their success so far, this is a distressing situation for all concerned. One of my top priorities remains helping those passengers abroad to get back to the UK and to do so safely.

In addition to supporting passengers, we have been working across government to ensure the 9,000 former Thomas Cook employees in the UK and those overseas receive the support that they need. The decision by the Thomas Cook Group's board has been deeply upsetting for employees, who are losing their jobs. DWP's Jobcentre Plus rapid response service is in place, helping workers to get back into employment. The Jobcentre Plus rapid response managers across the UK are ready to engage with the liquidators to start that vital work. There are special arrangements for UK employees who are owed redundancy and notice pay by their insolvent employer. The redundancy payment service in the Insolvency Service can pay statutory amounts owed to the former employees from the National Insurance Fund.

My right honourable friend the Secretary of State for Business, Energy and Industrial Strategy is establishing a cross-government task force to address the impact on employees and local communities. This will help to overcome barriers to attending training, securing a job or self-employment, such as providing childcare costs, tools, work clothes and travel costs.

My colleagues and I have also been in contact with those Members whose constituencies will have been hardest hit by those job losses and given assurances that we will work with the industry to offer what support we can. In fact, all honourable Members' constituencies have been affected in some way, even from working in a shop location.

My colleague the Secretary of State for Business, Energy and Industrial Strategy has also written to the Financial Reporting Council to ensure that it prioritises, as a matter of urgency, an investigation into both the causes of the company's failure and the conduct of its directors and its auditors.

I am also aware of the duty of this Government to the taxpayer. While affected passengers have been told that they will not have to pay to be flown back to the UK, we have entered into discussion with several third parties with a view to recovering some of the costs of this large operation. Around 60% of passengers have ATOL protection and the CAA's Air Travel Trust fund will contribute proportionately to the cost of the repatriation as well as refunding future ATOL bookings. We will also look to recoup some of the costs from the relevant credit and debit card providers and travel insurers, and we will look to recover costs from other travel providers through which passengers may have booked their Thomas Cook holiday. We are also in discussion with the official receiver to understand what costs can be recouped through the company's assets. The final cost of Monarch back in 2017 was about £50 million, including ATOL contributions. The repatriation effort for Thomas Cook is now known to be about twice the size and is more complicated, for the reasons explained.

It has also been suggested in the press that the Government could have avoided the collapse with a bailout of up to £250 million for the company and its shareholders. Given the perilous state of the business—including, as reported, a £1.5 billion half-year loss in May, followed by a further profit warning in November—that was simply not the case, with no guarantee that such an injection would have secured the future of the company. In effect, our concern is that we would have put in £250 million and would have been throwing good money after bad. And then we would have had to pay the repatriation costs anyway. It is clear that in the last few years the company ran into several problems, trying to expand through investing in the high street while the market moved online.

The loss of an iconic British brand, which was 178 years old and one of the world's oldest travel companies, is an extremely sad moment. However, this should not be seen as a reflection on the general health of the UK aviation industry, which continues to thrive. Passenger numbers are up, and more people are travelling more. The truth is that the way people book their holidays has changed an enormous amount, but it did not change as much within the company. None of that should detract from the distress experienced by those businesses reliant on Thomas Cook passengers and also Thomas Cook employees, who, as I have already said, have worked above and beyond in recent days, during this distressing situation.

We have never had the collapse of an airline or holiday company on this scale before, but we have responded swiftly and decisively. Right now, our efforts are rightly focused on getting passengers home and looking after employees, but we also need to understand whether any individuals have failed in their duties of stewardship within the company. Our efforts will then turn towards working through the reforms necessary

to ensure that passengers do not find themselves in this situation again. We need to look at the options, not just ATOL, but also whether it is possible for airlines to be able to wind down in an orderly manner. They need to be able to look after their customers and we need to ensure that their planes can keep flying, so that we do not need to set up a shadow airline for whatever period of time. That is where we will focus our efforts in the weeks and months ahead. In order to do that, we will need primary legislation in a new Session of Parliament.

In what has been a challenging time, I put on record my appreciation for the work of all of those involved in this effort, and in particular Richard Moriarty, CEO of the CAA. His team, and my officials at the Department for Transport, have done an extraordinary job so far. I am also grateful for the support of others, including the Mayor of Manchester, who has acknowledged the Government's repatriation efforts and their work with other agencies to help get those affected home. This has been an unprecedented response to an unprecedented situation, and I am grateful to all parties who have stepped in to support these efforts. I commend this Statement to the House".

3.36 pm

Lord Rosser (Lab): My Lords, I thank the Minister for repeating the Statement made earlier in the Commons.

The collapse of Thomas Cook is a tragedy for the 178 year-old iconic business, its customers and its staff here and around the world—many of whom are still working to assist those who are seeking to return home to the UK. I note the inquiries that the Government have initiated. I have a number of issues to raise with the Minister about the background and lead-up to the demise of Thomas Cook.

Last year, the company was urged by its auditor EY to stop using an accounting method that could have been used to flatter its financial performance and, in the process, improve the pay of the top executives, since their bonuses were linked to performance. Given that the Government would have known that the collapse of Thomas Cook would involve taxpayers' money to bring stranded passengers home, and since the Secretary of State said in his letter to MPs and Peers two days ago that,

"We have been contingency planning for some time to prepare for this scenario",

what action did the Government take in the light of the auditor's clear warning about the accounting method being used by Thomas Cook and its impact on flattering financial performance and improving the pay of the few at the very top?

The *Times* also reported the criticism, including from the Prime Minister, of the top executives of the company for paying themselves large sums of money—a combined total of more than £20 million over the past five years. The only people in Thomas Cook who seem to be coming out of this with plenty of money in their pockets would appear to be those who have been at the top of the company. In the light of the auditor's concerns on the issue of accounting methods, what pressure, if any, did Ministers put on the directors of Thomas Cook to change their ways?

[LORD ROSSER]

We certainly know of one area where the Government have done nothing. The previous Secretary of State had said that he would introduce a new levy-funded regime to keep bankrupt airlines flying temporarily, but no legislation has appeared. A review called for changes in the law to enable airlines to continue flying for sufficient time to enable them to repatriate their passengers. However, as I understand it, the Government have not even formally responded to this review. The Minister will know that a similar system exists in some other countries, including in Germany, where Condor, Thomas Cook's sister airline, operates. I understand that the Government have provided funds to help that company survive. I note that the Minister is looking at whether it is possible for airlines to wind up in an orderly manner without a need for the Government to step in. However, the truth is that the Government have done nothing since the failure of Monarch Airlines two years ago, which the noble Lord, Lord Callanan, referred to earlier.

Regarding the Government's approach over the demise of Thomas Cook, did the Government receive a request for financial support to help tide the company over for the next few months? If so, what exactly was the request, when was it received, what was the Government's response and what were the reasons for that response? Is it the case that Thomas Cook had reached an agreement or understanding to secure around £200 million with the assistance of the Turkish Government and Spanish hoteliers backed by the Spanish Government but that, when the UK Government indicated they would not act to support a British brand, that effectively killed any such agreement or understanding?

What is the Government's estimate of the final potential or likely cost to the taxpayer, both direct and indirect, of Thomas Cook's demise? Can the Minister provide a breakdown of how that estimated or potential cost is made up?

We know that some will benefit from the misery of the 9,000 people losing their jobs in this country, as well as from the disruption and worry experienced by up to 150,000 Thomas Cook customers. For a start, people who have already lost their anticipated holiday due to the decision to let Thomas Cook go to the wall are likely to have to pay considerably more to book another one. The cost of flights is now reported as doubling or trebling—or, to put it euphemistically, as one airline did:

“Our pricing, as is common practice in the travel industry, is based on the principle of supply and demand. As supply reduces, an inevitable consequence is that prices increase”.

There is no doubt that the increased income for the other airlines who are now putting their prices up dramatically will be reflected in substantial increases in the bonuses of those in their boardrooms—paid for by people who had their anticipated holiday with Thomas Cook snatched from them. Do the Government find this acceptable, or do they intend to take any action to ensure that people who have lost their Thomas Cook holiday will be able to secure an alternative, equivalent holiday at no further expense to themselves?

With high streets up and down the country having now lost yet another major name, will the Government be taking any new action to assist our already pressured high streets?

We have also read in the press that international hedge funds which bet against Thomas Cook have made substantial profits from its collapse and the misery of staff and holidaymakers. Apparently, nearly 11% of the travel company's shares were shorted ahead of its collapse. Hedge funds will also apparently benefit from credit default swaps as a result of the collapse, with payouts expected to reach £201 million. This seems a very similar figure to that which Thomas Cook was seeking and with which the Government declined to assist.

Coming back to the Secretary of State's letter and his statement that

“We have been contingency planning for some time to prepare for this scenario”,

why is it, then, that some Thomas Cook holidaymakers and staff have apparently been locked out of, or even in, their hotel rooms until they have settled any outstanding bills? The Minister helpfully confirmed that the CAA has taken initial steps to resolve a number of incidents, but are the Government satisfied that this action will be sufficient to avoid any repeats in the days and weeks ahead?

The Government have indicated that they are seeking to help those made redundant to find other jobs. Bearing in mind that Thomas Cook shops are found throughout the country, including in areas where appropriate jobs are in short supply, what timetable have the Government set for finding suitable alternative employment for redundant Thomas Cook staff? Are they guaranteeing that that employment will be at least at or near their current salary levels? Will they ensure that all staff affected receive the compensation and other payments to which they are entitled in full and without employment tribunals?

Like the Minister, let me finish by paying tribute to the team at the Civil Aviation Authority and those in government departments for the work that they are doing to repatriate Thomas Cook passengers. They are displaying a sense of public service and duty. Just as in the case of Monarch Airlines two years ago, their hard work and dedication is highlighting that, when the private sector fails, the public sector has to step in to pick up the pieces.

Baroness Scott of Needham Market (LD): My Lords, I thank the Minister for repeating that long but very useful Statement, and for the letter that was sent out to Members. I echo the thanks to the staff of airlines, customer services, ground crew and so on, who have done so much to restore some order to what could have been a catastrophic situation. Those thanks must especially go to the employees of Thomas Cook, many of whom are showing a degree of compassion and humanity towards their customers that is sadly lacking in the attitude of the directors.

Given what we know already about the state of Thomas Cook, can the Minister say more about how the Government are going to, and I quote from the Statement,

“seek to understand the failings of stewardship”?

I will not repeat the points made by the noble Lord, Lord Rosser, but these questions of governance and of the failings of governance are key, both to prevent this happening again and in protecting consumers in this sector and others.

I can understand why the Government were reluctant to go in with a classic bailout, but I wonder whether they ought to have thought more about whether it was possible to fund Thomas Cook for a few weeks, specifically to bring back those customers who were already abroad. Might that not have been more efficient than having to scrape around for aircraft wherever we could get them? I would like to know more about that.

I understand that CAA guarantees to hoteliers apply only to those passengers who have ATOL protection. There are 40% who do not have that protection, and we are hearing all sorts of stories about people being locked out of accommodation. Not everyone has the financial resilience to simply pay a bill on demand to a hotel, especially as they have already paid once for a holiday, so I would like to hear more about the 40% who are not covered.

The Minister may be aware that the vultures are already gathering, and there are stories emerging of scams where people purporting to be from Thomas Cook are offering refunds to get people's bank details. Will she urgently consider a social media campaign to highlight the dangers of this and setting out exactly what people should do if they have been affected?

Baroness Vere of Norbiton: I thank both the noble Lord, Lord Rosser, and the noble Baroness, Lady Scott, for their thoughtful questions and comments about this difficult situation.

The noble Lord, Lord Rosser, talked about the various reviews that the Government will make sure are undertaken as a matter of great urgency. He also mentioned the accounting methods and the comments from EY. Thomas Cook of course uses IFRS, the standard accounting rules. Those are used in 125 countries and have been adopted by the EU. Some people will push those to the absolute limit, and maybe Thomas Cook did, but we cannot say for sure. Once we have got to the stage where the repatriation has finished successfully and everyone is home, we certainly will look into all sorts of things, including its application of the various accounting rules. The official receiver will review all payments made to the board and creditors in the lead-up to the date when the board declared the company insolvent. The official receiver is able to recall payments if it feels that they were not made in the right course of business.

The noble Baroness, Lady Scott, mentioned governance, which is really important as well. I hope that when these reviews have been finished, we will take away a number of lessons from them. The travel industry has always operated in the way it does. The issue now is that some of these organisations are very large, and when the worst happens it has a very significant consequence. Therefore, we as a Government need to think about the long-term future for aviation and travel organisations when they become insolvent.

This brings me on to the second major area commented on by the noble Lord, Lord Rosser: the airline insolvency review, which we asked Peter Bucks to undertake after

Monarch. He submitted his report to the department in May this year. It is a long report; I am sure the noble Lord has read it. It has many different proposals—it was one of my responsibilities as the former Aviation Minister to go through it and see how we were going to take these various things forward. None of the things in it is easy, simple or without risk. There was a possible levy on passenger tickets but, as noble Lords will know from the repatriation today, simply having the money is only one thing—one has to have the aircraft.

That was the second thing that might be suggested: some sort of special administrative regime for an organisation. Again, that is quite complicated. I think we have one for energy companies and one for universities, but they are very difficult to put in place and require primary legislation. We are looking at that as a matter of urgency. The noble Lord also suggested looking at financial instruments. Again, we have been looking into that, at how they might either help or hinder—they might speed up a company's demise.

I believe the German Government have been able to provide a bridging loan. I understand that Condor is in a different financial situation from the Thomas Cook Group as a whole, and maybe it is viable in the longer term. I very much hope that it is. However, we received a request from Thomas Cook for government support. I do not recall the date of the letter—it was possibly Friday. I will have to write to the noble Lord with all the details on what we received at what point and the reasons we decided to decline. I suppose one of the most obvious reasons was that Thomas Cook has until very recently been losing about £250 million a month, so it was not entirely clear to us that £250 million would be a good and viable long-term solution for a company which was clearly being weighed down by an incredible amount of debt.

The final cost of the repatriation is not known at this moment. I mentioned that it was £50 million for Monarch; this is at least twice the size and much more complicated. It is a fast-moving situation, but of course we are striving to keep costs to a minimum and are in open discussions with a number of third parties with which we will look to reach an agreement over future financial support.

With regard to the industry taking advantage, I agree with the noble Lord that this is very disappointing indeed. We do not expect anybody to take advantage in a difficult situation. On the flip side, I am very pleased by the support that we are being given by certain airlines—for example, BA and Virgin, which have both been offering rescue fares to people in places where we do not have repatriation flights.

Obviously, we have done a significant amount of contingency planning. We knew what our plan was for the hotels, but until the event actually happened we could not put that plan into place. The letters went out to 3,000 hotels; imagine you are a hotel far away and you get a strange letter from the British Government saying, "It's okay, we'll pay the hotel bill". It just took a while for the message to get through. We used our diplomats and consular staff to get out there and talk to the hotels. We also went straight in at ministerial

[BARONESS VERE OF NORBITON] level, saying to Tourism Ministers, “Please can you speak to the hotels to make sure that people are not thrown out of them?”

The noble Baroness, Lady Scott of Needham Market, also talked about what we called when doing contingency planning “keep the fleet flying”, which would of course seem obvious to anyone—they are planes, why can we not get them up in the sky? We really tried to look into that, but we need the legislation for that to continue, because operating an airline is not as simple as having a pilot and putting a plane in the sky. Unfortunately, one needs many indemnities and certificates, but we hope to be able to put something in place which would allow the fleet to continue to fly so that, should this ever happen again, that would be the most obvious way of sorting it out.

Those passengers not guaranteed by ATOL may well have other routes that they can use if they pay by credit or debit card or through travel insurance. If there is one other thing that has come out of this, it is that many people go on holiday nowadays and do not think about travel insurance or what might happen if the travel company goes into liquidation. People might want to think differently how they protect themselves when they go abroad.

I was appalled to see the scams too, people saying on social media that they are getting telephone calls from people saying that they can get their money back. We are working on it and the CAA will be putting out some stuff—it might already have gone out—making sure people are aware that there are scams out there. The good thing is that social media is doing its own thing. People who are not connected are already saying, “Beware, there are some very dodgy people out there”.

3.54 pm

Lord King of Bridgwater (Con): Is my noble friend saying that, at a time when the Government are making every effort to get home people who are stranded and scabbling around to find any airlines that will help, and while we see pictures of all the Thomas Cook planes sitting idle on airfields, whose crews presumably are unemployed, there is no way in which some extra arrangement could be made on a temporary basis to give some employment to the crews and use the planes that are there to bring those people home?

Baroness Vere of Norbiton: I assure my noble friend that those very same questions went through my mind as I was going through the contingency planning for all the options that we had for this eventuality. Insolvency law in this country does not allow that; the number of indemnities that would be required is enormous. We will be looking as a matter of urgency at whether we can put something in place.

One point that is a slight mitigation here is that most of the Thomas Cook aircraft are leased, and therefore they automatically go back to the leasing company. One would not be dealing with Thomas Cook at that point but with however many tens of leasing companies in order to operate the planes owned by those companies.

Lord Browne of Ladyton (Lab): My Lords, in response to the part of my noble friend Lord Rosser’s question about the cost to the UK taxpayer of this business going into administration, the Minister answered with reference only to the repatriation costs. I might say, and I will support this in a moment, that she grossly underestimates them by just doubling the Monarch costs.

What is the cost to the UK taxpayer of all the implications of the administration of this business, including the cost to public funds? ATOL is a public fund put together by the accumulation of levies on holidaymakers and travellers, as are the CAA’s funds that are being used here. Only yesterday there was an estimate in the *Financial Times* of the cost to the ATOL fund alone of £600 million. It is there in detail, explaining that because of the EU directive the fund will have to pay back to the people who have booked holidays in advance the cost of those holidays that they are not now going to get, and it will take it months to do it.

How much tax does Thomas Cook owe the Government in air passenger duty, VAT and other taxation that it has collected? How much will all these thousands of people who are going to be made redundant cost the Government in benefits, retraining and support? What are the implications for the pension funds? Surely the Ministers who made this decision not to give £250 million to Thomas Cook in the short term had an estimate of these figures before them. What was that estimate? How much was this going to cost the Government if they went down the road that they went down, with the inevitable result that this business went into administration?

Baroness Vere of Norbiton: My Lords, I fear that the noble Lord is making the wrong comparison there. On the £250 million, we made the assessment that, even had we been able to provide the guarantee of funds that was requested, the company did not have a viable future. It was severely in debt and losing a significant amount of money. We would have been in the same situation in the future but £250 million poorer. Also, it is not the Government’s usual position to prop up private companies that have got themselves into trouble.

When it comes to the total costs of the failure—there are many, and we understand that—some are clearer than others at this time. On repatriation, for example, I did not just double the Monarch cost—I said that this repatriation is twice the size of Monarch’s, but it is also more complicated. However, we are mitigating that by having conversations with a third party. We learned from the Monarch case that some people do not behave in the way you would expect: in that case, a significant portion of people chose not to be repatriated using the Government. They found other ways of getting home—we do not know how, but they did not arrive for their flights.

Estimating the costs is extremely difficult. It is up to us to keep the costs as low as possible, but ATOL customers who have future bookings can claim from ATOL—that fund is underwritten by the Government. Again, we cannot be absolutely clear about the cost

because it will depend on how many people end up claiming, but every person who applies to ATOL to get a refund for their booking will receive it—and that is right.

Lord Balfre (Con): My Lords, I draw noble Lords' attention to my entry in the register. The *Times* today has two very interesting headlines. The first one says that,

“the company had hung its staff ‘out to dry’”,

but the second one, on the same page, says:

“High flying Thomas Cook chiefs will enjoy a soft landing”.

Yet again, boards of directors appear to be completely above the lifestyle of the workers who are making the money that they benefit from. Of more worry to the day-to-day employees is a quote from the Insolvency Service. It said that those,

“who lost their jobs would not be paid by the failed company for their last three weeks of work”.

These are people who have mortgages to pay, food to put on the table for their children and are due their wages next Monday. Can I ask that the Government look seriously at a way of providing some short-term financial support so that this wages bill can be paid? It is absolutely outrageous that millions and millions of pounds are pocketed by directors at a time when people are not being given even the money to pay their mortgage and buy their children's food.

Baroness Vere of Norbiton: I thank my noble friend, who makes an extremely important point. I may be mistaken, but I did understand that BALPA wanted the Government to give Thomas Cook the £250 million, which, in my mind, would just be propping up a failing board, which, clearly, he does not have an awful lot of respect for.

It is top of mind to make sure that the employees are treated as well as possible. The Insolvency Service is preparing to pay statutory redundancy to employees. I will look further into exactly what payments will be made and when, and I will include payments that are due to pensions. I will provide as much information as I possibly can and I will put a copy of my letter in the Library to clarify what the Government and the Insolvency Service can do to support employees in the short term. In the longer term, as I have already said, the Jobcentre Plus rapid response service is there, waiting and able to help employees. I have been really heartened by so many companies, such as British Airways and Heathrow Airport, sharing their jobs' pages on Twitter and saying, “Look, Thomas Cook staff, we respect you. You are good workers. We've got jobs, please apply to us”.

Lord Lexden (Con): Will the Government, in due course, produce a full report which they will lay before Parliament, setting out the causes of this disaster, the tremendous rescue operation that is under way, and the full costs for which the noble Lord, Lord Browne of Ladyton, has asked?

Baroness Vere of Norbiton: My noble friend makes a very important point. All this information will be available in due course.

Lord Faulkner of Worcester (Lab): My Lords, the reason why the 150,000 Thomas Cook customers are able to be repatriated at no expense to themselves is largely because of the EU package travel directive that was agreed in 2015. Will she give us an assurance that, if the United Kingdom does leave the European Union, the protection given by that directive will continue?

Baroness Vere of Norbiton: I believe that that directive has been brought across and is in our law.

Baroness Kramer (LD): My Lords, obviously our first concern is both for the staff of Thomas Cook and for the holidaymakers who found themselves in this impossible situation. Across the globe, however, there are hoteliers and others who have provided services for which they have not been paid. If the UK has a reputation for allowing this situation, I suspect that other travel firms will find in the future that they are asked for guarantees and other kinds of prepayments that will make holidays far more expensive for everybody else in this country. Does she have an idea of how the people who are owed money for services that they have provided under Thomas Cook arrangements are going to be repaid in these circumstances?

Baroness Vere of Norbiton: As the noble Baroness will know, these are, in pretty much all instances, private companies making private arrangements. The travel market is global, so if one is in a hotel in Italy, there will be people there from travel companies from all over the world. It is the case, therefore, that those private arrangements will continue, and as with all private arrangements between two private organisations, an assessment should be made on the long-term financial viability of the person to whom one is providing credit.

Attorney-General's Legal Advice Statement

4.06 pm

Earl Howe (Con): My Lords, I shall now repeat in the form of a Statement the Answer to an Urgent Question given in another place earlier today by my right honourable and learned friend the Attorney-General. He was asked to make a Statement about his legal opinion on the advice given to Her Majesty the Queen to prorogue Parliament. The Answer was as follows:

“As the honourable and learned Lady knows, the Supreme Court gave judgment on this issue yesterday, and that judgment sets out the definitive and final legal position on the advice given to Her Majesty on the prorogation of Parliament. The Government's legal view during the case was set out and argued fully before the Supreme Court; the hearing was streamed live and the Government's written case was, and is, available on the Supreme Court website. I took a close interest in the case and I oversaw the Government's team of counsel. I have to say that if every time I lost a case I was called upon to resign, I would probably never have had a practice.

[EARL HOWE]

The Government accept the judgment and accept that they lost the case. At all times, the Government acted in good faith and in the belief that their approach was both lawful and constitutional. These are complex matters on which senior and distinguished lawyers will disagree. The Divisional Court, led by the Lord Chief Justice, as well as Lord Doherty, from the Outer House of Scotland, agreed with the Government's position, but we were disappointed that, in the end, the Supreme Court took a different view. Of course we respect its judgment. Given the Supreme Court's judgment, in legal terms the matter is settled. As the honourable and learned Lady will know, I am bound by the long-standing convention that the views of the Law Officers are not disclosed outside the Government without their consent. However, I will consider over the coming days whether the public interest might require a greater disclosure of the advice given to the Government on the subject. I am unable to give an undertaking or a promise to the honourable and learned Lady at this point, but the matter is under consideration".

My Lords, that concludes the Statement.

4.08 pm

Baroness Chakrabarti (Lab): My Lords, I am grateful to the Minister for repeating that Statement and for giving his noble and learned friend a well-deserved rest after his supreme efforts down the road. Will he join me in distancing this House, at least, from some of the intemperate, ill-advised remarks made by his colleagues in the other place—for example, that Parliament has no moral right to sit; that our judiciary should now become subject to political appointment; and that the highest court in these islands has somehow perpetrated a constitutional coup?

Earl Howe: My Lords, in the circumstances in which we find ourselves—which the Supreme Court itself characterised as a one-off—it is likely that phrases are used in the heat of the moment that are judged inappropriate in the cool light of day. I do not believe that the noble Baroness quoted my right honourable and learned friend quite correctly when she referred to a statement to the effect that Parliament has no moral right to sit. I think what he said was:

"This Parliament ... has no moral right to sit".

That was in the context of a debate on the other place's inability to reach a conclusion on the outcome of Brexit, not about this particular matter.

I cannot comment on any suggestion that there should be a political process to appoint judges; that is well beyond my brief and I do not believe that it is under consideration at all. Even if it were, it would require lengthy and considered debate and judgment involving political parties of all complexions. It is not under serious consideration at the moment.

In these circumstances, we need to reflect on the judgment that the Supreme Court has reached. Instant comments on it are possible, of course. However, it has major constitutional and legal implications, as the noble Baroness will no doubt accept. It behoves us all to look at what was said and at how that impacts on

our legal position as parliamentarians, but also for the Executive to reflect on how they should behave in the future regarding any future Prorogation.

Lord Campbell of Pittenweem (LD): The noble Earl will be aware that, in the course of delivering the judgment of the court, the noble and learned Baroness, the President of the Supreme Court, observed that the Government had put forward no reason for seeking Prorogation—in contrast, perhaps, to Sir John Major, who submitted evidence to the Supreme Court. Why did the Prime Minister not do the same? Why did he not provide a sworn affidavit, for example? Was he concerned that he might be guilty of perjury if he did so?

Earl Howe: My Lords, as my right honourable and learned friend the Attorney-General told the other place, this matter is covered by legal privilege. The convention that the advice of the law officers is not disclosed outside Government without their consent is one that it was felt should be observed closely. I am afraid I cannot comment further on that matter.

Lord Deben (Con): My noble friend knows that I am not a lawyer. What I have to say is therefore not a legal thing. It strikes me that most people will feel that, when the Supreme Court has voted by 11 to none, it would be proper for the Attorney-General not to have included the sentence, "There can be disagreement among people". Would it not have been better for us all if there had been a very simple statement to the effect that the courts have decided, the Government will accept this and whatever may have happened otherwise no longer obtains? I would like to feel that there was the odd bit of remorse in what he said.

Earl Howe: My right honourable and learned friend has said, in terms, that he accepts the court's judgment—the Government got it wrong. He has been clear that it is now right that we ensure that any future decisions of this nature conform to the judgment of the Supreme Court. If my noble friend is requiring my right honourable and learned friend to make an apology for the legal view that he took during the course of the case, I do not think that is appropriate. The Supreme Court has disagreed with the Government's legal view, but that is not the same as saying that the Government's position was not tenable in the first place.

Lord Browne of Ladyton (Lab): My Lords, with respect, the noble Earl, Lord Howe, did not answer the question that the noble Lord, Lord Campbell, asked. The fact is that nobody believes that the Government sought the Prorogation of Parliament to prepare a Queen's Speech—not even the government Ministers or other people who are peddling this. The evidence that was not the reason was found in the papers presented to the Scottish court, which revealed the real thinking of the Government. The question the noble Lord, Lord Campbell, asked was: why, in the context of the litigation, was no ministerial statement, far less a prime ministerial statement, put before the court to explain in their own words—not through their lawyers—

why the Government sought a Prorogation? Why did the Government not have the courage to put that into a statement? Was it fear that government Ministers would perjure themselves if they did this and swore an oath in that statement?

Earl Howe: My Lords, I have already given the reason why that did not happen: any advice that was given to the Prime Minister would have been covered by legal privilege, and it was judged inappropriate to disclose anything of that nature to the court. The Government have been clear about why we need a Queen's Speech—we want to deliver what the public want and we urgently need to consider how to advance that work in advance of a Queen's Speech. It was against this background that the Prorogation of Parliament was sought.

Lord McNally (LD): My Lords, I was on these Benches when we supported the legislation that created the Supreme Court, and I ask this House particularly to ponder what would have happened if yesterday's decision had been made by the House of Lords rather than by the Supreme Court. Was it not the wisdom of that legislation that we separated our constitution in a way that the public would understand, that there is an Executive, a legislature and the rule of law embodied in a Supreme Court? One danger of the way the Government have responded to this is that it does not seem to appreciate, understand, or support the idea that those three pillars of the constitution have to be mutually supportive to make our democracy work.

I am pleased that the noble Lord, Lord Callanan, is back, but if the Government are cooking up some merry wheeze to get around a law of Parliament in the next two weeks, my God, are they going to face an explosion about their disregard for our constitution, our Parliament and our rule of law.

Earl Howe: My Lords, as my noble friend Lord Callanan made absolutely clear, the Government will abide by the law at all times—we cannot do anything other than that. I agree with the noble Lord, Lord McNally, about the Supreme Court. It has exercised its duties and functions in an exemplary way, it has reached its conclusions unanimously, and we should be grateful that we have an independent judiciary able to do these very difficult things.

Brexit Readiness and Operation Yellowhammer

Statement

4.19 pm

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, with the leave of the House, I will now repeat a Statement made today by the Chancellor of the Duchy of Lancaster in another place:

“Mr Speaker, with your permission I would like to make a Statement on our preparations to leave the European Union and the steps that we are taking to be ready for every eventuality. Some 17.4 million people voted in the referendum in June 2016 to leave the European Union—more than have ever voted for any

proposition in the history of our democracy—and the Government are committed to honouring that verdict. The Government are committed to securing a good deal with our EU partners, and negotiations have been led by the Prime Minister, the Brexit Secretary and the Foreign Secretary. Those negotiations have seen significant movement over recent weeks.

Until recently, the EU has maintained that the withdrawal agreement was sacrosanct, but now it has acknowledged that it can be changed. Until this point, the European Union had also said that the backstop was inviolable but, again, European leaders have said that they are not emotionally attached to the backstop, and that there are other ways of ensuring that we can safeguard the gains of the Good Friday/Belfast agreement and ensure smooth trade flows across the island of Ireland. I commend the Prime Minister and his colleagues for the progress made in those negotiations, and I hope that everyone in the House will agree that it is better for all of us if we can leave the EU with a withdrawal agreement in place. But government needs to be prepared for every eventuality.

Since the Prime Minister took office, he has created a new Cabinet structure to ensure that across government we take all the steps necessary to prepare for exit. A new Cabinet committee, XO, has met 48 times and brought greater focus and urgency to our preparations. Our top economic priority is to ensure that we can maintain a smooth and efficient flow of goods, and people, from the UK into the EU and vice versa. We need to make sure that businesses are ready for changed circumstances and new customs requirements. Of course, some goods require not just customs checks but other procedures, particularly food and products of animal origin. We have been working with Defra and the relevant sectors to ensure that those businesses are ready.

We take very seriously our responsibility to ensure that the rights of millions of EU citizens in this country are protected, and are working with our European partners to ensure that UK nationals in EU nations also have their rights safeguarded. The XO committee has also taken steps to safeguard and enhance national security and the operation of our criminal justice system, to enhance the free flow of personal data across borders, and to ensure that we can support the devolved Administrations in their work and in particular the Northern Ireland Civil Service in its vital work.

With your permission, Mr Speaker, I would like to go into a little more detail about how we can facilitate the free flow of goods across borders. In this context, I would like to explain the role of Operation Yellowhammer in the Government's planning. If the UK leaves the European Union without a withdrawal agreement, we will be a third country, subject to the EU's common external tariff, trading on WTO terms, and exports will be subject to new customs and sanitary and phytosanitary checks. These are unarguable facts, pose significant challenges, and constitute the base scenario with which we all have to work.

The Government's Civil Contingencies Secretariat has used these facts to develop a reasonable worst-case scenario of what might happen, including in cases where appropriate mitigations are not put in place and

[LORD CALLANAN]

readiness measures are not implemented. That reasonable worst-case scenario, and the steps required to mitigate it, is the work undertaken under the name Operation Yellowhammer. As the National Audit Office reported in March, work on Operation Yellowhammer has been going since June 2018. The NAO made it clear that:

‘Departments are working on the basis of a reasonable worst case scenario’.

Many of the challenges Operation Yellowhammer identifies relate to flow at the border. It contains careful estimates of how flow might be affected through a range of factors, including if steps are not taken to help businesses to be ready. That is why the Government have taken significant steps to ensure that businesses are ready. Specifically, in adjusting to this new situation, we know that businesses require support to deal with those new customs procedures, and HMRC has acted to support traders. Importers will have access to transitional simplified procedures, which ensure that businesses have time to adjust to new duties. Businesses exporting to the European Union will need a specific economic operator registration indicator number from HMRC. HMRC has already allocated EORI numbers to 88,000 VAT-registered businesses which currently trade with the EU and beyond. We have also introduced postponed accounting for import VAT and negotiated access to the common transit convention so that both imported and exported goods can continue to flow across international borders without the payment of any duties until they reach their final destination.

We have established new transit sites in Kent and Essex to ensure that trucks can flow freely carrying goods into France and beyond to the wider EU. We are also providing tailored information to hauliers and businesses through a range of sites across the country to ensure the greatest level of readiness. We have funded business representative organisations to share information with enterprises large and small to prepare for exit.

We have also worked with the authorities in both Dover and Calais to smooth trade. I take this opportunity to thank in particular the French authorities for the work that they have done to ensure the operation of a smart border at Calais so that compliant consignments should experience no delay.

The steps we have taken are designed to ensure that business is ready for exit without a deal on 31 October, but these steps will in any case be necessary for life outside the single market and the customs union when we have a new free trade agreement with the EU.

Thanks to work undertaken under the previous Government and accelerated under this Administration, many businesses are already well prepared. For any business that is in any doubt about what is required, the Department for Business, Energy and Industrial Strategy is conducting roadshows and visiting businesses in their premises, while GOV.UK/Brexit provides all the information required.

There are, of course, specific additional requirements for those who are exporting food and products of animal origin. There will be sanitary and phytosanitary checks. Traders will require export health certificates

for food and catch certificates for fish. Hundreds of vets have now been trained to issue these certificates, and additional personnel certified to support them. Again, the French authorities have taken steps to ensure the smooth flow of critical produce. They have specifically created a new border inspection post at Boulogne-sur-Mer to ensure that fish and shellfish products caught in the UK today can be on sale in the European Union tomorrow.

As well as making commerce flow, we must safeguard the rights of individuals. That is why the Government have provided the most comprehensive and generous offer to EU citizens in this country to guarantee their rights. Under the EU settlement scheme, more than 1 million people have already been granted status and the Home Office is helping thousands of new applicants every day. If any Member of Parliament finds that any of their constituents are having difficulties with that process, I would welcome them getting in touch directly with me and the Home Secretary.

In the same way, we have taken steps to secure the rights of UK nationals in the EU, including access to healthcare after exit. We will continue to work with our partners in member states to provide further protection for UK nationals. It is important that UK citizens in those countries register with the appropriate authorities. On GOV.UK/Brexit, details are outlined, member state by member state, to enable every citizen to have the rights that they deserve.

Also this month, the Government committed to increasing the UK state pension, which is paid to nearly 500,000 people living in the EU, every year for three years after a no deal exit. Previously the commitment was solely for the financial year 2019-20.

As well as making sure that UK nationals in the EU and EU citizens in the UK have their rights protected, we want to make sure that UK citizens can continue to travel in the EU without impediment. That is why UK nationals will have visa-free travel into the EU, and we are also talking to EU member states in order to understand how people who provide professional services can continue to do so, member state by member state.

Let me turn briefly to security. It is absolutely vital we ensure that, as we leave the EU, we have the right approach to safeguarding citizens in this country. That is why we have been talking to the EU about making sure we can continue to have access to law enforcement and national security instruments. It is also important to recognise that, as we leave the EU, it will be the case that there are new tools available to ensure that we can better deal with people trafficking, smuggling and other criminal activity.

Let me turn briefly to the situation in Northern Ireland. This Government are absolutely committed to the Good Friday/Belfast Agreement; absolutely determined to ensure that there will be no infrastructure at the border in Ireland; and absolutely determined to uphold the functioning of the all-Ireland economy. That is why we have no checks at the border and no tariffs. Of course, we wait to see what Ireland and the EU Commission will decide on their side of the border, but we stand ready to work with them to help safeguard commerce and rights across the island of Ireland.

Leaving the EU without a deal certainly provides economic challenges, which I do not shirk from, but it also provides economic opportunities. There is the opportunity to secure new trade deals and to become a strong voice for freer trade at the WTO; the opportunity to develop new technologies which will help feed the world and enhance our environment; the opportunity to overhaul government procurement to better support growing British businesses; the opportunity to introduce a fairer, more efficient and more humane immigration system; the opportunity to deal more effectively with cross-border crime; the opportunity to invest more flexibly and generously to support overlooked communities; and the opportunity to strengthen our democratic institutions.

Leaving the EU was a clear instruction from the British people and this House now has a clear choice. Do we honour that instruction or do we continue to delay and seek to frustrate the British people's verdict? This Government are clear: we must honour that decision. That is why I commend this Statement to the House".

4.31 pm

Baroness Hayter of Kentish Town (Lab): I will thank the Minister for repeating the Statement; but where are the plans for a deal? The Statement has got nothing on them. That is not because they are being kept confidential in order to aid negotiations, as the Minister claimed earlier. It is not even to stop Parliament scrutinising the potential deal. It is because there is nothing to scrutinise.

We need to consider the UK offer before it is consolidated into a deal. This Statement is all about a no-deal departure, despite the Act passed this month to ensure that we do not leave without a deal. So are the Government planning to flout the law again, because they do not appear to have an idea of what deal they and the EU could accept? The Government say that they want to remove the backstop, but to replace it with what? What else would guarantee no hard border within Ireland? The Statement does not explain where these various physical checks will take place. It admits that, with different tariffs, rules and standards across the EU, with a third-country border there simply have to be checks. That is what happens if you are not in the same customs regime. If our immigration rules are different, checks to ensure that people do not fly into Dublin and then arrive unchallenged here imply a hard border, as happens everywhere else between the EU single market and non-EU single market countries.

The Statement says:

"We will allow goods from the Republic of Ireland free circulation into NI",

but says nothing about EU citizens there coming freely into the UK. Going forward, that would not be in accordance with our immigration policy, which would obviously be different from that of the EU. What plans do the Government have in that regard?

There are 36 days to go. We have not seen the plans for a deal. We have not even seen the complete plans for no deal—a prospect that continues to haunt the car industry, the pharmaceutical industry, transport, exporters, manufacturing and business. And not just

business: consumers would pay the price, with WTO tariffs on cars and vans costing the EU and UK industry and consumers almost £6 billion a year. The BMA worries about the healthcare costs of EU citizens. We read that hospitals in Kent are booking hotel beds for staff because they fear that they will be unable to travel on blocked roads after a no-deal exit, and Northern Ireland police are planning to cancel annual leave in those circumstances. But still the Government throw taxpayers' money at no-deal preparations despite an Act of Parliament which says that that cannot happen unless the Commons agrees it, and we know that the Commons will not agree it.

As the noble Lord, Lord Finkelstein, who is unfortunately not in his place, wrote after yesterday's, as he called it, "car crash" for the Tories, the Government, "may have to reconsider its plans for Britain to leave the EU on October 31".

The only word of the noble Lord's that I would challenge is "may". Surely the Government must abandon this reckless date and start engaging now with all parties to ensure that we put the country's future first. They must also understand that the Government, having been found not to have been trustworthy over Prorogation, must now earn Parliament's trust and be clear that they will not undermine the law by failing to do everything possible to obtain an extension to Article 50.

Will the Minister tell the House: what proposals are being put to the EU; when he envisages any negotiated deal will be agreed by the European Parliament; how many clauses are in the requisite Bill to implement the deal that he envisages; when will it be tabled in Parliament; and when we will receive the full, not just the summary, of the Yellowhammer plans?

Lord Wallace of Saltaire (LD): My Lords, I am very puzzled by a great deal in this Statement. The optimism on negotiations suggests that the European Union has moved and given way to us on a range of significant areas, and it does not suggest that we have moved at all. If that is the way that the negotiations are going, then pigs are flying the channel every day. Perhaps the Minister would like to suggest whether the British Government have moved their position at all as the negotiations move forward or whether we are expecting, as the European Research Group has suggested, that the EU will have to give way when it comes to the final point and we will not have to give way or change our position at all.

On Northern Ireland, the position has always been entirely clear that an open border without any checks or infrastructure between the EU and the UK after we leave would be open to smuggling, illegal border crossings and a whole set of issues which seem to have eluded those who wanted a hard Brexit when much of that was evident years ago. Here we are, with five weeks to go, and there is a lot of material here about last-minute discussions on issues that were evident after the referendum and indeed were entirely evident when the coalition Government consulted on this. I was one of the Ministers in the coalition Government who took part in a major consultation exercise with representatives from business, justice and others, which fed back detailed arrangements

[LORD WALLACE OF SALTAIRE]

for the Government on what was regarded to be in Britain's best interests, and which No. 10, by and large, ignored.

I am puzzled that discussions are mentioned here only about relations with France. We have borders and some significant trade with Spain, Belgium, and the Netherlands. Can the Minister assure us that conversations with them about border controls have also taken place?

The Minister said that action will be taken,

“if appropriate mitigations are not put in place”,

but surely all appropriate mitigations should now be in place for something happening at the end of October. The “if” suggests that the Government are simply not ready. When I listened to representatives from major business organisations last week, they expressed considerable dissatisfaction with their relations with the Government, and in the *Financial Times* yesterday a story about business representatives being “bullied” by Ministers, as the paper put it, confirmed the suggestion that Ministers are resisting the calls that they are getting from business for detailed changes in what is going on. Would the Minister like to reassure us that these stories of Ministers bullying business organisations which do not tell them what they want to hear are untrue, or at least are exceptional and not normal?

I am puzzled by the reference to free movement of labour and the negotiations on the right to work in other countries, as well as visa-less travel. I assume that will be mutual, in which case there will be free movement for EU citizens from all other countries to visit and to work in Britain. That, as the Minister will know well, is of active concern to multinational businesses operating in this country. I can remember British Aerospace saying some time ago that it moves 8,000 workers in and out of Britain a week for meetings and to get equipment, or whatever, and that the complications of moving to any sort of detailed control would undermine its entire business model between Britain and its other facilities in Europe. Will that be mutual and has he yet told the noble Lord, Lord Green, and Migration Watch UK that free movement for work within Britain will be continued after we leave?

Lastly, I must object to the last but one paragraph here, which could have come straight from the Bruges Group rather than the Government. I cannot believe that any civil servant who looked at this accepted the reality that we would somehow be a strong voice for freer trade in the World Trade Organization. The Minister knows as well as I do that the World Trade Organization is in crisis and that the United States Administration is doing their best to undermine the WTO. The idea that we are about to enter a world of freer trade outside the EU, when the US and China are moving towards a trade war, is absolutely pie in the sky. The paragraph also refers to the opportunity to deal more effectively with cross-border crime. All the evidence we had in the balance of competences exercise was that there was no better way of dealing with cross-border crime than the arrangements we had within the European Union. That statement is frankly idiotic and ought to be withdrawn. A number of other statements in this paragraph:

“the opportunity to strengthen our democratic institutions ... the opportunity to invest more flexibly ... the opportunity to overhaul government procurement”,

are equally vacuous, if not wrong. On that basis, I give a very weak welcome to this Statement.

Lord Callanan: I thank the noble Baroness and the noble Lord for their comments. Let me run through their questions in turn, starting with the noble Baroness, Lady Hayter. I repeat what I said to her earlier: negotiations are continuing. They continued last week and are continuing today. The Prime Minister met a number of European leaders, including Leo Varadkar, at the United Nations yesterday. My Secretary of State met Michel Barnier last week. There is a technical team in Brussels today conducting negotiations. Papers are being exchanged and talks are ongoing, so we are keen to get a deal. I can assume only that the bluster from the noble Baroness is to hide the absolute lack of clarity on Brexit from her party, which has no policy at all. She tells us that it is keen to avoid no deal. Of course, the Labour Party could have avoided that by voting for a deal, but it has so far managed to be against everything that is suggested, while at the same time telling us that it wants to respect the result of the referendum.

The noble Baroness referred a number of times to the legislation in the Benn Act. That Act does not prevent us leaving with no deal. I think that she knows this very well but, as she repeated in her questions, it merely hands the power to decide whether we leave with no deal to the European Union and, of course, undermines our negotiating position. With regard to the tabling of a Bill, she can be reassured that as soon as we have a conclusion to the talks, we will want to table a Bill as early as possible to enable full consideration. But as we discovered with the Benn Act, it is amazing how quickly the House can operate when it has the will and desire to do so.

Turning to the comments by the noble Lord, Lord Wallace, let me repeat again that we want a deal. Of course, in any deal-making situation, compromises will be required from both sides. We have compromised considerably on our side. It is time for the European Union to compromise as well.

I would take his entreaties on a need to get a deal with a little bit more seriousness if his party had not done its level best to undermine our negotiations. Fairly incredibly, Lib Dem MEPs wrote to Jean-Claude Juncker only last week urging him not to make a deal with the UK, genuinely trying to undermine our negotiations. From the way that they are doing this and by voting against our negotiations at every opportunity, one might think that they are actually keen to get a no-deal exit.

The noble Lord referred to other Governments. We are in negotiations with as many other Governments as we can be. We are keen to have more detailed negotiations with some of those, but the European Commission are doing their best to dissuade Governments from engaging with us on many of these matters.

All appropriate mitigations are being put in place. There are a huge number of work streams across Whitehall directed from the XO Cabinet committee,

which meets daily, and there are a number of different projects ongoing, but these cannot be put in place instantaneously. Many of them take time.

The noble Lord referred to business organisations and bullying. I do not recognise that description at all. I have myself met with many of those business organisations. I spent a considerable part of August meeting with a whole load of companies across a range of sectors. All of those meetings were incredibly constructive. Of course, some businesses have criticisms of our position and we do our best to explain the position to them. However, most of them have taken an extremely constructive approach and are keen to work with us to ensure that we get the best outcome for this country.

Regarding the noble Lord's comments about the WTO, we stick to our view that we are going to do our level best to make the WTO work effectively in the future, whatever problems there are.

The noble Lord also referred to cross-border crime. We will be able to enhance the criminality checks that are carried out at the border which are not permitted for us under the current EU version of freedom of movement. We will do that and help to keep the country safer after Brexit.

4.46 pm

Lord Jopling (Con): My Lords, I wonder whether the Minister can help me. When I heard him replying to a question on the first matter on our Order Paper today—the Private Notice Question—I thought I heard him say that we shall leave the European Union on 31 October if we do not get a deal. If I am wrong and misheard him, this question has no moment. However, if I am right, that would be the most extraordinary statement. It would be clear that the Government's approach to this is that, if we cannot get a deal, we shall leave anyway. As I understand it, I would have thought that this is against the law and contrary to what the Government have been saying. This all needs to be checked with *Hansard*. However, if I heard him properly, he ought to reconsider the statement.

Lord Callanan: I will stick by the statements that I made earlier. For those that were not here earlier, let me repeat that it is the Government's firm intention to abide by the law—we can do nothing else—and it is also our intention to get a deal. We will work hard for that. Let me repeat the point made to the noble Baroness, Lady Hayter: the Benn Act does not prevent us leaving with no deal. That is the legal default because of the notification of the withdrawal Bill that this House and the other place voted for. That is the default law of the country. It is now the European Council that decides whether we leave on 31 October.

Baroness Jones of Moulsecoomb (GP): My Lords, ages ago we were told that there were some essential Bills to go through before the 29 March Brexit deadline: trade, immigration, agriculture, fisheries. What has happened to them? Are they still essential and, if they are not essential, what has changed in the meantime?

Lord Callanan: Those Bills are not essential. We have all the appropriate legislation in place to enable our departure on 31 October. Secondary legislation that we do not yet have in place will be put in place by then.

The Archbishop of Canterbury: My Lords, this debate—for want of a better word—demonstrates, I am sure the noble Lord would agree, the total division across Parliament. It is only a shadow of the immense divisions across the country, which the bishops find at every level, as they are immersed in every local community. The divisions are shaking this country apart. They are shaking us apart in all our great institutions, whether it is Parliament or the courts, which are portrayed as having launched a coup d'état—a slightly unlikely idea—and it is causing serious damage to our economy. We are hearing in our debates the incapacity of Parliament not only to make a decision but to find any way through the deadlock. The divisions are so deep that we cannot expect, I fear, as the noble Baroness, Lady Hayter, suggested, that cross-party work could bring a decision on what we do, but can we not at least ask the Government to look for alternative means of setting a path to making a decision?

At the moment, all we hear regarding a decision is that one side says it is definitely this and the other side says that. I am used to this in an organisation that is split at every level; I am well aware of division, so I am speaking from deep familiarity. The way forward must be, as we have done on numerous occasions, to work out how to get to a decision, because the present means of handling it through Parliament is not working. We need to draw on wider experience, on mediation and other forms, so that Operation Yellowhammer and the Statement that we have heard at least form part of a clear plan to arrive at a firm decision. Does the Minister agree?

Lord Callanan: I do in fact agree with a large part of the most reverend Primate's remarks. I was not going to say it, but compromise is of course required. I remind the most reverend Primate that we attempted cross-party talks under the previous Administration, but they were not successful. I personally believe that the withdrawal agreement that we negotiated was a compromise. Those who would have preferred a so-called "clean-break" Brexit did not get everything they wanted. There were some aspects of the withdrawal agreement that I was not completely happy with, but I thought it was a good compromise with the EU. It was hard fought and hard negotiated but the fact is that it was rejected three times in Parliament.

It remains the Government's objective to get a deal but, given the attitude of some of the opposition parties, I am not confident that, even if we did get a deal, they would be prepared to facilitate its passage through Parliament. We are between a rock and a hard place. I firmly believe that the strength of our democracy and political system depends on satisfying the wishes of the 17.4 million people who voted in the referendum that we should leave the European Union. We attempted to do it with a deal, but that did not prove successful: Parliament did not vote for that.

[LORD CALLANAN]

In my view, Parliament is not complying with the wishes of the referendum Act that it passed and authorised. We asked people for their opinion in the referendum. We sent however many million leaflets to every house in the country saying, “We will abide by your decision”, but we are not abiding by that decision and that is the problem. I would welcome the good offices of the most reverend Primate for some mediated way forward. I would be happy to engage with that, but I firmly believe that, for the strength of our democracy in this country, it is essential that we deliver on that referendum result.

Lord Lea of Crondall (Lab): The noble Lord, Lord Callanan, seems to give the impression that the referendum result was unambiguous—we all know that we are in this difficulty because it was not. As the most reverend Primate the Archbishop of Canterbury said, there are many different sorts of compromise. Would the noble Lord, Lord Callanan, withdraw his reiteration that the referendum result was somehow unambiguous, and as such, for example, incompatible with staying in the internal market and customs union? There are many ways in which things could be agreed, and the referendum result is not one he can rely on as unambiguous.

Lord Callanan: I do not know what the noble Lord’s definition of ambiguity is, but in response to the question “Do you wish to remain in the European Union or leave the European Union”, the country replied, “leave the European Union”. The noble Lord might think that is ambiguous, but I do not.

Lord Kerr of Kinlochard (CB): Just before we were so rudely interrupted on 9 September, the Secretary of State, Mr Gove, gave evidence to your Lordship’s EU Committee, and undertook that an up-to-date version of the Yellowhammer paper would be published shortly. When I saw there was to be a Statement on Yellowhammer today, I assumed that it was good news and we were about to see the up-to-date version, because the Government had been at pains to say—although the *Sunday Times* did not agree—that the version we had seen was out of date. When will we, when will business and the people who really need to see it going to see the Yellowhammer paper?

The Minister was delightfully optimistic about the progress of our negotiations, as he was earlier in the afternoon—Pangloss rules in Newcastle—but I ask him to take note of two things. First, in Brussels the most striking development of the last two years, has been British negotiators revealing that the text in the political declaration indicating that we wished to preserve a level playing field on social, environmental and labour law, state aid and business taxes, was going to have to go and we no longer believed in it. That has fed the impression in Brussels that we are planning for a wave of deregulation and on becoming a low tax, low welfare society, that would be highly competitive with the European Union. That may be what we are planning for—it is not what we have told the country—but that is the implication and it has had a considerable effect in Brussel. That is why in Brussels they are saying that progress in the last two weeks has gone backwards.

Secondly, could the Minister also say, whether in his view, creating that impression assists or does not assist the search for ways of maintaining an open border on the island of Ireland?

Lord Callanan: The noble Lord, Lord Kerr, asks a number of questions. In response to his first question, yes, we are intending to update the Yellowhammer documentation and it will be published shortly. I cannot give him a precise date yet; it is a fairly weighty document. With regard to the level playing field, as the noble Lord knows very well, we already exceed EU minimum standards in most areas of social and environmental legislation. There is an ongoing question about whether we should continue to have identical legislation aligned to the European Union, or whether we might choose to do things differently. In my view, one of the huge advantages of Brexit is that we no longer have these things dictated to us—we can argue for them in this Parliament, and we can decide what standards we wish to have. I am in favour of higher environmental standards, and we already have higher environmental and social standards than many countries in the EU. Those decisions would be for this Parliament to take in future and I do not know why noble Lords are so keen to contract out those decisions to a foreign body.

Baroness Parminter (LD): My Lords, I thank the Minister for repeating this Statement, which says that in leaving the EU there is, “the opportunity to develop new technologies which will help feed the world and enhance our environment”.

The only technologies which have not been developed are those that are below the highest global food safety standards in the world—the standards of the European Union. That is why we do not have GM foods, chlorinated chicken or hormone-treated beef. Following on from what the noble Lord, Lord Kerr, said, this Statement suggests that this Government are going for a bargain basement standard on food safety and animal welfare. Would not the Minister agree?

Lord Callanan: Unsurprisingly, no I would not agree. We can have different standards. A lot of the EU standards are irrational—the noble Baroness mentioned in passing its irrational opposition to genetically modified crops. We have some excellent research institutes in this country, and the opportunity to have safer, healthier crops with the use of fewer pesticides is one that we may wish to take up ourselves. The point is that we would be able to decide these matters for ourselves, and the same could apply in the other areas that she mentions. So no, I would not agree with her characterisation.

Baroness Crawley (Lab): My Lords, I thank the Minister for repeating the Statement and apologise for missing the first couple of minutes of it. In the penultimate paragraph of the Statement, the Chancellor of the Duchy of Lancaster states:

“There is the opportunity to secure new trade deals and to become a strong voice for freer trade at the WTO”.

These are all the opportunities of no deal. How does that fit with a letter that many of us have received today from the British Egg Industry Council? It states that under WTO rules animal welfare cannot be used

as a barrier to trade and that imported eggs produced to a much lower standard than British eggs present a significant risk to public health. It goes on to talk about salmonella and a nasty thing called fipronil, a toxic insecticide banned in the EU that can be destined for human consumption. Surely this should not be called Operation Yellowhammer but Operation Seagull, because our healthy food is going to be stolen from us and we will—how can I put it?—be pooped on from a great height.

Lord Callanan: I think the noble Baroness has had too much sun during her vacation. I think I am correct in saying that we already have higher caged bird standards—we certainly used to—than most other EU member states and higher animal welfare standards. It is EU legislation that permits the export of live animals, for instance. We have an excellent record of animal protection and welfare in this country, and that is something that we will want to continue.

Lord Rooker (Lab): My Lords, can I ask the Minister about an aspect of Yellowhammer that he did not refer to and which follows from what the noble Lord, Lord Kerr, said about the reasonable worst-case planning assumptions? In the last few days, the Government have published their response to the humble Address, submitted under Standing Order 24 on 9 September. That of course contains the document, *Operation Yellowhammer: HMG Reasonable Worst Case Planning Assumptions*. In paragraph 20, the very last paragraph of that statement, they make promises about social care. Issues are raised, including provider failure, transport and staff disruption, and all the other stuff. The very last sentence says that they,

“will look at the status of preparations in four local authorities, which are identified as priority concerns, by mid-August”.

I am not stupid. I read that as saying that four local authorities are on the verge of collapse in the provision of social care if there is no deal, whether because of staff, transport or anything else. That is clearly stated in the document but there is no reference in the Statement today to social care—none whatever. The promise was to be met by mid-August. The noble Lord, Lord Kerr, has already said that the Secretary of State who signed all this stuff gave evidence on 9 September, which will be published. It is a simple question: will the Minister name the four local authorities that are a priority concern to the Government? It does not matter whether it was in early August—it is dated 2 August—or whether it is next week: which four authorities are on the verge of collapse in social care?

Lord Callanan: Let me explain to the noble Lord what these assumptions are all about. The Cabinet’s civil contingencies unit prepares the reasonable worst-case assumptions and then we do our best, working across the whole panoply of government, to mitigate those scenarios. In the case of social care, we are working closely with local authorities; this morning we had reports at a Cabinet committee from local resilience forums and from the devolved Administrations. The Secretary of State for Housing, Communities and Local Government is working closely with all local authorities and with the local resilience forums to

mitigate the possible impacts in social care, and across all the other areas that local authorities are responsible for. We have extremely good, collaborative working across the piece on this matter.

Lord Wigley (PC): My Lords, the noble Lord specifically referred to shellfish in his Statement—an industry of considerable importance in my part of north-west Wales. Can he give an assurance that, in circumstances of a no-deal Brexit, where those exporting shellfish to continental Europe have their product held up through no fault of their own and thereby lose tremendous value in trade, there will be a compensation scheme funded by the Government?

Lord Callanan: We will of course do our level best to make sure that the flow at the border does not result in any undue delays. There is a considerable amount of effort going into ensuring that, and there are appropriate plans in place to help industrial sectors and businesses that are adversely impacted by any of these effects. These are all contingency plans and we hope that none of them will come into operation. All the work we are doing is designed to make sure that there is a smooth flow of trade at the border and that none of the producers in north-west Wales will have cause for concern.

Lord Purvis of Tweed (LD): My Lords, the equivocal position of the Minister on standards, which he laid out this afternoon, is in direct contrast with resolutions of this House when we amended the Trade Bill with regards to standards. That Trade Bill is no longer a casualty of the illegal Prorogation, so will the Minister commit that the Bill, and the amendments of this House, will now be heard by the other place so that we are able to resolve this issue? During that Bill, we looked at what were then emergency measures for the Northern Ireland border and a tariff regime published in March. After the horror of the security and intelligence services of Northern Ireland, and business sectors, at the emergency tariff regime, the Government said that it was merely a consultation. We have had no further information about the results of that so-called consultation. Businesses across this country—in Northern Ireland and the UK—need this information, so when will the Government publish it?

Lord Callanan: With regard to his first question, the noble Lord knows very well that I cannot commit to promising what might happen in another place. However, let me repeat the assurances I gave earlier: we have all necessary legislation in place. There is still some secondary legislation to be tabled, which we will do in due course, to ensure that our statute book is prepared and ready, including tariffs schedules, in time for exit on 31 October.

Arrangement of Business

Announcement

5.08 pm

Lord Ashton of Hyde (Con): My Lords, I said earlier this afternoon that we would have to adjust our timetable depending on what happened in the other place, and such has proved the case. As the Iran Statement has not started, we will move to the debate

[LORD ASHTON OF HYDE]
standing in the name of my noble friend Lord Duncan of Springbank. At a convenient moment in that debate, we will have the two Statements, once they have been started in the other place.

Spending Round 2019

Motion to Take Note

5.09 pm

Moved by Lord Duncan of Springbank

That this House takes note of the Spending Round 2019.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy and Northern Ireland Office (Lord Duncan of Springbank) (Con): My Lords, I would like to begin by paying tribute to my noble friend Lord Young, who as ever is in his place; I would much rather that he was in my place, but here we are. He has an extraordinary record of five decades of service—a parliamentary career that is almost unrivalled in recent history—an extraordinary achievement. I can assure the noble Lord that I would welcome him back with open arms. I would also like to thank my colleagues, the noble Earl, Lord Courtown, and the noble Lord, Lord Bethell, for helping with this particular brief. It has its own challenges.

I want to say also that, thanks to the decisions that the coalition and Conservative Governments have taken since 2010 and the hard work of the British people, we can now afford to turn the page on austerity and move forward from a decade of recovery to a decade of renewal. This spending round does that by delivering on the people's priorities across the NHS, education and police, giving certainty to all departments—and I emphasise all departments—about their budgets for the coming year, and clearing the decks for government to focus on delivering Brexit.

Next year, the Government will add £13.4 billion to the plans for total public spending, including £1.7 billion added to capital spending. Those extra funds take the real increase in day-to-day spending to £13.8 billion, or 4.1%. That means that we are delivering the fastest increase in day-to-day spending for 15 years. Importantly, we will do so while continuing to meet our existing fiscal rules. That additional funding will ensure we build the Britain of tomorrow: a safer Britain; a healthier Britain; a better-educated Britain; and a more global Britain.

In terms of safer Britain, we are reducing crime. That must be one of the Government's top priorities. At this spending round, the Government announced a 6.3% real-terms increase in Home Office spending, the biggest in 15 years. That will mean £750 million to fund the first year of our plan to recruit 20,000 new police officers. We will start recruiting immediately, with an extra £45 million this year so that that recruitment can start at once. Further, the Government will carry out a formal review into how we handle serious and organised crime, ahead of the full spending review next year. We will provide additional funding to tackle online child sexual exploitation. We will double the places of worship fund to ensure greater protection for

synagogues, mosques and other religious buildings. We announced more investment in our criminal justice system to address increased demand, with a 5% real-terms increase in the resource budget for the Ministry of Justice, an increase in their capital budget to £620 million next year and an extra £80 million for the Crown Prosecution Service.

In terms of creating a healthier Britain, this spending round provides further support for our NHS. Last year, we increased NHS spending by an extra £34 billion a year by 2023-24. In this spending round, we affirm our commitment to the NHS with a £6.2 billion increase in NHS funding for the next year. We are investing more in training and professional development for our doctors and nurses, with over £2 billion of new capital funding—starting with an upgrade to 20 hospitals this year and £250 million for ground-breaking new artificial intelligence technologies to help solve some of healthcare's toughest challenges. In addition, councils will have access to new funds of £1.5 billion for social care from next year. Councils will also see the largest increase in local government spending power since 2010 and on top of the existing £2.5 billion of social care grants already announced.

On ensuring that we have a better-educated Britain, alongside providing for the health of our people, the next most important task of government is to educate the next generation. That is why we are delivering on our pledge to increase school spending. By the financial year 2022-23, we will have increased funding by £7.1 billion in cash terms compared to this year. Next year, we will make sure that day-to-day funding for every school can rise at least in line with inflation, with the schools that have been historically underfunded benefiting the most. That funding will mean that teachers' starting salaries can rise to £30,000 per year by 2022-23, to ensure that we can attract more of the best graduates to the teaching profession. We will provide over £700 million more to support children and young people with special educational needs next year—an 11% increase compared to this year. This spending round also provides a £400 million increase in 16 to 19 year-old education funding next year, and the Government will increase early years spending by £66 million.

Turning to other departments, this spending round took bold action right across government. We have made available an additional £2.2 billion of funding for the Ministry of Defence, a real-terms increase of 2.6% for their budget from next year. We have increased our support for the Diplomatic Service, with £90 million of funding for 1,000 diplomats and overseas staff, and 14 new and upgraded diplomatic posts. We have ensured that we continue to protect our environment, with new funding to tackle the crisis in air quality. We are increasing our funding for biodiversity and to help develop new programmes to help meet our net zero commitment by 2050. We have also provided more than £200 million to transform bus services around the country.

Let me stress that every government department has had its budget for day-to-day spending increased at least in line with inflation for the first time since the spending review of 2002. As for the wider infrastructure

and fiscal framework, we will build on the announcements we made in the spending round at the Budget before my right honourable friend the Chancellor will review our fiscal framework to ensure it meets the economic priorities of today, not the priorities of a decade ago. Central to the Government's new economic plan will be rebuilding our national infrastructure to ensure that we invest in the long-term growth of this country. We will bring forward detailed plans at the Budget later this year alongside an ambitious strategy for new investment.

On that basis, I hope we can open what will be an interesting debate and perhaps a pleasant sorbet before the courses that are yet to come.

5.15 pm

Lord Tunncliffe (Lab): My Lords, I welcome the noble Lord, Lord Duncan of Springbank, to his role—I am not sure how long he is going to occupy it. I join in his remarks about the noble Lord, Lord Young of Cookham, who filled the role for some months in an entertaining and very meaningful way. In this House, we do not have much of an impact on Treasury matters, but with his help we have had the odd little success and variation. That is the end of my nice words.

Before turning to the subject of this debate, it would be remiss of me not to acknowledge the circumstances in which it is taking place. The Supreme Court judgment issued yesterday morning was clear: the Prime Minister's advice to Her Majesty the Queen was unlawful. Those are words I never thought I would say out loud, and I am sure that many noble Lords across the House share my deep discomfort with the present situation. The attempt to prorogue Parliament was the latest in a long line of questionable decisions by the current occupants of Downing Street. It was a decision that the Labour Party opposed. The Prime Minister's intention, to run down the clock and prevent Parliament taking action on Brexit, was clear to all. I am pleased that my noble friend the Leader of the Opposition and the leader of the Liberal Democrats declined to participate in the late-night prorogation ceremony. Their decision has been vindicated. In their determination to get their own way and try and force Brexit on 31 October or secure an early election, the Government tore up all the rulebooks.

So we find ourselves here today, opining on an unconventional one-year spending round that had been intended as the starting gun for a general election campaign. It is important to emphasise that, ordinarily, such an exercise is very important and provides central government departments with their allocations across multiple years. Doing this provides certainty for the public and those that serve us. It would normally be backed up with a revised economic forecast from the Office for Budget Responsibility. However, by dispensing with standard practice, the Chancellor has failed to provide the investment that our public services so badly need or to give departments any long-term security after years of cuts.

Despite claims that austerity is over, the truth is that this spending round is nothing more than a sticking plaster intended to mask years of mismanagement of

our public services. Nowhere is this truer than in the case of the NHS and social care. More than half the funds given to the NHS had already been announced. Councils face a social care spending gap of £2.6 billion this year alone, and the additional funds come nowhere near reversing the £7 billion of cuts since 2010. Overall, the £13.8 billion announced earlier this month is less than a third of the £47 billion of cuts this Government have voted through since 2010. There was nothing for social security, despite there being yet more cuts to come. There was no meaningful help for low-income families. Indeed, the Joseph Rowntree Foundation argues that, despite the spin:

“Austerity isn't over for the 14 million locked in poverty”.

The Women's Budget Group claimed that this spending round,

“wasn't enough to make up for the damage by 10 years of austerity, which has hit women, particularly lone parents, disabled and BME women the hardest”.

As my right honourable friend the shadow Chancellor said when responding to the Commons Statement earlier this year, this Government should,

“not insult the intelligence of the British people”.—[*Official Report*, Commons, 4/9/19; col. 189.]

They know that this was a stunt, and this is backed up by expert opinion, which quickly expressed concern that the promised funds may never materialise.

Changing economic conditions have substantially reduced the headroom available to the Chancellor, perhaps by £10 billion. As a result, the Institute for Fiscal Studies does not believe the commitment will fit within the Government's fiscal framework once the OBR has produced and published its updated economic forecasts. The Resolution Foundation argued that the settlement is neither,

“consistent with the government's fiscal rules nor well timed given the uncertainty about the nature of the UK's imminent exit from the European Union”.

It is true that the Chancellor has announced his intention to review the fiscal framework with a view to easing constraints on borrowing, but this should have been done alongside a full spending review. Instead, we are left with the possibility that this flimsy document will, like the recent Prorogation order, simply be torn up at a later stage.

While we are critical of the Government's approach to this spending round, we are by no means opposed to a fresh approach. We are clear that the best route to sustainable economic growth is to invest in our economy and public services. Our fiscal credibility rule means that a Labour Government will not borrow for day-to-day spending but will take advantage of low interest rates to support vital long-term infrastructure projects. Labour would provide much-needed capital funds to the NHS. We have already pledged an additional £8 billion for social care and to create a new national care service. Our national transformation fund and regional investment banks will work to support jobs while tackling the climate change emergency. They will help meet Labour's commitment to reach zero emissions on an accelerated timetable by 2030. We will introduce a national education service to provide free and high-quality education to people of all ages, from cradle to grave. We will invest

[LORD TUNNICLIFFE]

in infrastructure across the country, including drastically improving transport links across northern England through a Crossrail for the north.

That is the level of ambition this country needs. Such a programme would truly mark the end of austerity. It is, unsurprisingly, a level of adventure that is severely lacking from this Government. Nowhere is that clearer than in this spending round.

5.22 pm

Lord Fox (LD): My Lords, it seems like we were never away. In fact, if we listened to the Lord Speaker earlier, apparently we were not; we were here all along. I trust that the Minister did not have to break off a family holiday to be here, and I look forward to this debate.

The spending review was presented amid a febrile day in Parliament—a febrile day in a chaotic week—so a take-note debate would be something of a novelty were the Chancellor here, because quite frankly no one took any notice of the spending round when it was announced. It disappeared almost without trace. It should have been the Chancellor's big day but, to be honest, No. 10 had already ridden roughshod over his moment. It selectively leaked the contents—contents which, in most cases, had been inserted by the Prime Minister's chief of staff in the first place. Then at short notice, it cancelled his speech the weekend before. Finally, the announcement itself was eclipsed by all the unconstitutional activity that was going on around it. However, I have one concern. Since that time, the Chancellor seems not to have been seen in public. Perhaps the Minister can use this opportunity to assure your Lordships that Mr Javid is safe and well—that he is all right—because, frankly, we have seen no sign of him since this announcement was made. A take-note debate gives us a chance to scrutinise the Statement and, thanks to this unexpected debate, we now have that opportunity.

In truth, though, as the noble Lord, Lord Tunncliffe, said, this spending round was never really intended as a serious projection of public finances. It is an uncoded manifesto, a launch for the next election, and its best-before date is before Christmas. If noble Lords had any doubt about that, the subsequent activities of the Prime Minister proved that this was the launch of an election campaign. Perhaps the most surreal was his speech in front of the police recruits in West Yorkshire, but each appearance, right up to his stunt at Whipps Cross Hospital, were part of a timetabled election launch.

That is one reason why we should suspect these numbers and the document that they appear in. The other is that they have been built on very shaky ground. This spending round was, in the words of the independent Office for Budget Responsibility in the letter that it sent to the Treasury Select Committee on 9 September,

“unusual in two respects: first, it covers only one full fiscal year”—

as has already been mentioned—

“second, the aggregate limits and departmental allocations have been announced together”,

making them very difficult to unpick. Due to the OBR's primary legislation, it was not asked to issue a forecast because this spending round did not cover the statutory five years needed for a forecast. I am not the only person disturbed by that sidelining of the OBR; Ben Zaranko, research economist at the IFS, said:

“Making major fiscal announcements without new OBR forecasts risk a return to the bad old days when chancellors could make fiscal claims not based on the best available independent forecasts”.

His colleague Rowena Crawford added detail, saying:

“Based on OBR forecasts from the spring it looks like the Chancellor has plenty of room to meet his spending pledges ... But growth has slowed since the spring and in reality he may have a lot less than the £15 billion of headroom he seemed to have back then”.

In more detail, the IFS has projected the public sector borrowing for the fiscal year 2020-21. The OBR forecast for March was £21.2 billion. If you add in the reclassification of student loans—for which I am not blaming anyone on the Benches opposite—that takes borrowing up to £32.8 billion. Add in the cost of the spending review as in the booklet at the moment, and that takes borrowing for that fiscal year to £46.2 billion. However, if you also factor in weakening growth, which is already happening, that takes the borrowing requirement to over £50 billion. That is not my projection but that of the IFS. This is why we need the OBR's input before a spending round. I would be very interested to hear the Government's justification for deliberately cutting out the OBR in the way that they did. What was going on?

In his speech, the Chancellor of the Exchequer announced that he would review the Government's fiscal rules. That smacks of closing the stable door after the horse has bolted because it is quite clear that the fiscal rules are already up in the air. What is the timetable for this review? What criteria will the review adopt? And, beyond the Prime Minister's chief of staff, who will be conducting the review?

Lastly, these numbers do not add up because they completely ignore the budgetary elephant in the room, which is the event of a no-deal Brexit. There most decidedly would not be money to spend on any of this in the event of a no-deal Brexit. The OBR said around three months ago that a no-deal Brexit, even of the most benign kind, would add around £30 billion a year to borrowing from 2021 onwards and around 12% of GDP to net debt by 2023-24. Adding that to the IFS projections that I mentioned earlier—that is, the OBR March number, the student loans re-evaluation, the Chancellor's costs in the spending round document and no deal—raises the public sector borrowing requirement for 2021 to £76.2 billion. Where is the contingency for this in this document? To ignore this financial risk is very reckless.

I look forward to this debate, but it comes with a warning: this is not a normal spending round. It is a sham, full of imaginary numbers that do not pass the normal tests and have not met the normal safeguards. It does not take into consideration the current economic weakness and does not weigh the perils of a no-deal Brexit. It is further evidence of the sort of shameless behaviour that we have come to expect from the Government.

5.30 pm

Lord Ricketts (CB): My Lords, apart from my delight at being back in this House doing our constitutional duty of holding the Government to account, I rise to participate in the debate with a slightly different intention, primarily to say thank you. I will give the noble Lord a clue what I will thank him about when I say that I am chairman of the Normandy Memorial Trust. I thank the Government for the generosity of finding a way of granting the trust the £7 million that we needed to complete the memorial we are building in Normandy.

This is very welcome news, not least to the veterans for whom this is so important. They were determined to have a British memorial to commemorate all those under British command who fell in 1944—as far as possible while they could still visit it. They wanted to see all their comrades who lived, fought and died together brought into one place.

It is not a straightforward task to construct a British memorial on foreign soil—I think it is unprecedented in modern times. We were greatly helped by a contribution from the LIBOR fund to get us started. We have made great progress since then: we have a roll of honour of 22,442 names from many different nations, a fantastic site overlooking Gold Beach where many of the veterans landed and a moving design by a British architect. We also unveiled our sculpture, which will be the centrepiece of the memorial, on 6 June this year. We are now under way with construction.

We have had generous support from members of the public and one private donor. However, we were still well short of the funds needed to complete this to a standard that people would expect of a national memorial. In this 75th anniversary year of D-Day, we were therefore enormously grateful that the Chancellor was able to make this grant. I know that it is small in the overall scheme of things, but it makes a huge impact to be able to complete this project, which is about ensuring that the memory of that great generation is transmitted into the future. It will also include a memorial to French civilians who were killed in their thousands during the battle. In that sense, it stands as a very powerful memory and celebration of the ties that bind this country to our nearest neighbours on the continent. That is not without its force and relevance at this particular moment.

So that this speech is not entirely thanking the Government, I wanted to extend the point about funding Britain's international commitment given the uncertainties in the years ahead. I welcome the uplift to the MoD's budget—in this dangerous world, that makes great sense. The single intelligence vote has had a real-terms increase, as has the DfID budget, in line with the Government's commitment to 0.7% of GDP.

My question is about the funding of the Foreign and Commonwealth Office. Here again, I suppose I should declare an interest as a former Permanent Secretary—a diplomat for 40 years. The details on the Government's website suggest that the FCO settlement is what they call in the trade a flat real settlement—that is what the figures show here—apart from a contribution

from the DfID budget which is subject to the OECD rules on aid spending and so is quite tightly constrained to being spent in lower-income economies.

I do not see how that is consistent with the Government's ambition—implied in the term “global Britain”—for Britain to be an active, engaged partner in the world after Brexit. Can the Minister say anything about the Government's intentions to have a real step change in FCO funding, perhaps in a comprehensive spending round to come, to make sure that we have the strong and confident Foreign Office we need for the years ahead?

5.35 pm

The Lord Bishop of Durham: My Lords, like others, I welcome the fact that we are able to hold a debate on the spending round 2019. When the political point-scoring is redacted from the Chancellor's original Statement, as I note it is on the GOV.UK website, there are aspects to welcome in the overall spending increase and some of the specific commitments. I am pleased that the Chancellor recognised in his speech that in the nation there are anxieties and divisions,

“between regions and communities, rich and poor, rural and urban, young and old”,—[*Official Report*, Commons, 4/9/2019; col. 180.]

and between black and white. The test for me is always around the impact of spending on the most vulnerable in our society. It is this that leads me to ask some questions.

Our infrastructure certainly needs major investment. This needs to be joined up and target those most in need of the improvements. So the northern powerhouse, yes, but simply the Manchester-Leeds connection, no—that is not enough. It must impact the whole of the north and help more marginal towns, such as Hartlepool, Barrow-in-Furness and Middlesbrough, not just the bigger cities. Although I speak from the north-east, the south-west and other regions need investment too.

On prisons, is spending on 10,000 extra prison spaces really the best way to improve safety from crime? The existing estate needs serious investment, especially the women's estate. Rehabilitation of criminals is key. Short prison sentences do not work well. Would this money not be better spent on better alternatives to prison sentences of up to 12 months? This would ensure that really good rehabilitative services are available for these criminals. They are far more likely to then be good, helpful citizens than if they spent time in a smart, new prison cell. Improving the existing estate and reducing the numbers in prison by better rehabilitative services for short sentences would be a better way to create a safer and healthier Britain, alongside returning police numbers closer to the level they were before the cuts of a few years ago. The chief constable of Durham assures me that numbers will not be back to the levels they were at before the cuts.

Increased spending on the NHS is welcome, as is the £1.5 billion to local authorities for social care, but we all know that this goes only part of the way to meeting the increased need for social care across our nation. Better economic planning surely demands that the NHS and social care are properly linked and

[THE LORD BISHOP OF DURHAM] joined up. We need thought-through funding for all who need social care, in particular for those known to need long-term social care that will, at points, need particular health spending. The proper linking of health and social care is long overdue. We must have the courage to act. It is in the best interests of the most vulnerable and it makes economic sense.

The increased spending on education is welcome, especially on the per-pupil funding and the increase for the vital FE sector. Early years also needs significant investment beyond the £66 million announced. The increased per-pupil spending, however, should be focused on improving the educational experience of every child, and not on buildings. There is also a concern that the flat-rate scheme might still fail to meet the particular challenges faced by small rural schools.

Noble Lords would expect me to comment on places of worship. We welcome the doubling of the places of worship protective security fund, but emphasise that the core need is to tackle the underlying reasons why such hostility occurs. We are also grateful for the continuation of the Listed Places of Worship Grant Scheme until 2021-22. This is an important support for many of these important community assets.

There is nothing at all in the Statement about unaccompanied children. Can the Minister confirm that the necessary regulations to bring unaccompanied children back within the scope of legal aid will be brought forward swiftly, as has been indicated to my noble friend the right reverend Prelate the Bishop of Derby? These vulnerable children need such support.

I turn now to international development. It is very welcome to have the commitment to 0.7% of GDP being spent on overseas aid. The Statement itself is encouraging on how this will be spent. However, CP 170 raises some warning signs for me. Paragraph 2.22 states:

“The UK’s spending on ... ODA ... needs to be in the country’s national interest and every pound spent should deliver value for taxpayers”.

What has happened to supporting the most vulnerable for its own sake? Where is generosity? Surely it is the poorest in our world to whom we want to deliver value; we do not do this for our own benefit. Our self-interest should not be central in this budget.

My concern is further exacerbated by the creeping use of ODA money for what should be FCO or even MoD spending. This is highlighted in paragraph 2.25. By stealth, if we are not careful, the wonderful work done through ODA is being undermined by the loss of the sense of generosity, care for the poorest and giving for its own sake. Would the Minister like to comment on this concern?

Finally, my biggest concern of all lies with the proposals for DWP spending. Yes, there are some small helpful increases, but where is the commitment to stop the freeze on benefits? Where is the tackling of the need to improve the work taper to increase help for people returning to work? Where is the analysis of the unfairness of the two-child limit? Where, in short, is the commitment to the neediest children in our land, those with long-term disabilities and those unable to work? We need to tackle the reality of child and family

poverty. The benefits freeze needs to go now and there needs to be a significant uplift in benefits and tax credit levels. Sadly, this spending round has failed to address this at all, which leads me to conclude that while aspects of it are welcome and to be applauded, it ultimately fails the test of remembering the most vulnerable and giving them the priority that justice, compassion and love demand.

5.42 pm

Lord Horam (Con): My Lords, as I was about to say before we were all rudely—and apparently unlawfully—interrupted, I am an economist and economics is usually regarded as the dismal science. Being somewhat contrary by nature, I was interested to see an article in the *Times* the other day by Paul Johnson, who, the House will know, is director of the Institute for Fiscal Studies. He wrote it because it is 50 years since the IFS was created. It interests me because it is nearly 50 years—49, actually—since I became a Member of Parliament. My noble friends Lord Cormack and Lord Howell are, I think, the only two here of similar longevity. Even my good noble friend Lord Young of Cookham, wonderful character though he is—we will miss him and his great gifts on the Front Bench—became a Member of Parliament in, I think, 1974.

Remembering that 50-year period, Paul Johnson made comparison between now and approximately 50 years ago—1970. He pointed out, for example, that then male life expectancy was 69 years; now it is 79, which is astonishing. In 1970, 38% of adults had no teeth; now that figure is down to 6%. In that 50-year stretch, average incomes have gone up by a multiple of three; they are three times what they were 50 years ago. The equipment with which we live our lives—smartphones, televisions, dishwashers and all the rest of it—is manifold. Pensioner poverty has been hugely reduced during that 50-year period. University education has expanded to a level one could hardly have imagined when I went to university; 4% of the population went to university then. Women’s rights have hugely expanded, as I think they would acknowledge, during that period. Greenhouse gasses have been reduced massively.

There has been huge progress over the last 50 years, but that has encompassed the entire 45 years that we have been in the European Union. I make no cause and effect, but I point out that it has certainly been no obstacle to the sort of progress that we have made in the last 50 years. Of course, as we all have acknowledged in this debate, there are problems today, and I am glad that the spending plan recognised this. We are now in a situation where, while in 2010 we had a 10% annual deficit in relation to GDP, it is now down to 1%—although that is slightly damaged by the latest figures showing that if you include student loans and public sector pensions, it becomes 2% of GDP. None the less, it is massively more favourable than it was at the end of the last Labour Government. Therefore, we can afford to splash the cash, and we should do that in a sensible and appropriate way.

The one thing I am particularly pleased the Government are splashing the cash on is technical education. All three parties—and I am afraid that I cannot exclude the Liberal Democrats, because they were in coalition for five years—have been guilty of

not giving appropriate priority to technical education, apprenticeships, further education colleges and all the rest of it in comparison with universities. They have been the Cinderella of our education system for far too long. In fact, I was delighted by a thought which the noble Lord, Lord Hennessy of Nympsfield—that great friend of all of us in the House of Lords—had when he saw all the banners outside. He wanted to have a new banner, though modest as he is, he thought it should be called a bannerette. He wanted three things on the banner: technical education, social care and social housing. These are, in his view, the things that we should really be looking at rather than the Brexit stuff, for or against. I entirely agree with him. Money, of course, is not enough. We need plans and policies and we need the drive of ministerial application. The real tragedy of the last three years has been the total diversion of the Government into Brexit, and the opportunity cost of doing all that has been enormous.

We need to get this resolved and there is no doubt that the issue *de nos jours*—if I might put it like that—is resolving the Irish question. There are clearly two elements in current thinking that could provide a possible resolution of this issue. One is the idea—spelled out by, among others, my good friend the noble Lord, Lord Empey, in a recent debate—of an all-Ireland committee to look at border issues, including representations from Northern Ireland, the European Union, the United Kingdom and the Irish Government. I would welcome that. The second idea is to build on the already existing regulations covering trade between Northern Ireland and the rest of the United Kingdom. Those two elements are the “landing zone”, to use the Prime Minister’s phrase, which we need. We now need to make sure that we do not just have a landing zone but that we actually land.

In my view, what we need above all is a willingness on all sides to compromise and political skill. We Brits used to be rather good at compromising in a sensible and skilful way. The European Union has long experience in forging compromises. We even once had Prime Ministers who were good at compromising and showing political skill. Thinking back over the last 50 years, to continue my little theme, I remember Harold Wilson, my second Prime Minister in Parliament—Ted Heath was my first, and I have to confess that he was not quite so good at compromising. My favourite comment about him was uttered by a very good friend of mine, Tom Urwin, who was the Member of Parliament for Houghton-le-Spring. He was a carpenter and he said of Harold Wilson, “That man: if he swallowed a nail, he’d defecate a corkscrew”. He did not use the word, “defecate”, but the House will get what I mean. Wilson was crafty and guileful. Frankly, at this present juncture, we need that sort of skill and willingness to compromise. I hope, above all, that the Prime Minister understands that confrontation will not get us anywhere. What we need is political skill and compromise. If he does not display that in the coming weeks, I am afraid that we will be stuck in this dreadful limbo for a lot longer.

5.49 pm

Lord Davies of Stamford (Lab): My Lords, I want to make three points. The first is not about the spending review at all; in that, I shall be following a precedent

already established in this debate. It seems to me extraordinary—completely mad—that we should summon Parliament because there is a major constitutional crisis and then for Parliament not to discuss it. We should not be talking about the spending review today; we should be having a debate on drawing the right lessons from the constitutional crisis. Ministerial Statements, in which Ministers can answer questions with well-prepared, brief, non-committal and necessarily limited responses, are no substitute; that is not a proper debate. We need a situation in which the feelings of the country can be expressed through Parliament about the traumatic experience we have been through. It is our greatest constitutional crisis—actually, our only constitutional crisis—since 1789. We should certainly pause and think about it.

If a visitor from Patagonia asked any of us what the British political system was about or consisted of, we should probably say at least two things: that we believe in the rule of law, which means that everybody is subject to the law and everybody is equal before the law; and that we have a parliamentary democracy. No one in this House would disagree with either of those two answers to that question. A couple of weeks ago, the Prime Minister put it about through Mr Cummings that he was not subject to the law—indeed, that he proposed to break it. That was unprecedented in our history. As for parliamentary democracy, it cannot exist if the executive branch feels that it wants to get rid of Parliament because it is a bit of a nuisance—simply to suspend Parliament by Prorogation for however long the Prime Minister of the day may want. That is not a parliamentary system; it is despotism with a purely ornamental parliament. There are lots of examples in history and in the present world of that sort of political system, but it is not one that any of us would want to identify with. But Mr Cummings was not putting around dark hints about that; the Prime Minister himself was committed to the idea of a Prorogation that we know now was illegal.

We have come very close to a precipice. I feel a wonderful sense of relief that we have not fallen over it, as we could well have done so without really being conscious of the political and constitutional consequences of what we were doing. It would have been very difficult to retrieve the position. That is my first comment, which has nothing to do with the spending round, as colleagues will have noticed.

Let me turn to the spending round. A classical way of making yourself popular in this life is spending a lot of money. If you can spend a lot of money at somebody else’s expense, you are doing very well. That is what the Government are doing, to try to create popularity. Of course, some of their causes are very good ones—defence, the NHS—so the Government are being quite successful, according to the opinion polls. I am, however, very frightened by the whole process. One of the two key figures has been mentioned already this afternoon: we are increasing public spending by 4% per annum. The whole House will be aware that the rate of growth of output in this country is not 4% or 1% but less than 1% per annum. Which of us would run a business or our family’s budget based on spending 4% more every year when one’s income is increasing by 1%? It can lead to only one outcome—a very

[LORD DAVIES OF STAMFORD]

difficult one. States do not go through the bankruptcy court, but we know from our experience in the 1970s what happens if we overspend.

Public debt in this country has now reached a frightening level. For 20 years before 2010, public debt was 40-something per cent of GDP; it varied between the low and the high 40s, but it always stayed in the 40s. It is now nearly 100%. That is an absolutely terrifying turnaround. Then you have a position where the Government are proposing now to go ahead with these spending plans, without any clear forecast of what the economic rate of growth will be. I totally agree with the comments that have already been made and I never make economic predictions, but it would be a brave man or woman who excluded the possibility of a recession in the event of a hard Brexit. There could be a recession in other circumstances as well; there is an awful lot of investment already flowing out of this country, which is extremely worrying. The Bank of America has moved hundreds of its staff, most of whom earn hundreds of thousands of euros every year, to Paris and installed them there. That is one small example, but there is a big loss of demand. There are people setting up in financial services in Amsterdam and Dublin in preparation, not just for a hard Brexit but for any Brexit. We are being very complacent at the moment and the Government are being utterly irresponsible in committing themselves to this level of spending without having the courage to answer the question about what they predict the rate of growth of the economy will be in the future.

My third point is about Brexit, but also about Brexit and public spending. The British public have been defrauded over Brexit in a number of contexts, not least over public spending. Many of the public were persuaded by Mr Johnson's dishonest campaign that Brexit was a cash generator and that we would get lots cash out of Brussels, including £350 million a week—or whatever it was—for the health service. In fact, we now find that, far from being a cash generator, it is a very considerable consumer of cash. We are having to spend hundreds of millions subsidising Welsh farmers, particularly lamb farmers, who would otherwise go broke. We are spending billions on subsidising Scotland to protect it from some of the potential impact of Brexit. We are spending a lot of money in Northern Ireland for the same purpose. This includes overt bribes for the DUP, which, as the House knows, I deeply disapprove of. It is a form of corruption and nothing else, and nevertheless very expensive.

There may be many other such things, but then there is the obscenity of spending £140 million, I believe, building a vast lorry park in Dover. This kind of expenditure does not yield a penny in increased output and it is not, under any circumstances, an investment. On the contrary, it is part of simply making our commerce—our external trade—more difficult and expensive. It is an anti-economic move and a way of spending money to deprive the public of future wealth, rather than spending money to try to enhance future wealth. It is a crazy policy, and one that involves, as I said, the defrauding of the British people, who were led to believe one thing about Brexit and are now, sadly and uncomfortably, discovering something very different.

5.58 pm

Lord Howell of Guildford (Con): My Lords, I listened to the noble Lord, Lord Davies of Stamford, with a certain amount of agreement, which is, frankly, extremely unusual. But there it is—in the extraordinary situation we find ourselves in, many new alliances are formed. A certain madness seems to have gripped the discussion on public expenditure in recent years, and aspects of this are what I want to talk about. My noble friend Lord Horam confessed that he had been an economist; I confess that I am an economist apostate. I was in the Treasury as an economist, and since then I have become more and more convinced that modern, liberal economics seriously distorts the way the world works, seriously misguides our public policy and seriously undermines a great many of the developments that good governance requires for a modern society in the digital age. In fact, I think liberal economics has not at all come to terms with the total transformation of the internet and digital age, leading to much grief and misunderstanding.

When it comes to public expenditure, we are treated by analysts and the media to a sort of Punch and Judy pantomime show between polarised extremes. Either public spending is depicted by one side as a mass of ruthless cuts, making austerity a dirty word—that is what it has become in the language of both political debate and outside as well—or, from the other pole, as a sea of extravagant waste of taxpayers' money, driving us all ever deeper into debt and so on. In fact, in this digital age, a rough practical balance is asserting itself throughout the world's economies between obvious and growing public spending needs and the capacities of the private sector and private finance on the market with a good deal of co-operation between the two.

Much of our political debate is manufactured—it is the way it comes out with party politics as we have played it in recent years—but it has very little influence on what is really happening in the trend of public expenditure. These deeper forces all around the world bring about a sort of figure for total public spending—as a proportion of all spending, investment and GDP—that hovers between a percentage in the mid-30s and the high 40s. Although, of course, it is always with upward pressure and with endless political promises, which all politicians and Governments make, to spend on favourite causes and lobbies, many of them highly deserving—they come up all the time. It depends on what gets included in definitions of public spending, what is deemed off budget and what is simply ignored.

Again, we have to realise that, in the world of economic statistics, there is chaos, because all the traditional views are being undermined. The very concept of GDP and all the aggregates that were invented by Simon Kuznets in the 1930s—taken up by Lord Keynes—which were very relevant to the pre-digital economy, do not fit into the arrangements and patterns of business, economics and wealth creation that we have today. Even the Asian miracle economies, where all the growth will be in the next 10 to 20 years—including even the autocracies—find that the state, markets, public spending and private enterprise cannot do without each other when it comes to finance, resources and national objectives. Even China, with its swollen state-ownership sector—wildly inefficient in many areas—finds

that it has to grope all the time for a new public-private balance with its belt-and-road initiative and in its tax policies.

My advice to Chancellors, past and present—not listened to, of course, in any way, except perhaps by Ian Macleod, but that was a long time ago—is not to talk about austerity or ending austerity, but to talk much more about balance and constant control, which is always necessary on all public spending, whether it is growing or shrinking. All public spending programmes always grow, unless a hand is kept on them. All public spending has to have a very tight hand kept on it, so the idea that you can stand back and say, “Austerity is over, now we can let everything rip”, is a recipe for disaster. It is a serious imbalance in how the economy and society work.

Back in the 1970s, some of your Lordships will recall—I am afraid noble Lords would have to be rather old because I am talking about 50 years ago—that we sought new controls on the then hopelessly swollen and inefficient public sector, inherited by the Conservatives in 1970 and again in 1979, by means of what we called programmed budgeting, an approach pinched from the Americans. The idea was to focus much more on results and actual outputs of public policies, and on questioning whether the right systems were in place to deliver, rather than simply on whether they should be state or private systems, or whether certain estimates had been exceeded. Indeed, we had no OBR in those days and our forecasts were very primitive. In some ways, there was a questioning of whether a particular public expenditure programme was the right one to deliver the results required for the consumer and the public effectively. That was the genesis of privatisation; it was rapidly concluded that many of these operations should not only be contracted out but put into the private sector.

The Treasury did not like that at all at the time. The Treasury was and is very good and very sharp at cutting existing spending programmes, or occasionally, as now with the spending round, letting its budgets rise. It may be very good about fiscal rules—though whether they are being revised or not, I am not so sure—and with deficit headroom, which does or does not exist. However, even 50 years ago—I fear that this applies still today—it was much less good at ensuring and delivering quality government programmes and seeing the best and most efficient ways of meeting vital social and infrastructure needs, which are always changing and evolving, and where constant innovation is required. Just cutting—or not cutting—is fine, but what is really required in the handling of all public expenditure programmes is constant innovation, to see that they are delivering what we want. It is not just a question of more schools, as in the spending round being put forward now, but of having really well built and efficiently designed schools, which match modern ideas of efficient education for the technical society that we are going to live in. It is not just a question of more prisons, though heaven knows we have enough prisoners, but of better prisons, run in entirely new and better ways. It is not just a question of having more police, but entirely new police methods, which

are needed to combat the kind of crime that is developing in our country so rapidly, particularly knife crime on the streets.

Hearing the distinguished former Foreign Office Permanent Secretary, the noble Lord, Lord Ricketts, prompts me to make a further spending round point. The whole balance of our international resource allocation has gone awry; it is completely dotty. The Foreign and Commonwealth Office is meant to be the spearhead of our international standing, prosperity and security, and needs to be. Yet while the two other great international departments—DfID and the MoD—have budgets respectively of £14 billion-plus and £37 billion-plus, the FCO budget is £2.3 billion at the most, and the core number of discretionary expenditures in the FCO is much less. It makes no sense to have our foreign policy, our foreign reach and our security for the future run on a shoestring. I know that there is £90 million more expenditure in the current spending round, but that is small compared with what we really need. We should bite the bullet and re-merge the whole DfID operation and the FCO into a really powerful and punchy overseas department, which would then have a budget of £16 billion and far more impact round the world. It would be far better for world development as well. That could build up our role in the giant worldwide Commonwealth network, and in all the other new Asian networks with which we have to engage, in a way that reflected our changed national direction and purpose, as it is not being reflected now. I do not believe that our development aims would be in any way compromised. The whole concept of development aid is anyway patronising and out of date, and needs rethinking. So, in this transformed global system, I look forward to a much more balanced discussion of the role of public spending in our growth and direction, with less ideology and more practicality.

I had further words to say on the public expenditure implications of the Brexit drama. Like the most reverend Primate, I am absolutely bewildered about why we are discussing no deal when no deal is now illegal. What we should be discussing is the withdrawal agreement, which I think is attainable. The key to that is of course Ireland, which my right honourable friend the Prime Minister is working on—how much that will cost and what the implications will be. I believe they will be reasonably limited, but there is the question of the £39 billion transfer and at what point it has to go over. We will see how all this works out. I know that all the experts are saying that there will not be an agreement with Ireland. I believe that there will and that they will be wrong, but we will have to see what happens in a few weeks' time.

When it comes to public spending now, I say open wide the crystal fountain, by all means. Just make sure that the fountain works well and delivers top-quality flow in places and in ways that people really want it. We should look for balance between public finance and private enterprise investment, harnessing both in delivering quality government with public infrastructure and social care programmes, which will always expand through need and demand. Above all, in the digital age now upon us, we need to remember that the best levels of public spending and the best programmes to

[LORD HOWELL OF GUILDFORD]
meet people's real need will be decided by technology advancing ever more rapidly every day—not by politics, yesterday's tired ideologies or economic and political theories.

6.10 pm

Lord Greaves (LD): My Lords, I would like to apologise for not hearing most of the Minister's opening speech. I am afraid that the change in the arrangements passed me by completely. I apologise for that and ask for the House's forgiveness.

The noble Lord talked about the Foreign Office and foreign matters; I want to talk about local government, in particular about the spending figures for the Ministry of Housing, Communities and Local Government. The Treasury booklet about the spending round reports that the local government departmental expenditure limit,

"will increase by £1.1 billion in cash terms",

which is a lot and is very welcome.

"With this increase in grant, Local Government Core Spending Power"—

which is a mystical figure that everybody in local government talks about and nobody understands—

"is estimated to increase by £2.9 billion in total in 2020-21".

Again, on the face of it, this is very welcome—and indeed it is.

"Combined with the £2.9 billion increase in Core Spending Power, these announcements mean local authorities can benefit from more than £3½ billion of additional resources",

with increases in council tax, other grants and so on. This sounds a lot. It sounds as though things are going to be okay. I would suggest that it is not that simple, because a large proportion of that money will go towards the problems of social care and social care funding. These are pretty much in crisis in many places.

I declare my interest as a member of Pendle Borough Council, which is an ordinary shire district in the two-tier area of Lancashire. My concern is with street-level services and local community services, which district councils concentrate on providing. Obviously, unitaries provide them as well, and some county council services come into this category, such as highways and libraries. I want to give some figures from my own council in Pendle, not because it is particularly special—although I think it is—but because it is not special but typical of districts in urban areas, old industrial towns in areas such as Lancashire and many other districts around the country. A report—which goes to councillors tomorrow evening, in fact—points out that the four-year spending settlement, the funding settlement for local government, comes to an end at the end of this financial year. It also points out that there will be a real-terms increase in funding for local government overall—the "core spending power"—which is quite substantial. However, the implementation of the fair funding review and move to 75% business rates retention appear to have been put back, because people are too busy doing other things at the moment. The referendum limit for council tax increase is going back down to 2%. For councils such as Pendle, this will have a fairly disastrous effect.

The detailed implications and figures are obviously not yet known and will not be until the local government settlement comes out in perhaps two or three months' time. However, making reasonable assumptions, the position in Pendle is that, compared with the present year, there will be a shortfall in 2020-21 of nearly £900,000 that has to be found from cuts and what are called "savings requirements" but are actually cuts. By 2022-23, in three years' time, the requirement in that year, compared with the present year's spending, will be around £4 million. Of course, £4 million may be a lot or it may be not so much, depending on the present level of revenue spending. In this year's revenue budget for Pendle, the aggregate spending level is about £13 million. Over the next three years, £4 million has to be cut from £13 million-worth of spending. By any standards that is a lot, and it is typical of many districts—some will be higher, some will be lower, but it is typical. These are at current prices. This is to an authority which, over 10 years, will have cut its spending in real terms by half, or perhaps more, and in which over the period since 2010 the number of people working for it, without any substantial changes in what it is trying to do and what services it provides, has been halved. The position is dire.

These are not unimportant services. They are perhaps not as important as education, social care or the health service, which gets the high-profile headlines. They are things such as street cleansing, town-centre cleansing and work in the town centres, tackling litter and fly-tipping—if people fly-tip on verges, someone has to clear it up—refuse services, recycling services, and all the things a council tries to do in town centres to keep them as prosperous as possible, and some of ours are doing fairly well. There are also leisure facilities, the deficit on running all the swimming pools and all the rest of it, environmental health and the vital anti-social behaviour work that local authorities newly took over under the anti-social behaviour Act that came in about seven years ago. There are parks and miniparks, open space, playing fields and sporting facilities. Even if you have not got your own council housing, which we no longer do, there are the issues of housing standards and tackling empty properties, bringing them back into use, which we have been quite successful at, and planning and development services. There is also a new one: action on carbon reduction. We have a meeting next Monday evening, which I shall be at, where we will set up a working group on how we in Pendle can do our bit to help solve the climate emergency. The only problem is that we have lots of ideas for things we can do but no staff to do them. It is one of those instances where councils will have to roll up their sleeves and get much more involved.

The position on authorities like this is dire, but it does not matter that the authorities are in dire straits; what matters is that the street-level, town-centre and local community services and facilities that they provide are being stripped away to the extent that they are having a dreadful effect on the community infrastructure in a lot of places. These are places that some people call "left behind" in many cases, places that have not shared in the prosperity of Greater London and the south-east, or even the big towns and cities of regions such as the north of England. I suppose the old cliché

of life in the north is that “Life is hard”, but keeping communities going in these areas is hard work. We are not being helped by the fact that, when the Government say, “Austerity is over”, whether it may be or not, the money that is available to other services and areas is not coming to us.

6.19 pm

Lord Young of Cookham (Con): My Lords, I congratulate my noble friend Lord Duncan on his new responsibilities in your Lordships’ House, which have substantially increased the length of the frontier that he has to patrol. I thank him also for his kind words in his opening remarks. He will enjoy these set-piece debates on Budgets and spending reviews, which are always well-informed. I wish him well in summing up and in trying to reconcile his instinctive wish to be as generous as possible to all the requests that are made for more public spending with the unyielding notes that come from the Box telling him not to concede one penny of extra money.

Both the language and the substance of this spending review are different from their predecessors, as other noble Lords have said. Like others, I welcome the recognition that the time has come to be more generous with key public services. In particular, I hope that the extra resources in areas such as education, health and prisons will help to restore the morale of those who work in those services by enabling more generous pay settlements for them than have been possible in the past.

Other noble Lords have confessed to being economists. I fear I have two degrees in economics, which will doubtless devalue even further my comments on the review itself. I read the review and my only doubt about it—now that I am on the Back Benches, I am allowed the luxury of doubts—was what caught my eye on the Government’s website, “Spending Round 2019: what you need to know”. The quote is this:

“This Spending Round provides more money to support vital public services while being delivered within the government’s existing fiscal rules”.

Perhaps it is because I was once a Treasury Minister that the word “existing” caught my eye. I remember as a parliamentary candidate referring to the Labour incumbent as “the current MP”, with the clear implication that he was not going to be there for very long—hence my interest in the insertion of the word “existing” as a qualification for the Government’s fiscal rules. As the noble Lord, Lord Fox, and others have said, whether or not these rules are actually being met would normally be clear, as we would have had simultaneously an OBR report that would have given an independent authoritative assessment of whether or not that was the case. One of the welcome reforms of the coalition Government was the introduction of the OBR, which moved away from the self-justificatory forecasts that we used to have from earlier Governments. However, because of the timing of this spending review, the OBR was unable to do that.

The next set of OBR forecasts—perhaps my noble friend will tell us when they are expected—are almost certain to reflect some deterioration in the short-term outlook both for the economy and for the public finances, and the £15 billion headroom that we heard about earlier may indeed have evaporated. The claim

that next year’s borrowing is being kept below 2% of national income was based on earlier forecasts, which may need updating. We read in today’s papers that the ONS has reclassified some expenditure as borrowing, which the OBR reckons will add some £15 billion a year to borrowing.

Why is the 2% rule important? Without sounding pompous, I think it is crucial to maintain international confidence in the management of the economy. Our budget deficit was the same as Greece’s not so long ago, but we did not experience its problems because we were seen in 2010 to be on top of it. In the words of the Governor of the Bank of England, though, we are dependent on “the generosity of strangers” to borrow the funds that we need, and we should not risk losing a reputation that has been hard-won by taking too many risks with market confidence. Could my noble friend expand on the insertion of the word “existing” and whether we will take in our stride the changes in definition that I have referred to or whether the 2% target will have to be amended?

Having said that, I want to focus on one particular aspect of the spending review, namely housing, touched on briefly by my noble friend Lord Horam. Between February 1974 and May 1983—nine years—there were two Housing Ministers: Reg Ffreeson and John Stanley. Between 1990 and 1994, there was one Housing Minister. Since January 2015, less than five years ago, there have been five. However able you are, you simply cannot build relationships with local authorities, social landlords, financial institutions and then drive through the necessary reforms if you are a bird of passage. While we may not be able to return to the stability of past decades, we should aim at longer tenures of Ministers, and I think the same applies to other posts where we have seen a high turnover—Lord Chancellor and Secretary of State for Work and Pensions, for example.

The Government have to make choices, and page 1 of the spending review has a heading “choices and priorities”. Now, housing is not one of these priorities, which are health and social care; education and skills; and crime. However, the spending review is basically about increased revenue support for the next year. The most important spending review, covering subsequent years, is still to take place. My plea today is for housing to be up there with the other three. I have a high regard for the new Secretary of State at Housing, Communities and Local Government, Robert Jenrick, who came from the Treasury. I know he will want to build on some of the initiatives introduced earlier in this Government: the lifting of capital controls on local government borrowing, renewed focus on social housing as well as affordable housing, the Housing Infrastructure Fund and disposal of public land for housing, to mention but a few. There was one sentence in the spending review inserted by a cautious Treasury official, I quote:

“Investing in the people’s priorities inevitably means difficult decisions elsewhere”.—[*Official Report*, Commons, 4/9/19; col. 188.]

But no more difficult decisions for housing, please.

One final point I want to make on housing, which I hope the Government will address, and which was touched on by the right reverend Prelate the Bishop of Durham, is the local housing allowance. LHAs are

[LORD YOUNG OF COOKHAM]
 meant to cover the lowest 30% of rents in an area so people in housing need on low incomes can live in decent rented accommodation. LHAs were frozen in 2016, whereas rents have continued to rise. Fewer homes are now within the limit and so more people are having to top up with other benefits, fall into arrears or move. Evidence from Shelter and Crisis shows that this is leading to homelessness. In Bath, for example, only 7% of homes are within the LHA level, instead of the planned 30%, and in central London there are none. We need the private rented sector to continue to do some heavy lifting in meeting housing need for those on low incomes until such time as our reforms have real impact and other tenures are available, and these LHAs are standing in the way.

To conclude, I hope my noble friend will convey two messages to the Chancellor, who was himself a former Secretary of State at Housing and Local Government, and so should be receptive. First, with the next spending review, housing must be a priority, and secondly, in the meantime, the local housing allowances need urgent review.

6.27 pm

Lord Liddle (Lab): My Lords, it is very enjoyable to hear the noble Lord, Lord Young, having the freedom of the Back Benches, and I hope we are going to hear far more from him in that capacity. We should, of course, be debating the great crisis we are facing in our nation's affairs, but he was very pungent in his remarks on BBC News yesterday about what the Government should be doing, with which I agree.

This has actually been a very enjoyable debate. I would also like to say how much I enjoyed listening to my old friend, the noble Lord, Lord Horam—I learned a lot from him in his very long political career, particularly in the earlier stages—and he had a lot of interesting things to say.

The document we are discussing is very flimsy, and not backed up by any economic analysis from the OBR. The question is: does it represent a turning point in our attitudes to public spending and tax? Are we finally getting away from the policy of the last decade, which has basically been to hold public spending down below the rate of economic growth so we can achieve a gradual reduction in the ratio of debt to GDP when we think we can get away with that, but cutting taxes instead when we face political trouble? So the question is, are we moving away from that framework? Are we now accepting that both infrastructure investment and some types of social investment by the public sector make economic sense because they add to economic growth potential? One should not just be looking at the pure number of the deficit but should be asking oneself how much within the public spending envelope will add to growth potential and is therefore a sound investment.

Are we facing up—I think none of the political parties is—to the great demographic challenge we will face in the next 10 years?. According to the IFS and the Resolution Foundation, if we are to maintain present standards of pensions, health services and social care, tax as a proportion of GDP will have to

rise by 5% because of the challenge of demography. I think that this is where the Government ought to open a public debate.

As we were discussing at the Labour conference in Brighton, the tax burden on the top 1% or 5% can certainly go up a bit; the broadest backs should bear the heaviest burdens. However, the fact is that we will not enjoy a decent quality of welfare state and public services in this country unless we can make the case to the public overall for a general increase in taxation. This is going to be difficult in an environment of Brexit—

Lord Davies of Stamford: I am listening to my noble friend with great attention—he is a great expert on these matters. As an alternative to increasing tax, would it not be possible to consider some compulsory universal insurance system, such as happens on the continent?

Lord Liddle: I would include compulsory social insurance or hypothecated taxes as part of the general remark that I made. However, we are going to have to find new ways of funding our welfare state because of the demographic challenge. This is going to be difficult if Brexit goes ahead because, even if we avoid no deal, which we have legislated against, the kind of medium-term deal that Boris Johnson has in mind—the Canada-plus, free trade agreement—is not the smooth Brexit that the economic forecasts of the OBR have relied upon. It is a much tougher, harder Brexit than the customs union and regulatory alignment that Mrs May was aiming for. It will have more serious economic consequences for the country, and I worry about that a great deal.

Of course, you could not possibly justify, as a result of Brexit, a temporary increase in the government deficit, but you can only do that for a time. We saw in the 1970s that there had to be an adjustment for the higher price of oil, and we saw after the 2008 financial crisis that there had to be an adjustment for the fact that the deficit had risen as a result of the cost of saving the financial system.

If that will be the case, who will bear the pain? The people who cannot afford to bear the pain, and the people whom this document completely neglects, are poor working families. There is nothing in this document to relieve the burden that they have faced in the last 10 years. This is a gross generational unfairness: I get a nice real-terms increase in my pension every year, but what do the young mother and her children get? They get their benefits frozen as a direct result of the Government's policy.

Most of these people are not people who do not work. They are not, to use that horrible language, scroungers; they are people who work the living daylight hours out of themselves, sometimes with two or three jobs, in order to meet the family budget. This squeeze on working families is having a dreadful impact. The Resolution Foundation, one of the best independent think tanks of the past few years, suggests that we will have something like 1.5 million children in poverty—37% of all children—if we continue on our present policy path on tax credits, universal credit and the rate

of benefits. That is unacceptable. Even in the period that we are talking about, there is a 4.1% increase in departmental expenditure in the coming year but further cuts in benefits are going on. It cannot continue. I notice in Cumbria the dreadful impact that is having on the ground. We have a great increase in demand for our children's services, from parents who cannot cope with bringing up their children themselves, and the costs of our children's services are rising dramatically. This will become as big a challenge as social care unless we address it.

The big question is: is this a turning point? I hope that the noble Lord, Lord Duncan, from his new position will be able to say positively that the policies of the past nine years have been abandoned.

Lord Ashton of Hyde (Con): My Lords, to make sure that there is time available and that people are here to question the Leader of the House, we propose in agreement with the usual channels to take two more speakers in this debate and then take the Prime Minister's Statement, followed by the Iran Statement, and then conclude the remainder of this debate.

6.38 pm

Lord Cormack (Con): My Lords, I am glad, at least, that I get in.

A noble Lord: So are we.

Lord Cormack: You have not heard what I have to say yet!

As I was listening to the noble Lord, Lord Liddle, I could not help but remember a speech that I heard at my first State Opening of Parliament way back in 1970. The Address was moved by the then John Nott, later Sir John Nott, and he made a remark that has always stuck in my mind: he said that the real poor of the 20th century are those without hope. You can repeat that statement and advance the century, because it is still those who have no hope—who do not feel that they have a future—who are the real poor. I very much hope that the various promises made in this document, unsubstantiated in some ways as it is, can be carried forward and expanded.

I really want to talk about something else, because this is an extraordinarily artificial debate. The noble Lord, Lord Davies of Stamford, hit the nail on the head in his opening remarks. Here we are, back from a brief September session that was, it turns out, illegally brought to a close. I am very glad that, like the Leader of the Opposition, I boycotted what turns out to have been not the Prorogation ceremony. We are now in the middle of a constitutional crisis, the like of which this country has not seen for a very long time indeed. I am not sure I would go back to 1789, with the noble Lord, Lord Davies—

Lord Davies of Stamford: I said 1689.

Lord Cormack: The noble Lord actually said 1789, but we will not bandy this across the Chamber. One could say that 1911-12 was a great constitutional crisis. However one looks at it, and whatever one's views of the decision that was unanimously reached

yesterday, I do not think that anybody can deny that this is a great constitutional crisis. I pay tribute to the Justices of the Supreme Court. I think that they did indeed act without fear or favour; they were not taking sides on the Brexit issue. They were ruling—and I say this with some feeling of embarrassment and shame—on the conduct of a Conservative Prime Minister who should not have played fast and loose with Parliament and who should not have sent us packing on 9 September, having himself even said that he might keep us here until 12 September. I believe that the matters we have been discussing today, in an unsatisfactory form, through Statements and now this debate, illustrate the fact that there is indeed an agenda that would have kept us more than busy for most of the five weeks. Now we still do not know what is going to happen. I imagine that there will be a short and perfectly proper Prorogation in a couple of weeks, followed by a state opening and a Queen's Speech on 14 October. However, we do not even know for certain whether that is going to happen. We have an extraordinary situation: a Government who are in a significant minority and discussing financial plans and promises that they do not know whether they will be able to discharge.

No one wishes the Prime Minister greater success in reaching a deal than I do. As I made public on many occasions, I would have accepted the deal that Prime Minister May achieved, all those months ago. I very much hope that we can have a deal and that we can be out on 31 October, much as I will greatly regret that, because this long saga has to be brought to a close. The fact is that Parliament has now decreed—rightly, in my view; I strongly supported the Benn Act, as it is now called—that we should not leave without a deal. What I have been concerned about this afternoon, in answers to two Statements delivered by my noble friend Lord Callanan, is that he has not come absolutely clean, by saying what will happen if, on 31 October, the deal has not been concluded. I hope that the Leader of the House will be able to do so in a few moments' time. Parliament has decreed that it should be concluded before we come out. Having had one constitutional crisis because of the way in which the generally accepted rules of Prorogation were neglected, we do not want another crisis because an Act passed in Parliament through both Houses is ignored. I hope that, tonight or before we rise tomorrow—though we are of course back next week—we will have a clear and unequivocal statement. I would appeal to the Prime Minister, though I do not suppose that he will necessarily read—

Baroness Manzoor (Con): Forgive me, but I remind my noble friend that this debate is about the spending review. There will be an opportunity to address those other issues when the Leader is here so that we can hear her response. As a courtesy to the Minister, it would be useful to address the question of the spending review.

Lord Cormack: These things are inextricably connected; it is very important that we recognise that.

Baroness Manzoor: The—

Lord Cormack: My noble friend can chunter, but the fact is—

Baroness Manzoor: The only reason that I said that is that the Leader is not here. Therefore, she is not able to answer the question. It would be very helpful, if there were questions, for us to be able to hear her response. That was my only point.

Lord Cormack: The Leader is perfectly able to read *Hansard* tomorrow. She is not here at the moment, but the fact is that we need answers to certain questions.

I very much hope that we will have a deal. But I appeal to the Prime Minister. If he wants to enact this spending review—and I hope that he can, with some embellishments and improvements—I hope that he will recognise that with a little bit of compromise, and if he would relax his absolute insistence on a particular date and time of day, there is a chance that we could move forward. I also appeal to him to bring back into the Conservative fold 21 of its finest members who were so peremptorily dismissed a couple of weeks ago. That would be a very real contribution.

The spending review, yes, with some embellishments such as money for the police and education of course and, as my noble friend Lord Horam said, for apprenticeships; all of these things are crucial, as are other points made by the noble Lord, Lord Liddle. But none of that can come to pass unless and until we have a stable Government and a stable relationship with our European friends and neighbours.

6.47 pm

Lord Robathan (Con): My Lords, I see the House filling up, although I am not sure that it is filling up for my speech. I know that it is traditional to say this but, having listened to almost all the speeches, I genuinely heard some very interesting ones. The noble Lord, Lord Liddle, with whom I do not agree entirely on everything, made some interesting points. I reassure my noble friend Lord Cormack that I agree with him that this is a very serious constitutional crisis—perhaps not on everything else.

It has also been interesting to see that the Opposition—the Liberal Democrats and the Labour Party—are opposing the end of austerity. I thought that they had been against it from the very beginning. I will say one thing about the reason that we had the unfortunate—I agree that it was unfortunate—austerity programme, for want of a better term. When we took office in 2010—I was a Minister at the time—there was a serious issue with the public finances. The Liberal Democrats agreed at the time that we had to sort it out. To a certain extent, although not totally, we have done pretty well on that over the last nine years. Some mistakes were made and I will turn to a couple now. On the spending round, there are two issues that I want to particularly concentrate on.

Lord Tunnicliffe: The Opposition, as far as I know, have not said that they do not welcome an end to austerity. They just have a very different vision of what it looks like.

Lord Robathan: Various people from the other side have commented that the Government need to be careful about how much money they spend. I agree with that, as it happens.

The first point that I want to make is about the police and the criminal justice system. I have had experience of the criminal justice system from going to courts recently, and Westminster Magistrates' Court in particular; I hasten to add that I was not in the dock. It was quite shocking because of cuts to the court services. In particular, there were temporary staff who did not know the answers to pretty simple questions. I found that pretty worrying.

With regards to the police, I think all noble Lords can agree that the police were cut far too far and, while I do not necessarily make a direct correlation, there has been, it appears to me—noble Lords may contradict me—an upsurge in knife crime. Every day we see, particularly in London, young people being killed with knives. There must be some small connection, if not direct correlation, between that and the fact that the police are rather overstretched. After all, we have pretty full employment and, traditionally, that has led to fewer idle hands and less petty crime, so I welcome the extra spending—a 6.3% increase. It should never have been reduced so far and the idea of having 20,000 extra police officers, assuming that they are well employed and well directed, is one that we can all welcome.

I take the point made by the right reverend Prelate—I think it was his point—that we need to make sure that we think not just about prison places but about rehabilitation as well. We have this day Long Lartin rioting and that, again, to a certain extent, must be because prison officers are stretched. We also see, interestingly, that the Prison Service, as I read today in the *Times*, I think, is in the top 100—possibly number 49—professions chosen by graduates today, a rather encouraging sign.

The second point I would like to introduce is defence. I was a Minister during the SDSR in 2010. I argued against some of the savage cuts; indeed, I even raised the matter with the then Prime Minister. I welcome the extra £2.2 billion as a good start—but where shall we start? We are looking now at Iran and the threat from drones that appear to have been used to attack tankers in the Middle East, and that will affect us all. We are looking at Yemen and the attacks on Saudi Arabia. Again, this has the potential to spread. We are looking at a belligerent Russia in Crimea, the Ukraine and Salisbury. We are looking at China, which is not an enemy, but it is spreading in the Spratly Islands. I was not here at the beginning of this month because I was in Ethiopia, and I can tell you that China is buying Africa. It is quite straightforward: it is throwing money at Africa, Sri Lanka and other places, and buying them. We need to be very cognisant of that, and be prepared for it and for all eventualities. We do not want another Cold War with Russia, but the behaviour of President Putin is—I think all noble Lords will agree—fairly worrying. I do not want to go into the topic of North Korea, but again, there are problems. An old Latin adage is, “Si vis pacem, para bellum”—that is how we pronounced it in my prep school anyway—“If you want peace, prepare for war”. I think we need to consider that a bit further, so I welcome the spending, although I would probably go further.

Finally, on spending, I will turn to the £2 billion put aside for Brexit funding for 2020-21. We are in a mess. I think every noble Lord can agree with that—indeed,

my noble friend Lord Cormack and I agree about that. The country is divided. We have those within, if I might say so, the London metropolitan elite bubble who cannot understand why anybody would vote to leave. I will briefly say that I went to the funeral last week of a long-standing councillor in my erstwhile constituency in the village of Countesthorpe—a man called David Jennings. He had been a parish councillor for 49 years. He was not a grand ex-guardsman like myself. He had been a milkman and a carer—he did all sorts of jobs—and was a pillar of the community. I looked around the Church—I did not know which way they voted in the referendum—and I saw the decent, ordinary people that is Middle England. London does not always understand that.

I will turn briefly, without upsetting my noble friend in front of me, to the legal judgment: we do not want to move to judge-made law. I was taught about the separation of powers: the Executive, the legislature and the judiciary. It seems to me that the legislature is trying to take over from the Executive and the judiciary from the legislature. This is a very dangerous route to follow. The courts are there to uphold the law, not to make it. By the way, I will be agnostic on whether they are right or wrong on the actual judgment, but I heard Lord Sumption, whom I do not know and with whom I expect I do not agree about one or two things, today describe the ruling as “revolutionary”. I suggest that is worrying. Courts should restrict themselves to upholding justice, and not interfere in political decisions with which they do not agree, as indeed the High Court in London did earlier this month.

I am very concerned about the ruling. I do not consider judges—I see the noble and learned Lord, Lord Judge, down there—enemies of the people, but many will see this judgment as a political one, not a legal one. I mention this because I think we should not be here today in Parliament. Should the courts rule on the impartiality of the Speaker, for instance? We know he is not impartial—he has said as much. Or should they rule on the breaking of conventions by Parliament when it has taken over the business of the House of Commons? This is a dangerous road down which we proceed.

Update to Parliament

Statement

6.55 pm

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

“With your permission, Mr Speaker, I shall make a Statement on yesterday’s Supreme Court verdict and the way forward for this paralysed Parliament.

Three years ago, more people voted to leave the European Union than have ever voted for anything in our history. Politicians of all parties promised the public that they would honour the referendum result. Sadly, many have since done all they could to abandon those promises and overturn that democratic vote.

After three years of dither and delay that left this country at risk of being locked forever in the orbit of the EU, this Government that I lead have been truly trying to get us out. Most people, regardless of how they voted three years ago, think the referendum must be respected. They want Brexit done. I want Brexit done. People want us out on 31 October, with a new deal if possible but without if necessary.

Sixty-four days ago I was told that Brussels would never reopen the withdrawal agreement. We are now discussing a reopened withdrawal agreement in the negotiations. I was told that Brussels would never consider alternatives to the backstop, the trap that keeps the UK effectively in the EU but with no say. We are now discussing alternatives in the negotiations. I was told that Brussels would never consider an arrangement that was not permanent. We are now discussing in the negotiations an arrangement that works on the principle of consent and is not permanent. I was told that there was no chance of a new deal, but we are discussing a new deal—this in spite of the best efforts of this Parliament to wreck our negotiations by its attempt to take no deal off the table.

The truth is that the majority in this Parliament is not opposed to so-called no deal; this Parliament does not want Brexit to happen at all. Many of those who voted for the surrender Act a few weeks ago said that their intention was to stop a no-deal Brexit. They have said every day since that Parliament must vote against any deal. The people of this country can see perfectly clearly what is going on. The people at home know that this Parliament does not want to honour its promises to respect the referendum. The people at home know that this Parliament will keep delaying and sabotaging our negotiations because it does not want a deal.

The truth is that many Members of Parliament are living in a fantasy world. They really imagine that somehow they are going to cancel the first referendum and legislate for a second referendum, and that Parliament will promise that this time it really, really promises to respect the vote, the public will believe it, vote to remain and everyone will forget the last few years.

This is an extraordinary delusion, a fantasy even greater than the communist fantasies peddled by the Leader of the Opposition. It will not happen. The public do not want another referendum. They want—they demand—that we honour the promise we made to the voters to respect the first referendum. They also want us to move on: to put Brexit behind us and focus on the NHS, violent crime and the cost of living.

That is why I brought forward a Queen’s Speech. My Government intend to present a programme for life after Brexit. But some Members of this House could not stand that either. Instead of facing the voters, the Opposition turned tail and fled from an election. Instead of letting the voters decide, they ran to the courts. Despite the fact that I followed the exact same process as my predecessors in calling a Queen’s Speech, the Supreme Court was asked to intervene in this process for the first time ever. It is absolutely no disrespect to the judiciary to say that I think the court was wrong to pronounce on what is essentially a political question at a time of great national controversy.

[BARONESS EVANS OF BOWES PARK]

So we have Opposition MPs who block and delay everything, running to the courts to block and delay even more, including legislation on the NHS and keeping violent criminals in jail.

The people outside this place understand what is happening. They know that nothing can disguise the truth about this Parliament. It is not just that this Parliament is gridlocked, paralysed and refusing to deliver on the priorities of the people. It is not just unable to move forward: it is worse than that. Out of sheer political selfishness and cowardice, this Parliament is unwilling to move aside. They see MPs demanding that people be given a say, then running scared from the election that would provide them with one. Worst of all, they see ever more elaborate legal and political manoeuvres from the party opposite, which is absolutely determined to say “We know best” and thumb their noses at the 17.4 million people who voted to leave the European Union. The leader of the Opposition and his party do not trust the people. They are determined to overthrow the referendum, regardless of the cost. They do not care about the bill for hundreds of millions of pounds that comes with every week of delay; they do not care if another year or more is wasted arguing about a referendum that happened three years ago. All that matters to them now is an obsessive desire to overrule the referendum result.

While we want to take our country up a gear to go forward with a fantastic accelerated programme of investment in infrastructure, education and technology, they are throwing on the handbrake. We will not betray the people who sent us here; we will not abandon the priorities that matter to the public and we will continue to challenge Parliament to uphold democracy. If honourable and right honourable Members so disagreed with this Government’s commitment to leaving on 31 October, they had a very simple remedy at their disposal: they could have voted for a general election. I have to confess that I was a little shocked to discover that the party whose members stood up in Brighton this week and repeatedly, in the most strident terms, demanded an election, is the very same party whose members have already this month—not once but twice—refused to let the people decide on their next Government. For two years, they have demanded an election, but twice they have voted against it.

The leader of the Opposition changes his mind so often. Does he know whether he supports an election today or have the shadow Chancellor and the shadow Attorney-General overruled him again? They know that the voters will judge their manifesto for what it is in three words: more pointless delay. Is he going to demand an election and vote against it, just as he says he wants to negotiate a new Brexit deal and then vote against it? Is he actually going to vote no confidence in this Government? Is he going to dodge a vote of no confidence in me as Prime Minister to escape the verdict of the voters? Does he even want to be Prime Minister any more? He says the Prime Minister should go to Brussels on 17 October and negotiate another pointless delay, but he does not want to do this himself. Even if he did, his own colleagues would not let him because, quite frankly, they recoil at the idea of him negotiating on the people’s behalf, representing this

country, with the likes of the EU, let alone Vladimir Putin. Or is that what he wants—a Conservative Government? It would be a curious state of affairs indeed if Her Majesty’s loyal Opposition had every faith in the Government of the day, so if the party opposite does not, in fact, have confidence in the Government, they will have a chance to prove it. They have until the House rises today to table a Motion of no confidence in the Government and we can have that vote tomorrow. Or, if any of the other smaller parties fancy a go, they can table the Motion and we will give them time for that vote. Will they have the courage to act or will they refuse to take responsibility yet again and do nothing but delay? Let us have a vote—a proper one, not the kind of dodgy show of hands we saw at their conference—and see where that leads. Why would they not? What are they scared of?

It is now well over three years since the people of the United Kingdom voted in record numbers to leave the European Union. As I commend this Statement to the House, I say it is time to get Brexit done: get Brexit done so we respect the referendum; get Brexit done so we can move on to deal with the NHS and the cost of living; get Brexit done so we can start to reunite the country after the divisions of the referendum. It is time for this Parliament finally to take responsibility for its decisions. We decided to call that referendum; we promise to respect it. The people have had enough of it: this Parliament must either stand aside and let this Government get Brexit done or bring a vote of confidence and finally face the day of reckoning with the voters.

I commend this Statement to the House”.

Noble Lords: Shame!

7.04 pm

Baroness Smith of Basildon (Lab): My Lords, I think we have heard a change in tone. When I heard the Statement in the House of Commons, I was quite shocked, and I hope that the noble Baroness was embarrassed at having to read out some of that Statement this evening.

The Prime Minister just does not get it. I did not think I could be any more disappointed in the Government. I got it wrong, because I just was. Iain Dale, a Conservative Party-supporting journalist, blogger and broadcaster, has put out a message tonight saying:

“When in a hole you either stop digging, or you get a bigger shovel. Boris has clearly decided to hire a JCB”.

We need less of the aggressive bluster and more humility, which might be more appropriate. The Statement was provocative and aggressive. At every opportunity the Government have to take a step back and put the country and the unity of our country first, they fail to do so. The Prime Minister told us, his Cabinet, the British people and Parliament, that Prorogation was not about Brexit. But that claim is totally undermined by the Statement we have just heard.

The Prime Minister is fond of quoting former Prime Minister Winston Churchill—to whom he bears no resemblance whatever. But I think the most apt political quote today is from Harold Wilson:

“A week is a long time in politics”.

I suspect that it feels even longer for the Prime Minister, and so it should. He is wrong to say that his comments show no disrespect to the judiciary. They do. He is wrong to say that he followed the exact same process as his predecessors on the Queen's Speech. He did not. The normal amount of time for Prorogation before the Queen's Speech is five days. He chose five weeks.

Let us be absolutely clear about this: the Prime Minister sought legal advice as to whether his actions in advising Her Majesty the Queen to prorogue Parliament were lawful. Why? Has any Prime Minister, or any Government, ever before sought legal advice on whether Prorogation was legal? Prorogation is normally uncontroversial, so why did this Government do so? Why did this Government feel the need to get legal advice to find out whether it was lawful to prorogue? Because they knew it was dodgy. It was so dodgy that they did not even share their legal advice with the Cabinet. They would not even admit to the Cabinet that it was about Brexit. The Cabinet Office minutes—just of a conference call, not even a proper meeting—said:

“It is important to emphasise that this decision to prorogue parliament for a Queen's Speech is not driven by Brexit considerations”, but, they went on, by, “an exciting and dynamic legislative programme”.

Does anybody believe that? Did the Cabinet even believe it when it saw the minutes?

The Government also say that there is discrepancy among the lawyers—that they have different views. No. All 11 justices of the Supreme Court of this country issued a judgment that was exceptional in both its clarity and its unanimity. The key to the Supreme Court judgment was whether the Prime Minister's advice to Her Majesty the Queen was lawful. In reaching that judgment, the court addressed two issues. The first was whether the Prime Minister's action had the effect of frustrating or preventing the constitutional role of Parliament—including the House of Lords—of scrutiny and holding the Government to account. The answer, the Supreme Court said, was that “of course it did”. The second question was whether removing that fundamental right of scrutiny and holding the Government to account was justified. The answer of the Supreme Court to that is devastating. It concluded that that there was no reason—

“let alone a good reason”—

for doing so.

The Supreme Court did not address motive. The Scottish court did, and that was not overturned by the Supreme Court. The Scottish court said that the principal reason for the advice to the Queen was,

“to allow the executive to pursue a policy of a no deal Brexit without further Parliamentary interference”.

The government arguments were always flawed and weak. As we have seen, this Government loathe scrutiny and fear challenge. The assertion used that the Prorogation was of a similar number of days to the proposed recess is—as the Prime Minister's friend, President Trump, might say—“fake news”. It is not about time but functions. The Prime Minister and his Cabinet were fully aware that Prorogation meant no debates, no parliamentary sittings, no committee meetings and no awkward questions to answer.

The Prime Minister's contempt for Parliament is clear in the full text of the redacted paragraph, when he says:

“The whole September session is a rigmarole introduced by girly swot Cameron to show the public that MPs were earning their crust”.

As a girly swot—and proud of it—this is a pretty pathetic insult for a Prime Minister to launch at a predecessor. It is also incorrect: there were September sittings long before David Cameron became Prime Minister. Like so much else from this Prime Minister, he tries to be offensive and gets it wrong even then.

I do not want to say too much about elections. As I said when we were debating the legislation before the—not—Prorogation, this is a matter for the House of Commons. However, I want to comment on one thing. I think that the language used by the Prime Minister in attacking MPs and the House of Commons is extraordinarily unpleasant and aggressive. It is embarrassing and could just be that, if it were not also dangerous. Whatever their views, MPs on all sides have struggled with the most difficult issue of our generation. They are trying their best. Their mandate comes after the mandate of the referendum held in 2016; they were elected in 2017. He should apologise to them as well as to the Queen. I think it is due.

The noble Baroness the Leader of the House is in a different position from most of the Cabinet. She is being named in the Supreme Court judgment as being sent to the Privy Council meeting with Her Majesty the Queen. It would be wrong of me to ask and of her to answer about her meeting with the Queen. Beyond politics, however, there are questions of process and propriety. As Leader of the whole House, she has questions to answer. Did she see the legal advice on Prorogation? Did she ask to see it? Did she ask any questions about the advice being given to Her Majesty prior to being dispatched to Balmoral? Who told her to attend? Was it the Prime Minister or was the instruction from the special adviser Dominic Cummings?

It was a hard decision when I decided, along with the noble Lord, Lord Newby, not to attend the Prorogation ceremony that took place in this House. It was not taken lightly or easily. We feel totally vindicated in making that decision. Does she who took part feel that she should apologise to the House?

Lord Wallace of Tankerness (LD): My Lords, I thank the noble Baroness the Leader of the House for repeating the Prime Minister's Statement, which is more of a rant. Little did I think it would only take two months for us to wish to see the return of Theresa May, comparing this with the kind of Statements she had to read out during her tenure.

My noble friend Lord Newby is in Sydney and asked me to stand in. I apologise that I was not present earlier to ask the Urgent Question in my name. I was on a plane that was delayed getting into Gatwick Airport.

There are lots of things I find difficult to take about the Statement. The Prime Minister rants against Parliament. He describes the legislation that this House passed earlier this month is described as a “surrender Act”. That is insulting. I also find it difficult to accept

[LORD WALLACE OF TANKERNESS]

that coming from a man who, if he really wanted Britain to leave the European Union, could have voted for the deal that was put before the House of Commons. Two times out of three he did not support it, which is indicative of the man. In fact, the one time that he supported the deal it included the backstop, which he now describes as undemocratic. We have a Prime Minister who is prepared to support something when it suits him although he actually believes—or at least says he believes—that it is undemocratic.

Amid the inevitable furore, let us take a step back and consider what, at the core, the Supreme Court's decision yesterday was about. In giving advice to the Queen, the Prime Minister acted unlawfully and accordingly, the purported Prorogation of the present Session of Parliament was of no effect. As the judgment of the Supreme Court stated, it was,

“as if the Commissioners had walked into Parliament with a blank piece of paper. It too was unlawful, null and of no effect”.

That is both profound and momentous, and I believe it requires contrition and humility, not the kind of bombast that we have heard this evening.

As the noble Baroness, Lady Smith of Basildon, indicated, it is a comment on her prescience and that of my noble friend Lord Newby that they decided to have no part in that Commission. I have probably known the Lord Speaker for over 35 years, as I have known the noble and learned Lord, Lord Hope of Craighead, for over 40 years. I do not believe for one moment that they, in the words of the judgment, were, “carrying out the Queen's bidding”,

in a way which was not in good faith. I believe that is the case but I am not quite sure the same could be said about the Leader of our House, the noble Baroness, Lady Evans. She has some questions to answer, both as Leader of your Lordships' House and as one who attended that Privy Council meeting at Balmoral when the unlawful order was made.

In the Supreme Court and the Inner House of the Court of Session, the judges placed much weight on the fact that in neither the Cherry case nor the Miller case was any explanation given by the Government as to why an exceptionally long period was required for this purported Prorogation. The Statement from the Prime Minister refers to,

“the exact same process as my predecessors”,

but the evidence of Sir John Major in the Supreme Court blew out of the water the proffered explanation that it was needed to prepare a Queen's Speech. Does the noble Baroness have any other explanation? She must have known from precedent that five weeks was not needed. Indeed, when I asked her why no recess dates had been set for the conference season earlier this month, she told me, “There's always been a conference recess for as long as we can remember”. For as long as we can remember, there have never been five weeks needed for a Prorogation. Did she, as the noble Baroness, Lady Smith of Basildon, asked, have sight of the legal advice? Did she ask for sight of it? As a member of the law officers' trade union, I uphold the convention that one should not lightly disclose law officers' advice. But as the noble Baroness, Lady Smith, has said, the fact

that legal advice was sought in itself suggests that to seek a Prorogation in these circumstances was on dodgy ground.

In response to the earlier repeat of an Urgent Question to the Attorney-General by the noble Earl, Lord Howe, my noble friend Lord Campbell of Pittenweem and the noble Lord, Lord Browne of Ladyton, asked why no Minister—let alone the Prime Minister—had sworn an affidavit to put before the court to explain the reason for such an exceptionally long period of Prorogation. They asked whether it was because they did not wish to perjure themselves. Can the noble Baroness explain why no affidavit was forthcoming from either the Prime Minister or any member of this Government?

Reading the judgment, there are two key features in why the Supreme Court reached the view that it did. It believed that the sovereignty of Parliament was being undermined if the Prime Minister could advise a Prorogation for an exceptional length of time; and that Parliament has a key role in holding the Executive to account, which would be frustrated by an exceptionally long Prorogation. There is of course a distinction between Prorogation and recess: during Prorogation, committees cannot meet and Parliament cannot be recalled, except in very exceptional circumstances. The subject matter of the Statements and UQs that we have had today—on the collapse of Thomas Cook, Operation Yellowhammer and the situation in Iran, to which one could add issues such as the granting of an arms export licence to Saudi Arabia in contravention of a court order—illustrates just how crucial it is that Parliament is able to hold the Government to account. Yet this Government wanted to frustrate that for five weeks.

In paragraph 61 of the judgment, the Supreme Court says:

“It is impossible for us to conclude, on the evidence which has been put before us, that there was any reason—let alone a good reason—to advise Her Majesty to prorogue Parliament for five weeks, from 9 or 12 September until 14 October”.

Ministers have rightly said that they will respect the Supreme Court's judgment, but as the Statement from this Prime Minister makes clear, they then say that they think the Supreme Court got it wrong. Will the noble Baroness, Lady Evans, tell us, specifically, which parts of the Supreme Court's judgment are wrong and why? Does she support the sovereignty of Parliament? Does she support the idea that Parliament should hold the Executive to account? Does she accept that Prorogation for such an extended period of time would have undermined both these cardinal principles of our constitution?

While the Supreme Court did not speculate on motive, the Inner House of the Court of Session, reaching the same conclusion, did consider motive. Lord President Carloway, at paragraph 53 of his judgment, said:

“The circumstances demonstrate the true reason is to reduce the time available for the scrutiny of Brexit at a time when such scrutiny would appear to be a matter of considerable importance”.

The Supreme Court neither disapproved nor disavowed the findings of the Court of Session. It is clear that senior judges did not find credible the public explanation of the Prime Minister of why he sought a Prorogation

of such exceptional length; it is quite a staggering conclusion for the court to reach and quite an indictment of this Administration. Will the noble Baroness confirm, given this Administration's track record, that if no deal is reached by 19 October, the Prime Minister will abide by the law passed by Parliament just before the attempted Prorogation—no ifs, no buts, and no second letters?

I understand that this morning Mr Michael Gove described the Prime Minister as the Pep Guardiola of British politics. Let us look at his record since he came into office just two months ago: parliamentary by-elections—lost 1-0; House of Commons votes—lost 6-0; appearances before the Supreme Court—lost 11-0. If Pep Guardiola had that record, I am sure that he would be considering his position—it is time the Prime Minister did likewise.

Baroness Evans of Bowes Park: I thank the noble Baroness, Lady Smith, and the noble and learned Lord, Lord Wallace, for their comments. First, can I say that this Government have the highest respect for our judiciary? The independence of our judiciary is a fundamental part of the rule of law and the basis of our democracy—I am very happy to put that on record.

The noble Baroness, Lady Smith, was, of course, right to say that the Supreme Court judgment was unanimous, but she will also recognise there were disagreements in relation to these complex matters. The divisional court, led by the Lord Chief Justice, agreed unanimously with the Government's position, as did Lord Doherty in the Outer House of Scotland. We were disappointed in the end that the Supreme Court had a different view, but, of course, we entirely respect their judgment, and they had every right to do so.

The noble and learned Lord, Lord Wallace, asked about an affidavit. The reasons for the decision were set out in the documents that were provided to the court, and the Government's written case remains available on the website. The court did not say that the Prime Minister should have given evidence, and my understanding is that it would have been unprecedented for him to have done so. Ultimately, the court did not find the evidence justified Prorogation—we regret that, but that is a matter for the court to decide, and they have done so. The noble Baroness, Lady Smith, asked about my attendance in the Privy Council. Before attending the meeting of the Privy Council, I both sought and received confirmation that in the legal opinion of the Attorney General, the Prorogation was lawful and so I believed it was appropriate for me to do my duty as a Privy Counsellor as I was asked to do. I also took part in the Prorogation ceremony as part of my role as the Leader of the House, and I can say I did so in the utmost good faith. The noble and learned Lord, Lord Wallace, also asked about whether the Government would comply with the law: we will.

7.24 pm

Lord Cormack (Con): My Lords, I have every sympathy with my noble friend, but that was the most disgraceful Prime Ministerial Statement I have heard in my 50-odd

years in this Parliament. What is he trying to do? Set up an election that is the people versus Parliament—that is what he is trying to do. If that is what he does, he will cause enormous and lasting damage to both Houses and to the constitution of the finest country in the world. The Prime Minister has made me ashamed, more than I have felt ashamed for a long time—and I have felt ashamed a lot over the past three years. The Prime Minister's disgraceful Statement is something that appals us all. Will my noble friend, for whom I have personal regard and deepest sympathy, please convey to him just how angry he has made many of us?

Baroness Evans of Bowes Park: I thank my noble friend for his comments; he made his point forcefully and I am sorry about the way he feels. I assure him that we are working hard and flat out to get a deal. That is what we want to do, that is what we are focusing on, and the Prime Minister has put a lot of effort and energy into doing so. Talks are taking place between officials in Brussels today. At UNGA only a couple of days ago, he had a number of conversations with, for instance, Chancellor Merkel, President Macron, Prime Minister Rutte, the Taoiseach and EU Council President Tusk. We are focused on getting a deal so that we can leave the EU in the manner that we all wish.

Lord Winston (Lab): My Lords, I am deeply sorry that the noble Baroness feels the necessity, as she of course does, to give this Statement from the Prime Minister. It is deeply embarrassing, and I am sure that she felt embarrassed. I felt very sorry for her until I heard her response to our Front Bench and that of the Liberal Democrats. I increasingly feel that, as she has represented the House of Lords, and as she was one of the three people who delivered this illegal information to the Queen, has she considered her own position in representing the House of Lords as its Leader?

Baroness Evans of Bowes Park: As I said, I went to the Privy Council meeting as requested and I did so in good faith. At that point, until the judgment of the Supreme Court, the advice was lawful and the Attorney-General considered that it was sound advice. The Supreme Court has made a judgment that has changed the law. Obviously, that means that the situation has changed, but I did what I was asked to do in good faith and on the basis of the legal advice that was given at the time.

Lord Judge (CB): May I seek to reduce the temperature? The judgment of the Supreme Court will be of considerable constitutional significance for centuries. Brexit will have come and gone. We may have got back in, come out again, got back in and come out again, but this judgment will still retain the authority that it has. The Statement from the Prime Minister reminds me that one of his Ministers suggested that the judgment represented a coup by the judiciary. Well, I was in Canada at the time and did not have my English dictionary there, but it is a very strange coup that orders the Executive to open the gates of the House of Commons and the House of Lords so that the Members

[LORD JUDGE]

of both Houses may say that which they are free to say. The Statement was rather along those lines, and therefore a disappointment.

What is demonstrated by this judgment is that where the Executive exercise a pretended power—I use the word quite deliberately and advisedly, because I lift it direct from the Act of Settlement following the Bill of Rights—to silence Parliament, to avoid its scrutiny by shutting it down, the courts will step in to support and protect Parliament, the legislature, against the Executive. The last time I can think of when Parliament was closed down was when Oliver Cromwell went into the House of Commons and told them all to go home. This does not happen very often, so in a sense the decision of the Supreme Court was a revolutionary decision—but thank goodness it does not happen very often.

There is a simple way of looking at the judgment, and I shall not go beyond this. It is simply a modern manifestation of our ancient constitutional aversion to arbitrary, unchecked exercise of executive power. That is what this judgment is, that is why it matters and why, when some Government in far-off days to come decide that they too might take the arbitrary step to prorogue weeks before it is necessary, they might return to this judgment and remind themselves of these ancient constitutional principles.

But there is something else. Forgive me: I understand the deep political passion of the speeches we have heard. I also understand the amount of political froth that can be generated by an examination of these questions and I can understand how we can spend hours, like children in the playroom, saying, “The Prime Minister has been humiliated by this judgment”. “Oh, no, he hasn’t—he’s had a setback”. “Oh, no, he hasn’t”. Can we just remember what the point of this judgment is? We have more time. We are overlooking that this is the point of the judgment. We have more time to sort out the mess into which our political processes have led the Brexit debate, a mess that is damaging our public’s attitude and belief in their own political systems day by day. My question for the Minister—I put it to members of all parties—is, what are we going to do with the time we have been given?

Baroness Evans of Bowes Park: I thank the noble and learned Lord for that contribution. He is absolutely right that this has significant implications. We accept the judgment and accept that we lost the case, and he is absolutely right that this judgment will be something everyone will adhere to and look to going forward. As for what we do next, my noble friend the Chief Whip has set out business for the rest of this week and we are having discussions through the usual channels about business for next week. Those discussions will continue. Noble Lords have been very clear about the importance of continuing government business—they will see that tomorrow, for instance, we are continuing to look at various statutory instruments. We hope to have other legislation to bring forward, but of course we will talk with the usual channels to make sure we make the best of the time we have and work with the House to ensure that we are covering topics that people want to discuss.

Lord Foulkes of Cumnock (Lab Co-op): My Lords, has the Leader of the House come to the conclusion that the nature and tenor of this Statement confirm that the prorogation was indeed a political act, and that that is why there was no sworn statement to the court? I have great respect, personally, for the Leader of the House. Indeed, I would go so far as to say I have an affection for the Leader of the House. She has been particularly kind to me recently. She attended as one of the three privy counsellors, and she misled Her Majesty the Queen. She has said quite clearly, and I accept it, that she did it in all good faith: she was herself misled before she went to see the Queen at that Privy Council meeting. I am not going to say that she should consider her position at this point, but is she not going to find it increasingly difficult to come to this House, where as Leader she represents the whole House, and repeat the kind of Statement we have just heard from this discredited Prime Minister?

Baroness Evans of Bowes Park: The reaction of the noble Lord, and this House, to the Statement have been quite clear. There is not much I can say: I am repeating the Statement, but I have heard what the House feels about it. All I can say to the noble Lord is that I continue to try to be—I am—the voice of the House of Lords in Cabinet. I speak for this House, I put forward the representations of this House and I am very happy to put forward the representations I have heard in the Chamber today. I thank him for his kind words. As I mentioned to the noble and learned Lord, Lord Wallace, the court did not say that the Prime Minister should have given evidence, and my understanding is that it would have been unprecedented for him to do so.

Lord Howell of Guildford (Con): To try and strike a more positive note, has my noble friend noticed, in the last eight or 10 days, that the great organs of the media—the *Financial Times*, the *Times*, the *Telegraph*, and indeed the *Daily Mail*, but also Sky television and the BBC, have all changed their tune? They all said a fortnight ago that any change in the withdrawal agreement was impossible and could not be reopened, and that they had heard it from Brussels that there could be no shifting on the Irish border situation. They are now all arguing that maybe it is possible that all the constituencies involved, in Belfast, Dublin, Brussels, and here in the House of Commons, may be coming together on changes that make it possible for there to be an invisible border with, nevertheless, the integrity of the EU and of the United Kingdom preserved. Would she like to bear that in mind, and might that not bring a little cheer to this rather gloomy debate?

Baroness Evans of Bowes Park: I thank my noble friend. He is right that progress is being made. I am not saying that there are not significant hurdles still to get through—there are; but we are having constructive talks. As I said, talks are going on today and there will be a further schedule of meetings going on. We have been having detailed discussions focused on finding an alternative to the backstop. Ideas that we have put forward to avoid a hard border include alternative customs arrangements, alternative arrangements for

ensuring regulatory compliance, a single SPS area for Ireland and how to ensure consent from Northern Ireland. We are discussing these issues and are making progress. That is an absolute focus of this Government, because we want to achieve a deal. Obviously, the EU Council meeting in the next couple of weeks will be a critical part of that process.

Baroness Donaghy (Lab): May I ask the Leader of the House for an assurance that the tone of this Statement goes against everything that this House stands for and, I think, everything that the House of Commons stands for? We live in dark times, where MPs receive death threats. They are trolled; they receive the most obscene messages on any of the media communications that they have. We have had one MP who was actually murdered. These are the kind of words that come out in the Statement:

“Out of sheer selfishness and political cowardice, this Parliament is unwilling to move aside. ... They do not care about the bill for hundreds of millions ... they do not care if another year ... is wasted”.

The noble Baroness has huge respect for her fight on equal opportunities and against bullying and harassment. Will she use her good offices in Cabinet to try to undermine this kind of attitude? I believe that we are putting the health and safety of our Members of Parliament in danger with this kind of behaviour.

Baroness Evans of Bowes Park: I thank the noble Baroness and pay tribute to her work and the support she has shown in this area as well. I am very aware of the environment within which we are all working in this House and in the House of Commons and the incredible job that Peers across the House and MPs across the House of Commons do to represent their constituents to put forward important views, discuss and debate them, and scrutinise legislation. This House made very clear to me today, and also more broadly, its concern about the tone used in the Statement. That is clear; I will reflect that back.

Lord Campbell of Pittenweem (LD): My Lords, my initial indignation about the Statement has been replaced rather by disappointment. Let me begin by saying that I have very great sympathy with the Leader of the House having to repeat this. It is a Statement that is vacuous; it lacks contrition or substance; and it fails, in my view, to make the kind of public apology to Her Majesty the Queen that is necessary in circumstances where she has been drawn into the political arena—not helped, if I may say so, by some of the observations of a previous Prime Minister.

The Statement says that:

“It is absolutely no disrespect to the judiciary”,

but that is the oldest form of weasel words. It goes on to say:

“the court was wrong to pronounce on what is essentially a political question at a time of great national controversy”,

emphasising the belief that the court was wrong. Then we look at the next paragraph, which says:

“So we have Opposition MPs who block and delay everything, running to the courts”.

What is that other than deliberately pejorative language, no doubt for the purpose in mind? To “block” is a pejorative word and “delay” even more.

Then we come to the least attractive feature of this Statement, which says that measures are delayed, “including legislation on the NHS”,

suggesting that those that who run to the courts obstruct the good practice and the expansion of the National Health Service. If ever there were a piece of sleight of hand, to put it mildly, it is contained in that. Even more so is,

“and keeping violent criminals in jail”.

So those who went to court are to be blamed for adverse effects on the National Health Service and on keeping violent criminals in jail. That is why I am disappointed.

The Prime Minister had an opportunity to rise to the occasion, but he chose not to take it. I fear that that is precisely the judgment that not only Members of this House have formed, but which the public increasingly will form. It says a great deal about this Prime Minister—I will not rehearse his failures, as put so eloquently by my noble and learned friend Lord Wallace—that, at a time such as this, he is incapable of rising to the occasion.

I ask the Leader of the House one question: why did she feel it necessary to ask to see the legal advice about Prorogation? If Prorogation is a routine matter, as has been suggested, why was it necessary for her to be shown the legal advice that justified it? The inference that some might draw is that this was already accepted to be an unusual Prorogation.

Baroness Evans of Bowes Park: First, the Prime Minister and this Government have made it clear—it was the first thing that I said in response to the first comments—that we have the highest respect for our judiciary, their independence and the work that they do. I am happy to put that on record again. In relation to the noble Lord’s question about the legal advice, as I said, I sought and received confirmation that the Prorogation was lawful. Therefore, on that basis, I attended the Privy Council.

Lord Davies of Stamford (Lab): My Lords, I shall be exceedingly brief. A quality shines through the whole of this affair which is reflected in the way that the Prime Minister casually contemplated breaking the law. It was certainly reflected in his attitude towards Prorogation, in his complete lack of any kind of contrition in the light of the court’s judgment and in the appalling drafting of the Statement that the noble Baroness read out to us this afternoon. That quality is arrogance or, if noble Lords prefer a Greek word, hubris. Those closer to the Prime Minister than I am or wish to be, or those who hope for a political future for him, might do well in the next few days to ask him whether he wishes that quality to be the mark of the rest of his Administration, whether that be short or long.

Baroness Evans of Bowes Park: All I can say to the noble Lord is that we acted in good faith and in the belief that our approach was lawful and constitutional. I know that the noble Lord is extremely concerned

[**BARONESS EVANS OF BOWES PARK**]

about the negotiations with the EU and ensuring that we come to a good deal. The Government are fully committed to the negotiations and are attempting to achieve a result so that we can have a strong, positive relationship with our EU partners going forward, we can leave the EU with a deal that is good for both sides and we can build on the strong relationship that we want to have going forward.

The Lord Bishop of Durham: My Lords, speaking on behalf of these Benches, I struggle to have to say that I was shocked as I listened to the repeat of the Statement. I could not believe that I was hearing it, from someone who knows that the nation is deeply divided and needs to find ways of working together. We need humility, repentance when necessary and an approach that listens carefully to the views of others rather than simply “Attack, attack, attack”. The Leader was not in the House earlier when my most reverend friend the Archbishop of Canterbury was here, but I encourage her to read his comments about the need for reconciliation—to find a different way forward to work together that is good for the nation. In one sense I am simply adding to the mood of the House as a whole, but I come at it from a very different point of view; I am not part of a political party and I have no axe to grind. I simply want to reflect that this was terrible. It was shocking. It is not worthy. I am sorry.

Baroness Evans of Bowes Park: My noble friend spoke to me following the most reverend Primate’s comments earlier, and I look forward to reading the words that he said; I know that he has said a lot on this issue publicly and has concerns in this area. We will look to work on them.

Lord Horam (Con): My Lords, I want to follow what the right reverend Prelate the Bishop of Durham said about the need for compromise and the abhorrence of confrontation. I said in my speech in the debate that has just been interrupted that confrontation is the wrong way forward. Can I raise a separate and slightly more rational—or less emotional—issue? There was surprise, I think among jurists as well as lay men, that the decision of the Supreme Court was unanimous, with all 11 judges coming to the same conclusion. Yet on the issue of justiciability, there was not unanimity between the High Court in England and the Scottish court. Clearly, there is an issue, particularly because, as I understand it, the way in which the Supreme Court put it was that the action of the Prime Minister was unlawful in these rather unusual circumstances. As a lay man who is not a lawyer, I would like the issue of when an action of the Prime Minister is justiciable to be explored further, so that Parliament and people generally can understand where we are.

Baroness Evans of Bowes Park: My noble friend is right that this was a complex matter. As I said in an earlier answer, there were differing views among different courts and senior and distinguished lawyers. However, as the noble Baroness said, the Supreme Court came to a unanimous verdict. As the noble and learned

Lord, Lord Judge, said, the ruling will have a long-reaching and long-lasting impact, and we will all reflect on that over the coming months.

Baroness Symons of Vernham Dean (Lab): My Lords, what I am about to say in no way reflects on the noble Baroness’s good faith. I do not think that anybody in this House has any doubt that she is doing her best. Personally, like my noble friend Lord Winston, I genuinely feel extremely sorry that she has had to deliver such an extraordinary rant to your Lordships. I say very gently to her I am sorry, too, that she was not here for the three earlier debates this afternoon. I know that it is difficult to prepare for questions—I have been Deputy Leader of the House and know exactly what it is like when you are in a difficult situation—but she really might have listened in person to some of what was said, and then she might have been able to understand the feeling of this House about what has happened.

The Supreme Court’s judgment was not nuanced. As we all know, it was completely unanimous. I do not know whether the noble Baroness listened to the judgment by the President of the Supreme Court. It was extraordinarily lucid and absolutely clear. You did not have to be a politician to understand it, because it was very clear what was being said by all 11 judges. They are not all politically fixed; they have many different backgrounds. It was unequivocal, and nothing in the Statement acknowledges that.

I have two questions for the noble Baroness; I am sorry because I expect they are rather difficult to answer. She is a member of the Cabinet and says she was told by the Attorney-General that the prorogement was lawful. Did she see the Attorney-General’s advice? That is the crucial question that the noble Baroness has to answer. Did she ask to see the advice, and did she see it? Or, like Amber Rudd, did she ask to see it, was told that she would see it and believes that it was intercepted by Downing Street?

Secondly, was the issue of the prorogement discussed in Cabinet? Was it discussed round the Cabinet table, not in little side conversations, or did the Prime Minister seek to do the same thing that he has done with Parliament—bypassing Parliament and the Cabinet too? Those are two very straightforward questions which really deserve yes or no answers.

Baroness Evans of Bowes Park: In relation to the noble Baroness’s point about the decision, I have said repeatedly that we accept the judgment and we accept that we lost the case. I will not comment on Cabinet discussions—I never have, and I am not going to start now. As I said, I was not stopped from seeing the legal advice; I sought and received confirmation of it from the Attorney-General and that he believed that the advice was lawful.

Baroness Symons of Vernham Dean: Did you ask for the advice?

Baroness Evans of Bowes Park: I did not ask for the advice; I accepted the word of the senior law officer that in his view it was lawful and constitutional. I am not a lawyer and I took that in good and sound faith and believed at that point that his advice was lawful.

Indeed, as we have said, other distinguished lawyers agreed. The Supreme Court has made a ruling that is different—we accept that and we will abide by it. When I went to the Privy Council meeting, I did it on the back of the legal advice that the senior lawyer had given.

Lord Caine (Con): My Lords, my noble friend referred to alternative arrangements in Northern Ireland. She will be aware that there has been some speculation in recent days and weeks, particularly following the Prime Minister's visit to Dublin, that the idea of a Northern Ireland-only backstop might be put back on the table as an option. Whatever bespoke arrangements might be made, will she give me a categorical assurance that there will be no question of Northern Ireland ever being placed in a separate customs union to Great Britain, the effect of which would be to create a hard border within the United Kingdom and to undermine the consent principle in the Belfast agreement?

Baroness Evans of Bowes Park: We have made very clear our continuing commitment to the Belfast agreement in ensuring that we do everything to uphold it. We have also been very clear about the importance of the union and ensuring that as a United Kingdom we leave the EU together. We recognise that, for reasons of geography and economics, agri-food is increasingly managed on a common basis across the island of Ireland, and we are ready to find a way forward that recognises this reality, provided that it enjoys the consent of all parties and institutions with an interest.

Lord Inglewood (Non-Aff): The noble Baroness the Leader of the House said—and I paraphrase—that the Prime Minister disagreed with the decision of the Supreme Court. That being the case, it seems to me that there are really only two possible ways of disagreeing: one is that, as a non-qualified person legally, he disagreed with the 11 judges of the Supreme Court on grounds of law, or, alternatively, that the Supreme Court did not allow itself to be swayed by political considerations. Will the noble Baroness please tell me which is the case?

Baroness Evans of Bowes Park: The Supreme Court looked at the evidence before it and at the Government's case and unfortunately the judgment went against the Government. The Supreme Court has made its decision; the legal position is now clear. We have accepted that judgment and we accept that we have lost the case.

Lord Clark of Windermere (Lab): My Lords, I had not intended to participate. I entered Parliament at the same time as the noble Lord, Lord Cormack, and have heard hundreds of Statements, but I have to say that this Statement is the most disgraceful that I have ever heard. It is not the disgrace or the politics that concern me, but that it is a dangerous Statement—incredibly dangerous. We are going through a period where democracy in Britain is being challenged in a way that it has not been since the 1930s. I pick that date quite deliberately.

As we have already heard today, MPs are under severe threat. I loved doing that job, but I am very glad that I am not an elected Member of Parliament these

days. One Member has already been murdered and another was not only threatened but action was planned for her murder. The person perpetrating, or about to perpetrate, that crime ended up in court and was given a prison sentence. There are other cases that we do not know or talk about.

My point—and I would be very grateful if the noble Baroness would pass it on to the Cabinet; I am sure she will—is that we must be very careful with the words that we use if we are not going to enflame the situation in a nation that is almost split in half. As the right reverend Prelate the Bishop of Durham has already said, we all need to approach this with humility and try to be positive in finding our way forward.

Baroness Evans of Bowes Park: The noble Lord makes a powerful point and does so extremely well. It will certainly be reflected on. I have already made a commitment to the House that I will pass on to my Cabinet colleagues the views of this House and the concerns that have been raised.

Lord Harris of Haringey (Lab): My Lords, I think the whole House is sympathetic to the noble Baroness the Lord Privy Seal. We understand the position that she is in. I accept, and I think all my colleagues accept, that she personally has sought to act in good faith throughout this. However, the Supreme Court has found that the advice given to the Queen was unlawful. The noble Baroness was part of that process—again, I accept that she was acting in good faith—but the response has been to say nothing other than, “We accept the decision of the court”. Where is the apology to the Queen? Where is the apology to both Houses? Where is the apology to the public? We have talked about trying to lower the temperature and trying to avoid a situation in which there is more violence in public life. Perhaps some show of contrition from the Government would be helpful at this point.

I closely observed the present Prime Minister during his eight years as Mayor of London. I know that it is not necessarily part of his nature to be contrite, but perhaps, on his behalf, the noble Baroness could say now that she accepts that this was wrong and that the Government apologise. Looking at the faces of some of her colleagues behind her, I think that that would be well received on her Benches as well as by the rest of the House.

Baroness Evans of Bowes Park: As I have said repeatedly to noble Lords, we did act in good faith. The Supreme Court has found against the case that we put forward and we accept that. We will reflect on that judgment and we will abide by it. The Prime Minister has spoken to the Queen—I have no idea what that conversation involved—and, as I have said, I will reflect back the views of this House and its reaction to the Statement today.

Lord Greaves (LD): My Lords, in my lifetime, from Mr Attlee to Mrs May, there have been, I think, 13 Prime Ministers before the present one. Would the Leader of the House like to hazard a guess as to how many of them would not have thought it necessary to

[LORD GREAVES]

tender their resignation in the face of such a shattering and astonishing decision against them by the Supreme Court? Secondly, I think she said that the Supreme Court had changed the law. I am not a lawyer but I watched a lot of the Supreme Court proceedings with fascination, as no doubt many other noble Lords did. The very clear impression I got was that the Supreme Court was not trying to change the law; it spent a lot of time trying to establish exactly what the law is and, having decided that, then had the decision to make as to whether or not it had been broken.

Baroness Evans of Bowes Park: In the other place, the Attorney-General said:

“The Supreme Court has made new law ... from now on, the prerogative power”,

can be a justiciable subject and the implications,

“for the future of our constitutional arrangements will have to be reflected upon”.

Lord Ricketts (CB): My Lords, the striking unanimity in this House will not be missed abroad. Our European partners will be reading this Statement as much as we are. The Prime Minister has some interesting comments about the state of the negotiations and takes a very optimistic view of the likelihood of negotiating changes to the withdrawal agreement. One of the things European leaders will want to judge in deciding whether to make any moves in negotiations is whether the Prime Minister can get another deal through Parliament. I wonder whether the noble Baroness has any thoughts on how they will judge that likelihood in the light of the tone of this Statement towards his own Parliament.

Baroness Evans of Bowes Park: The Prime Minister has been making it very clear to our European colleagues that the biggest issue MPs in the other place had in relation to the withdrawal agreement that was put forward was the backstop. That is why intensive efforts have been focused on trying to amend and change that element, because that is what raised most concerns. That is what he has been talking about with other leaders—I mentioned a number of them who he has been speaking to—and that is the focus of meetings with officials in Brussels. That is the focus because we want to get a deal. We are working very hard to get a deal and we are honing in and focusing on the element that MPs were particularly concerned about, which was a reason that the deal did not get through, despite three attempts to get a vote in favour of it from the other place.

Lord Empey (UUP): My Lords, following on from the comments made by the noble and learned Lord, Lord Judge, and the noble Lord, Lord Howell, about the use of time, we have spent far too long arguing about the outcome of a referendum and very little time on possible solutions. Will the Leader of the House tell me whether, during her discussions with the usual channels, some attempt will be made to give Members the opportunity to look at, debate and try to provide alternatives? That is the only way we will solve this. There is nobody in Parliament, in any party, who has completely clean hands on the issue of where we are today. Some people were advocating referenda

years before anybody else and other people have been arguing the toss since it happened—554 Members of the other place voted for it. Can the Leader of the House ensure that, in discussions with the usual channels, we are given that opportunity? Some of us have ideas as to how we can replace the backstop with something that will work. People want a solution to this and that is what Parliament is supposed to do.

Baroness Evans of Bowes Park: The noble Lord is absolutely right. I know he has been doing a lot of work in this area. A lot of work has been going on, both in working groups within government and externally. Ideas have been generated from Members across this House and from colleagues in the other place. He will be pleased to see that my noble friend the Chief Whip is sitting next to me, who I am sure has heard what the noble Lord said. We all want to come to a point where we can have a good deal with the EU, so that we can leave and have a strong relationship going forward. That is what we are focused on. All contributions, help and thought towards achieving that are what we want; we want to come together so that we can move on, focus on the issues that matter to the British people and develop a strong, positive relationship with the European Union going forward.

Iran Statement

8.04 pm

The Earl of Courtown (Con): My Lords, I will now repeat a Statement made in another place:

“With your permission, Mr Speaker, I would like to make a statement on Iran. The United Kingdom has always been clear-sighted about our engagement with Iran. We want to see Iran come in from the cold, but that can only happen if it shows respect for the basic principles of the rules-based international system. Iran’s violations are not mere technical breaches of international rules. They are serious and systemic, destabilising actions that undermine the international rule of law. These actions must have consequences.

Take, first, the recent attacks on the Aramco facilities in Saudi Arabia. On 14 September, 18 drones and seven cruise missiles hit an oil field and processing facility. As the United Kingdom Government, we took our time to assess the facts carefully and independently. We are now confident that Iran was responsible. The evidence is clear, and there is no plausible alternative explanation. This conduct amounts to an armed attack on Saudi Arabia, a violation of one of the basic principles of international law and the UN Charter. The attacks caused serious damage in Saudi Arabia and affected 5% of the world’s oil supply. In these circumstances, the UK has sought and will continue to seek to de-escalate tensions.

Our response to this incident is an acid test of our resolve. We have condemned the attacks in co-ordination not just with Saudi Arabia and the United States but with our European partners. I draw the attention of the House to the E3 statement released yesterday after the meetings in New York. We will now continue to work with the widest international support to determine the most effective response.

At the same time, Iran's attacks on the Aramco facilities are a reminder of the importance of ensuring that Iran never gains access to nuclear weapons. That is why the UK remains committed to the 2015 Joint Comprehensive Plan of Action, notwithstanding US withdrawal.

Equally, we have always recognised that it is not a perfect deal. The JCPOA has its strengths, including its provisions granting the IAEA unfettered access to Iran's nuclear facilities, but it also has limitations. Its provisions are time limited, with some expiring next year, and it was never designed to address our long-standing concerns about Iran's wider destabilising behaviour in the region. Since May, Iran has gradually reduced its compliance with key aspects of the JCPOA, putting the deal at risk. Before any wider progress is possible, Iran must reverse those steps and come back into full compliance.

At the same time, as both President Trump and President Macron have said, we can improve on the JCPOA. Ultimately, we need a long-term framework that provides greater certainty over Iran's nuclear programme. As the attack on Aramco demonstrates, we must also bring into scope Iran's wider destabilising activities. That includes putting an end to Iran's violations of freedom of navigation, which are disrupting shipping in the Strait of Hormuz and undermining the international law of the sea.

Alongside our partners—the US, Australia, Saudi Arabia and Bahrain—we remain committed to the International Maritime Security Construct, to ensure freedom of navigation in the region. We also welcome European-led initiatives to achieve the same goals. We want the widest possible international support to uphold the rules-based international order.

We must also see an end to Iran's interference in Yemen, which has stoked further conflict through support for the Houthi rebels and fuelled the greatest humanitarian crisis in the world today. A political solution is the only viable way to bring peace to that terrible conflict. Iran must start to play a constructive instead of a destructive role.

Finally, when it comes to respecting international law, Iran's dire human rights record continues to be of serious concern to the United Kingdom, especially its practice of arbitrary detention of dual-nationals. Today, there is a range of UK dual-nationals languishing in jail in Iran, typically arrested on spurious charges, denied due process and subject to mistreatment contrary to international human rights law. This practice causes great anguish and suffering, not just to those detained but to their families. Iran's behaviour is unlawful, cruel and totally unacceptable. I have raised all these cases, along with Iran's wider conduct, with Foreign Minister Zarif. The Prime Minister raised the cases with President Rouhani yesterday in New York, and we will continue to press for their release.

Iran's record of respect for the basic rules of international law is woeful, and it is getting worse. Let us be clear about the Iranian Government's responsibility for the plight of its own people. It is a matter of political choice: their Government's choice. Even now, we retain the hope that we can work with Iran and our international partners to de-escalate tensions, rebuild

confidence and establish a clear path for Iran towards international respectability. Iran is a proud nation: it has a rich history and remarkable economic potential. It is held back by a regime that fails to respect the fundamental tenets of the rules-based international system.

Iran faces a choice. It can double down on its approach, in which case international opposition to its behaviour will only intensify, or it can take immediate steps to de-escalate tensions and rebuild international confidence by respecting international law and reducing the range of threats it presents to its neighbours. That is the only path to stability and prosperity for Iran and the wider region. I commend this Statement to the House."

8.11 pm

Lord McNicol of West Kilbride (Lab): My Lords, I welcome both the tone and, more importantly, the content of the Statement. It is in stark contrast to the previous Statement. I thank the Government Chief Whip for the advance copy of the Statement.

The Foreign Secretary is right to make it clear that international law must be upheld in all circumstances, that Iran was, in all likelihood, responsible for the recent drone attacks and that such actions are unacceptable. Amid the rising tensions between Iran and Saudi Arabia, the UK must be a force for peace and stability on the international stage. We cannot be that when the Prime Minister will not rule out the possibility of adding UK troops to the melting pot of tensions in what appears to be a bid to appease President Trump. Foremost consideration should be given to defusing the situation and bringing peace to the region.

The Minister will be aware of the efforts by President Macron of France—in fact, he touched on them in the Statement—to act as a mediator in this situation. Apart from the joint statement with the US, France and Germany, can the noble Lord confirm whether the UK was involved in any other discussions with our French counterparts and whether support has been expressed by the Prime Minister to President Macron?

Looking towards a long-term solution for peaceful relations with Iran, it would appear that the Government might have given up hope of resurrecting the Joint Comprehensive Plan of Action. There are justifiable concerns that if Iran resumes its nuclear programme, there will be an arms race across the Middle East, with other countries, especially Saudi Arabia, scrambling to build their own nuclear weapons. It is imperative that all sides return to find an agreement to the nuclear issue as soon as possible. Can the Minister explain what the Government will do to address that specific risk?

It is also concerning that the US's willingness to rip up the JCPOA could set a dangerous precedent, so that similar future agreements are not the worth the paper that they are printed on. Does the Minister share our concern that other rogue states, such as North Korea, might no longer see any incentive to reach any international agreements on their nuclear ambitions? Does he accept that, for all the very grave and serious concerns that we have about Iran's missile technology, its support for terrorism, its record on

[LORD McNICOL OF WEST KILBRIDE]

human rights and the recent tanker attacks, we will never be able to make progress with them on any of those issues as long as they believe that the JCPOA is not upheld? Furthermore, the Prime Minister said earlier this week that his Government would support a new Trump-led deal. Could the Minister detail what he understands would be different in that deal compared to what was previously agreed?

While we remain on the subject of Iran, it is only right that the we discuss the continued imprisonment of Nazanin Zaghari-Ratcliffe and the wider jailing of innocent individuals as diplomatic bargaining chips. It is all well and good that the Prime Minister has asked Mr Rouhani for the immediate release of Nazanin and other dual nationals imprisoned in Iran, but we cannot forget that it was he as Foreign Secretary who worsened the situation by wrongly suggesting that Nazanin was training journalists. Can the Minister confirm whether that incorrect statement by the now Prime Minister was raised with Mr Rouhani in the bilateral meeting? Could he also detail what steps will be taken next by the UK Government along with European partners to secure the release of Nazanin? It is effective diplomacy, not threats and bluster, that will ultimately allow her to return home, and the Prime Minister must find a diplomatic resolution to allow her to return.

Apart from those points, we find the Statement to be positive.

Baroness Northover (LD): My Lords, I too thank the Minister for repeating the Statement.

I declare an interest in that I, with a cross-party group, was the guest of the Saudi Government for one day at the beginning of this week and was shown the damage at the Abqaiq Saudi Aramco site. Clearly this was a sophisticated and extremely well-targeted attack and I note that the Government, along with others, hold Iran responsible. I came away from that visit thinking that we in the UK are so distracted by Brexit that we are not paying sufficient attention to what might become the trigger for further appalling conflict in a very volatile region. I therefore welcome the fact that Parliament was, as it turns out, never prorogued, and that we are here to address this vital issue.

I am very glad that the Minister has said that the Government wish to “de-escalate tensions”. I welcome the fact that the Saudi foreign ministry spokesperson spoke of caution last week. Experts have spoken of this event as possibly having the same effect as that which triggered the First World War. That was repeated in Saudi Arabia, though some pointed to the very different triggers for the Second World War. Still, that is the potential significance of this event.

Does the Minister agree that the US contributed to risks in the region by pulling out of the JCPOA deal and deciding that maximum pressure was the route to go down? Does he recall the effect of the conclusion of the First World War in terms of what happened two decades later?

As the noble Lord, Lord McNicol, has mentioned, the Prime Minister echoed President Trump on Monday in stating that the JCPOA was a bad deal—a deal that was exceptionally difficult to negotiate, as the noble Baroness, Lady Ashton, who is in her place, can surely

attest to. That is a change in our position. Later it was stated that we still supported the deal, which has now morphed into, “We support the deal but we’d like to tweak it and change it”, in order to also align with America. Could the Minister clarify whether the Government still argue that we support that nuclear deal, which was so difficult to negotiate and was a striking achievement? Do we agree that it was of major significance in restraining Iran in the nuclear field? Or are the Government seeking to align more closely with the US than with our European allies?

Speaking at the UN, President Macron said he was hoping for a breakthrough with Iran over the possibility of reopening talks in the coming hours. Can the Minister update us? What representations did the Government make to their US counterparts regarding the importance of that deal? The *Daily Mail* reports that the Prime Minister, on meeting the Iranian President, has now invited him to London. Can the Minister fill us in on the purpose of this visit? Has any progress been made in relation to dual nationals, such as Nazanin Zaghari-Ratcliffe? Did the PM—I echo the noble Lord who spoke before—correct his earlier erroneous statement about her?

We rightly urge adherence to international law, in Saudi Arabia, in Yemen and elsewhere. I note mention within the Statement of Iran’s role in Yemen and not that of Saudi Arabia. We clearly need to engage with Iran to ensure that it too respects international law, whether in relation to sea lanes, as mentioned, or attacks on its neighbours. Does the Minister agree that, especially with a very unpredictable leader in the White House, we must work very closely with our European allies and through the UN on this major crisis? Does he agree that we have the makings of yet another devastating war in the Middle East, and that global statesmanship will be needed if we are to avoid such an outcome?

The Earl of Courtown: My Lords, I thank the noble Lord and the noble Baroness for their questions and contributions to this debate. I hope to address many of the points they raised in one answer, and if I miss anything I will write. Many of the questions involved the JCPOA and its future. We acknowledge that it is not perfect in its present form, but I confirm, as the noble Baroness said, that it has stopped Iran getting a nuclear weapon and we remain committed to that. However, we have always recognised that it did not cover Iran’s dangerous activities in the Gulf. The attack on Saudi oil facilities last week has underlined how much we need to address that area as well. A number of issues have come together: Iran’s increasingly aggressive behaviour and non-compliance with the nuclear deal; and the US policy of maximum pressure. The UK wants to draw on our strong relationship with the US, as well as with our European allies, to work together on a plan that, to repeat the word, de-escalates the situation, because it is a serious situation and the only way forward is to de-escalate it.

The noble Lord, Lord McNicol, mentioned the military input by the Americans. As far as the United Kingdom is concerned, we always take requests from our allies seriously, and we have received requests from

Saudi Arabia to support its air defence systems. We will examine what we can do to help in that defensive respect, but once again, we do not want to escalate things. Helping our allies to secure their territory is important to regional stability.

The noble Lord and the noble Baroness both mentioned dual nationals. As my right honourable friend the Foreign Secretary said in the Statement, he has had regular meetings with Iranian Foreign Secretary Zarif, and the Prime Minister also raised these cases with President Rouhani yesterday in New York. I do not know the exact details of those conversations and what was said in relation either to Mrs Zaghari-Ratcliffe or the others, Australians in many cases, who are detained in Iran. As far as those with Australian passports are concerned—some have British passports as well—Australia is taking the lead.

The noble Baroness and the noble Lord wanted me to confirm that we are working with all our allies on this. I can confirm that a great deal of work has gone on this week in the United Nations. During UNGA, the UK will shine a spotlight on Iran's human rights record and will again bring up the detention of dual nationals. We will host an event with legal experts and international partners to highlight evidence of where Iran is failing to uphold its international obligations.

The noble Lord, Lord McNicol, mentioned President Macron's initiative, which is important. A successor to a nuclear deal will take time to negotiate. In the meantime, we need Iran to comply and the French proposal is one way of encouraging the Iranians back to the table.

There are a couple of issues that I have not covered but I will ensure that I write to the noble Baroness and the noble Lord on those and place copies in the Library.

8.25 pm

Lord Marlesford (Con): My Lords, my noble friend referred rightly to the Iranian "regime". Does he agree that that is the right word to use, given that Iran is run by a tripartite outfit? On the one hand, there is the Iranian Government of President Rouhani, his Foreign Minister and colleagues, who would like to come back into the international community. They are sound and we should encourage them. On the other hand, there is the deep state, represented by the Revolutionary Guard and the military wing, Hezbollah. Then, of course, on top of it all, is the Supreme Leader, the Ayatollah. I am glad to hear about the invitation to President Rouhani to come to Britain, but does my noble friend agree that the best thing we can do is not only to make good relations with the Government but, perhaps through the BBC World Service, explain to the Iranian people that they are being exploited and taken for a ride by the deep state, and denied the prosperity and respect that their great heritage earns them?

The Earl of Courtown: I thank my noble friend for the very interesting points he made, which I will draw to the attention of my colleagues in the department. It is so important that we have engagement through our own diplomatic channels, and through our colleagues and friends in Europe as well as throughout the rest of

the world, to ensure that we de-escalate the issues relating to this region. It is so important that that is achieved, and the sooner the better.

Lord Ricketts (CB): My Lords, the Minister talks a lot about de-escalation, which of course we all want. The Statement contains a lot of useful activity, which I am sure my former colleagues in the Foreign Office are pursuing with their usual vigour. However, I am deeply worried. First of all, there is no united western strategy towards handling Iran; and, secondly, we do not seem to have effective deterrents over the more hard-line elements in the regime that the noble Lord refers to. Of course there is every benefit in seeking dialogue with Mr Rouhani and the more realistic end of the regime, but the hard-liners have taken a series of aggressive and dangerous actions recently, starting with the detention of the British tanker. Incidentally, the Minister might tell us whether the press reports are true and the tanker released from Gibraltar went on to deliver its oil to Syria. If so, that seems a remarkably aggressive action by the deep state in Iran. Then there was the attack on the Saudi oil fields. That was an extremely dangerous and risky escalation, and I have to say that, so far, the response has not been convincing. If I was a hard-liner in Iran, I would feel impunity: that I had got away with making such a dramatic statement on the whole world's oil supply.

I entirely agree with the Minister that we need the widest possible co-ordination. However, it seems to me that we are not succeeding at the moment in convincing the Iranians that we are serious, that we will hold them to account for their behaviour and that there will be serious consequences. This is, after all, a country that has an extremely weak, fragile economy, yet it seems to feel that it can act with impunity in the region.

The Earl of Courtown: My Lords, the noble Lord speaks from great experience in the region and in this subject—far more than I have, I must say. He makes some very good points about how we can develop a strategy that will force Iran to the table so that we can de-escalate for the long-term safely and properly, and bring safety and security to the region as a whole. His points are very valid.

The noble Lord also asked about the oil tanker that was detained in Gibraltar. The decision to release the ship was made by the Government of Gibraltar with, of course, our input. They made that decision based on formal assurances from Iran that the "Grace I" would not deliver oil to Syria. Iran breaking those assurances represents an unacceptable violation of international norms and a morally bankrupt course of action. It is apparent that there are only two established oil refineries in Assad regime-controlled Syria—in Baniyas and Homs. The European Union sanctioned both in 2014 for providing financial support to the Assad regime.

Lord Howell of Guildford (Con): My Lords, I do not want to keep your Lordships from your dinners, but my noble friend Lord Marlesford was absolutely right: we are dealing with not just a Government but a whole number of factions, many empowered by electronic weaponry and electronic communications on a scale

[LORD HOWELL OF GUILDFORD]

that did not exist even 10 years ago. It is a completely new situation. Do we realise that in this new situation talking about a war—“Shall we go to war?”—is an absurdity? In this digital world, a war settles nothing. Low-intensity and low-profile terrorism will continue indefinitely.

Have Her Majesty’s Government drawn two very important conclusions from this whole saga, including the attack on Abqaiq? First, the Saudi defences are incredibly weak, despite its enormous expenditure on conventional weapons, which will not do in this situation. Secondly, have we all noticed that the oil markets, although they spiked for a moment, immediately fell back, the reason being that the world oil supply has changed? Shale oil has changed everything and the significance of Middle East oil has been vastly reduced.

The Earl of Courtown: My Lords, my noble friend makes some good points. On areas of conflict and how to react to them, this is another area in which to talk about how cybersecurity, whatever it may be—whether drones or missiles and how to guard against them—moves apace. It is always a case of catching up to make proper defences in these areas. Yes, as far as the Iranian Government and those involved in government are concerned, there are many different parties to it. That is one reason why the sanctions imposed are against individuals and individual organisations, rather than the country itself. We currently have 250 EU sanction listings in place against Iran for nuclear-related and ballistic missile activity, including against the Islamic Revolutionary Guard Corps in its entirety.

Spending Round 2019

Motion to Take Note (Continued)

8.34 pm

Lord Livermore (Lab): My Lords, I take this opportunity to join others in welcoming the noble Lord, Lord Duncan of Springbank, to his new role.

This spending round claims to turn the page on austerity. Certainly, following the global financial crisis, a period of fiscal retrenchment was undoubtedly necessary. In the decade since the era of austerity began, Britain’s budget deficit has fallen from a peak of £153 billion in 2009-10 to a forecast, prior to this spending review, of £21 billion in 2020-21; the lowest level in 17 years. This is a considerable achievement and the result, as the previous Prime Minister put it and as the Minister repeated, of the hard work of the British people. But it is worth reflecting on who in society worked the hardest, because even in an era of austerity, there are still choices to be made about who should bear the greatest burden. The reality is that the distribution of austerity in the years after 2010 hit the most vulnerable disproportionately hard.

The impact of the austerity implemented between 2010 and 2015 meant that the poorest decile of working-age families was more than 6% worse off. The second poorest decile was more than 5% worse off and the third poorest more than 4% worse off. Meanwhile, money was found to cut the top rate of income tax and, as the Institute for Fiscal Studies put it, households

in the sixth to ninth wealthiest income deciles were protected over this period to a remarkable degree. After 2015, as austerity continued, with cuts to universal credit and a four-year benefits freeze, we again saw a distribution impact that was strongly regressive. A couple with children that is out of work and most in need is now more than £4,000 a year worse off, and a lone parent out of work is £3,500 worse off every year. Even in work, which the benefits system should reward, the cuts to family incomes are large. A lone parent is nearly £1,500 a year worse off, and a couple with children with one earner is £1,000 a year worse off. Yet over this period, while the poorest decile has lost an average of £1,100 a year, the richest decile has actually gained £400 a year. While some of the richest working-age families gain £1,000 a year, the poorest lose £3,000 a year, or 15% of their income.

The consequences of these choices to reallocate available resources away from the bottom half of the income distribution are all around us. Household debt now stands at 139% of disposable income and is forecast to reach 146%. Rough sleeping, which fell by three-quarters under the last Labour Government, has risen by 169% since 2010. Nearly 1,000 Sure Start children’s centres have closed and child poverty is projected to rise a further six percentage points by 2023 to its highest ever level. Given the scale of the sacrifice asked for in this era of austerity, and given that it hit the poorest in our society disproportionately hard, we might hope that the Government would now honour this sacrifice by showing caution in the years ahead. We might hope that they would not take risks with the public finances such that the hard work of the British people is undone, their sacrifices were for nothing and we are taken right back to square one.

However, in his spending review three weeks ago, the Chancellor appeared not to be showing caution but instead to be playing fast and loose with the nation’s finances. Presumably laying the ground for a potential general election, the Chancellor announced an extra £13.4 billion of spending for next year, but as the noble Lord, Lord Young of Cookham, pointed out, this spending round was not accompanied by new economic forecasts from the Office for Budget Responsibility. Making such major spending decisions without the latest economic and fiscal forecasts is a risky move. As Paul Johnson, director of the Institute for Fiscal Studies, commented:

“By making major spending decisions without having the most up-to-date forecasts for the economy and public finances, the Chancellor is taking a gamble”.

Given that the next set of forecasts from the OBR, due later this year, are likely to reflect a deterioration in the outlook for the UK economy, it is easy to see why the Chancellor decided to hold this spending review before the updated forecasts were published, because the 2019 spending round also had significant implications for the Government’s fiscal rules. The Chancellor’s fiscal mandate, inherited from Philip Hammond, requires him to ensure that borrowing is below 2% of GDP in 2020-21. At the Spring Statement in March, the OBR declared that the Chancellor would have £27 billion of headroom against that rule—a figure subsequently reduced to £14 billion by the decision of the Office for National Statistics on student

loans. However, in reality, the Chancellor's headroom is likely to be much lower even than that. We have already seen a marked deterioration in the borrowing figures for 2019-20, such that his £14 billion of headroom could be reduced by around £5 billion. If we add in the impact of the weaker than expected economic performance since the Spring Statement, that could take off a further £5 billion. Taking these together, the Chancellor's assumed £14 billion borrowing headroom actually comes in at closer to £4 billion.

All of this means that, while the additional £13.4 billion announced in the spending review might have come within the fiscal mandate limit as calculated back in March, it is very unlikely to be consistent with the fiscal mandate had the OBR been asked to update its forecasts. Indeed, the Resolution Foundation, the independent think tank, has calculated that the Government could in fact break their fiscal mandate by some £10 billion.

Rather than show prudence in their fiscal announcements and be honest about the likelihood of tax rises needed to make this new spending affordable, the Chancellor hinted that he would simply jettison his existing mandate, declaring that he would set out a new fiscal framework ahead of the Autumn Budget—not shaping his spending decisions to fit his fiscal rules but bending those rules to fit his political goals.

This lack of caution is all the more extraordinary given not just the uncertainty over Brexit but the Government's clear desire to pursue a no-deal outcome. As the Office for Budget Responsibility has pointed out, even a relatively benign no-deal Brexit would further weaken the economy and push up borrowing by around £30 billion a year. A more disorderly no-deal scenario is estimated by the Bank of England to reduce the level of GDP by 8% by 2024. The Treasury's own figures show that even if we avoid a no-deal outcome, any Brexit scenario that leaves the UK outside the single market will reduce GDP in the longer term by 6.7%, with very clear consequences for the public finances.

Nowhere in the Chancellor's spending plans does an appreciation of these risks appear. Instead, in the face of such economic uncertainty, now is the time the Chancellor chooses to gamble with the nation's finances; now is the time the Prime Minister chooses to commit to a further £9 billion of income tax cuts for the wealthiest in society. An improvement hard-won over the course of a decade, and borne disproportionately by the poorest in society, is now gambled for short-term political gain and jeopardised by the Government's inability to tell the truth about the consequences of their Brexit policy. Once again, we know that it will not be the wealthiest who pay the price: once again, it will be the most vulnerable in our society who are left to pick up the pieces.

8.42 pm

Baroness Stroud (Con): A Government have two key opportunities to really change the fabric of our society structurally: one is the Budget and the other is the spending review. To do that effectively, however, it is important to understand the shape of our nation, what is working and what is not.

The Legatum Prosperity Index—in which I declare an interest—tells a really interesting story about the UK. Economically, where so much of our energy rightly goes, we have a relatively strong story to tell: an open economy that is performing particularly well in enterprise conditions and the investment environment. Socially, however, where many in this House have been arguing that greater investment is needed, we are held back by weakening social capital. There comes a time when the economy cannot do all the heavy lifting on its own. To build prosperity, there needs to be equal focus on the economic and social well-being of our nation. I suggest that that time is now.

The spending review rightly calls this out with a significant investment in our key public services such as education and health. However, where this money will go and how it is to be spent will be crucial in determining how successful an investment this will prove. As the Prime Minister stood on the steps of No. 10, amid the Brexit narrative, one recurring theme of his speech struck me. “We will level up”, he said, over and over again. He has inherited a deeply uneven and divided Britain, where two halves of the same country see and experience life very differently, where one half feels there is opportunity ahead of them and the other feels left behind. Rarely has there been a more important time to “level up”.

Looking back, there have been many attempts at this. We had Tony Blair's focus on the country “for the many and not the few”, and Gordon Brown's “future fair for all”. We had David Cameron's “big society” and Theresa May's “burning injustice”, but since 2001 the number of people in poverty has remained remarkably static at just over 20%. Our approach to rebuilding the fabric of our society—of levelling up—has to be about more than rhetoric. I welcome the investment in our children's education announced in this year's Spending Review. The gap in educational achievement between those in poverty and those adults with GCSEs is too great at 13%. If the focus is on levelling up, could the Minister outline the strategy for ensuring that it is our most disadvantaged children who will benefit? I welcome the investment in our police; the difference between the level of safety felt by those in poverty and those who are not is too great at 7%. If the focus is on levelling up, could the Minister outline the strategy for ensuring that it is our most disadvantaged communities that will benefit?

What is needed is a levelling-up strategy, where the focus is on genuinely improving the lives of those left behind. The latest figures show that 14.3 million people are struggling to make ends meet at any given moment—this is just over one-fifth of the UK's population. We are the fifth-richest nation in the world, and our prosperity can be converted into better outcomes for all of us. We should not tolerate the extreme poverty we see in the UK. If the narrative of levelling up is to be fulfilled, these are the people who should benefit first, as others have already said.

To do this, I suggest, three pressing social issues urgently need attention, and I ask the Minister to identify how these are being addressed in the spending review.

[BARONESS STROUD]

The first is wages. It now takes two full-time wages to ensure that a family is not in poverty. Our Prime Minister talks about,

“higher wages, higher living wage”.

It is a tantalisingly attractive phrase in an inspiring speech, but what does it mean? Raising the national living wage has been a hugely positive step forward, but what is the Government’s strategy at this time for addressing this structural challenge.

The second is health: half of all families living in poverty have a disabled adult or child living in the home, compared to a third of people not in poverty. This makes it much harder to work and, more importantly, to work full-time. The investment in health in the spending review is hugely welcome, but could the Minister outline how much of this will go to supporting those with physical and mental health challenges to get into work and stay in work? This would be a real levelling up. The third is the 7 million people who live in persistent poverty: just under half of those in poverty now have also been in poverty for at least two of the last three years. There is an urgent and immediate need to ensure that they do not stay there. What is the Government’s poverty strategy in this spending review that will break this cycle?

From my own experience, I know that the Treasury and the OBR are predominantly focused on economic and not social outcomes. It will take a really committed and visionary Treasury team to refocus it on building genuine prosperity and economic and social well-being, and to build social strength back into the fabric of our nation. A fairer and kinder country would make us all proud. Our Prime Minister has said that this will be done by physically, and literally, renewing the ties that bind us together—by levelling up. There is a huge hunger in the country for this genuinely to happen. This spending review has a massive opportunity to be a force for good, but could the Minister give us insight into the strategy that sits behind the numbers?

8.49 pm

Lord Kirkhope of Harrogate (Con): My Lords, this is a slightly anticlimactic situation after the business that has gone on in the middle of this debate. I want to concentrate on two areas, neither of which are given much space in the spending round, but which, to me, are of great importance. My arguments will be more to do with realignment of resources rather than suggesting any increase in public spending per se. I am not an economist and do not have my noble friend’s qualifications, although I note that he was at one stage an economic adviser to the Post Office Corporation—I think that was just before it started to increase the cost of stamps, but I will not hold that against him.

I want to talk first of all about mental health. I had the honour of being one of the founder members of the Mental Health Commission, which was set up in 1983 under the chairmanship of my noble friend Lord Glenarthur. We were formed primarily to improve standards in mental health care and in particular to protect the interests of mental patients, especially those who were detained within closed establishments. Even then, over 30 years ago, it became obvious that facilities

were inadequate and improvements were needed, but our work highlighted the particular need for greater co-operation between the health authorities and the providers of social care in the community to manage those who were released or encouraged to rejoin the community, particularly those from special hospitals. There was a key move by that commission to try to make sure that facilities nevertheless continued to be provided for those who needed to be protected within a secure environment. Sadly, I am afraid that some of the policies of government were to move people out into the community even though they did not have adequate resources available in the community from other providers, particularly local authorities and those in social care, to look after them. That was 30-odd years ago.

The five-year plan produced in 2016 by the independent Mental Health Taskforce again recommended improvements, all those years later, in community resources, as currently 90% of adults with mental health problems are supported in primary care at one point or another in their needs. The so-called care programme still has many deficiencies, and I am therefore rather disappointed to see that within the spending round, although the health service resources are referred to, there is no understanding that one in four people in this country will in their lifetime suffer from some mental illness which needs to be dealt with. I believe we should therefore be looking specifically at mental health care, rather than simply allotting up to 10% of spending on it. That is one thing I wanted to press very hard on my noble friend the Minister.

For my second point, which follows almost on from that of the right reverend Prelate the Bishop of Durham, I want to talk about devolution for a second. We find the only direct reference to resources for devolved powers on page 16 of the spending round, under the Ministry of Housing, Communities and Local Government. It talks of,

“continued funding for the Midlands Engine and Northern Powerhouse”.

I happen to be currently the co-chair of the All-Party Parliamentary Group for One Yorkshire, which is very strongly supporting devolution from the centre to our regions, particularly to Yorkshire. I am getting more and more concerned about the rather confusing number of organisations, and the financial support for them, which are supposedly looking at the issue of devolution.

In a recent Institute for Government paper on devolution, most of the discussion, needless to say, is on Scotland and Wales, but it also acknowledges the less cohesive and successful attempts in England to bring about devolution. I remind my noble friends that, in 2004, 80% of voters rejected in the north-east of England a proposed assembly, which virtually killed off proposals for assemblies across the whole of England, which were at that time at least in the Government’s mind. Eight metro mayors have been created since 2015, with very mixed outcomes and not always adequate resources to do the things they have been asked to do. The criterion has been that “functional economic areas” must be the basis on which devolution is allowed, leaving the door open for new ideas and new designs. There is little clarity on funding or responsibilities.

We have the northern powerhouse covering the north-east, Yorkshire, the Humber and the north-west. Under that umbrella sits Transport for the North, advocating better infrastructure—which is needed in that part of the country—and a northern powerhouse investment fund. That fund is currently benefiting not only from the British Business Bank but from the EU, through European funds. I hope my noble friend will confirm that in this case, as the Government have attempted to do in other cases, the funds that will be lost to these organisations and to our local enterprise partnerships will actually be provided by central government in the event of our leaving the EU. There is considerable concern about that.

There is a lot of confusion about future devolution and the relationships between different organisations. The people of Britain outside London have shown interest in this but, even if there is a will by the Government to proceed, the funding is certainly unclear and should be better defined. I find it disappointing that it is not specifically located within the spending round, and I hope that to some extent my noble friend and his colleagues are going to rectify that situation soon.

8.56 pm

Baroness Kramer (LD): My Lords, I am the first of the winding speakers, and I think I recognise a House that is, frankly, exhausted so I will try to limit my comments on this occasion. However, I cannot resist welcoming the noble Lord, Lord Duncan of Springbank, to his position. He knows how well-respected he is in this House and we are delighted to see him picking up this not-easy portfolio. The noble Lord, Lord Young of Cookham, may be relishing his freedom but, my goodness, the rest of us relish it as well. He made a speech of which I could not disagree with a single word.

What has struck me today, in such contrast to the Statement that we have heard from the Prime Minister, is the common voice across the House from different Benches. It strikes me that in pulling together we can find so much to do in order to take forward the prosperity and success of the nation. It makes you begin to think that perhaps we should be pulling party politics out of a lot of the activities that we are engaged with. I say that, of course, as I am about to become somewhat more political.

I have had many disagreements with Philip Hammond over the years but I always respected the fact that in looking forward to Brexit, whether with a deal or not, he recognised the significance of leaving fiscal headroom for a contingency. I say that because I have often talked from these Benches about the mistakes made by Gordon Brown, thinking that boom and bust were over and spending without leaving any kind of contingency so that when the financial crisis hit there was essentially no cushion to use to try to get over that immediate hurdle. Now I see the Benches that always applaud me when I make that statement proposing a spending review that destroys the contingency that had been identified by Philip Hammond. Between taking the student loan portfolio on to the books—that strikes me as appropriate and it should probably always have been there—and the £13.8 billion in this spending round, the contingency now disappears entirely.

Most of us in this House know that Brexit is going to do damage. We might disagree on the amount of damage but the OBR has looked at even a mild form of no-deal Brexit and said that it is basically a blow of £30 billion a year for at least four years. We know that the Treasury in looking forward, even when it thought in terms of a deal, saw the economy running essentially at a much lower benchmark than it has done historically. While many people talk about the economy doing relatively well, because globally all economies are struggling at this time, we have also seen drops in investment and we know of the plans by many businesses to gradually move a great deal of activity overseas. Productivity is a problem that has not been tackled but underpins our economy; the rate of productivity growth is appalling. When you look at all those issues, it is nearly impossible to understand why that contingency has been dissipated. I assume as a consequence that this is simply the opening saga of a series of election pledges that, as far as I can tell, are going to be unfunded.

Others in this House—the noble Lord, Lord Livermore, hinted at it; the noble Lord, Lord Liddle, was more explicit; and we heard some of this from the noble Lord, Lord Young, and others—have talked about the importance of more public spending, because we need more of it on a wide range of priorities, but making sure that it is paid for. Borrowing is not the answer to paying for it. Now, I always disagreed with Philip Hammond over the funding of infrastructure; there I think you can argue for borrowing and we should have done much more of it to support infrastructure, particularly with interest rates being low. I pick up a point made by the noble Lord, Lord Liddle: as we look forward to a very different kind of economy, there may be other kinds of what is typically considered as soft spending—education could be one example—that could also go into that category of long-term investment. There are some issues there to explore and look at.

However, after all the years that we have spent bringing the deficit into line and all the pain that has been experienced in doing so, to look at a situation now where we have spent the entire contingency, when we know that we are about to receive a whole series of economic blows, strikes me as, frankly, quite extraordinary. Let us be clear: even if it is Brexit with a deal—and things will be far worse if it is a no-deal Brexit—we will be into at least seven more years of negotiation, uncertainty, stress and change. This is not a situation, as I think the Prime Minister sometimes would have us believe, where you carry through Brexit and then the world returns to normal immediately, or perhaps within three to six months. This is going to be a long struggle involving suffering and pain, and we have to be financially prepared for that.

I am not afraid to say on behalf of my party that we want to spend more, but we know that it has to be paid for by raising some taxes. We have argued for a hypothecated tax for health, for restoring capital gains taxes and for raising corporation tax. We will never present to the country a manifesto that is unfunded in the way that I fear, as I listen to the Spring Statement, this Government are intending to do.

[BARONESS KRAMER]

As I said, I do not want to keep talking. There have been many outstanding speeches today. It has been stressed that the spending review covers some issues but ignores others. The noble Baroness, Lady Stroud, talked about the importance of levelling up. The noble Lord, Lord Young, talked about the importance of housing, which is really not provided for in the review. Critical statements were made by the right reverend Prelate the Bishop of Durham, the noble Lord, Lord Liddle, and others demonstrating the failure to pick up universal credit and deal with the impossible situation faced by so many of the poorest, including the working poor. Not to have addressed that situation within a spending review is extraordinary. Then again, I think the items have been chosen because they are thought to have political appeal to a particular sector of the electorate, which tells us everything.

I have one last question to ask the Minister before I sit down. This is a genuine question because it is something that I do not know the answer to. Having realised that HMRC has revised corporation tax credit data and discovered that it is £4 billion worse off in cash terms than it expected, I do not understand how that translates into government accounting. Do we have even less headroom than we anticipated because of this correction to the accounts?

9.03 pm

Lord Davies of Oldham (Lab): My Lords, I too welcome the noble Lord, Lord Duncan, to his role. I warn him, however, that I have been at the Dispatch Box for the Opposition for almost a decade, and I think I have faced 10 Finance Ministers. Longevity is not easy; if he wants to make a mark in the field he has to get cracking fairly quickly. This is not the most auspicious of starts for him. How on earth did the Prime Minister persuade the Chancellor that his first major speech to Parliament should be to introduce this spending round? It is not, of course, a review: reviews were introduced to identify spending patterns and resource allocations over several years. They might be annual, but they built up a pattern. This one is defined as a one-off. It is certainly a spending round. Of course it is a one-off, because it has a pretty limited objective, which is to give some substance to the Government's economic position in the early forthcoming election that we all anticipate.

This spending round meant that no serious political analyst, nor Member of either House of Parliament, saw this as anything more than a rush job—a mere substitute for a Budget. As the noble Lord, Lord Young, pointed out, with a budget the OBR produces some independent advice and analysis of its role. With this spending round, there was nothing from the Government except a series of throwaway lines on what they thought would be attractive to the electorate in terms of expenditure.

It is a pity, therefore, that we have devalued the concept of economic strategy. The country is in a difficult enough position on politics at present; we have all endured the crisis days of the last week. But for the economy to be treated with throwaway lines is a most unfortunate development. For a great deal of this debate, serious Members of this House sought to

give some substance to this flimsy document, as my noble friend Lord Liddle called it, to try to translate it into something of substance. I give full credit to the noble Lord, Lord Fox, who also identified just how inadequate this spending round would prove to be and the difficulties of thinking about anything else, except in short-term electoral terms.

There is no attempt at long-term analysis. That is why all the complaints about fundamental issues that have obtained over the last decade are so much wasted air against a background where this document has no ambition with regard to laying future foundations, but is really looking at the way in which it can bring to an end, it hopes, the concept of austerity and go on a spending spree. It is obvious that the problem of austerity is a good deal more rooted than is suggested by those—the Chancellor, in particular—who felt they could get away with a speech of this kind in a document of this type. So many of the issues are so deep-rooted, and people have suffered for such a considerable period in the age of austerity, that there is no way that even the most resourceful Government could turn things round in the space of a year or so, which is what this spending round attempts to suggest. It requires a firm commitment to very significant economic plans, which, as the Labour Party, we intend to put before the electorate when that election occurs.

The problem has been identified again in this debate. Every spending commitment that has been portrayed in this document as a real advance has in fact fewer resources committed to it than is suggested. NHS spending, for instance, boasted by the Chancellor to rise by £1.8 billion, soon proved to contain £1 billion that was not new money at all. The Institute for Fiscal Studies said that to give a real increase to the health service, £3.8 billion was needed. That superficial approach to the problem of the health service runs through the whole of the document. In education, school heads and staff soon saw that there would be little new money except that for meeting rising costs that are unavoidable—the rising costs associated with employee pensions and the number of school pupils who have to be taught in our schools. Therefore, there is no real growth in school expenditure in this spending round.

There is some advance and I give credit to the Government for it, as did the noble Lord, Lord Young, and the right reverend Prelate the Bishop of Durham. Other aspects of education need real attention. There is no doubt that the Government have long battled to increase productivity, but they have lost that battle year after year for almost a decade. Serious attention needs to be paid to vocational education. Yet we have had a slashing onslaught on further education colleges. They are due to receive £400 million extra in the coming year. That is obviously welcome and shows that the Government have learned some lessons of their own, but it is against a backdrop of £3.3 billion of cuts over the last decade in this crucial education sector, which sets out to improve skills in industry and business and would give some hope to reducing the regional disparities that we all recognise represent a real problem for Britain.

Other areas of expenditure produce the same problem. It is claimed that 20,000 new policemen are to be afforded on the streets. But no allowance was made for

the fact that out of that 20,000, 7,000 will be nowhere near the streets. They will be in the National Crime Agency and other national agencies; they will not be bobbies on the beat, which is what the concept of 20,000 new policeman sought to convey.

In this ineffectual document one of the outstanding omissions—the noble Lord, Lord Greaves, probably knows about it in relation to his local community—relates to the terrible local authority funding gap. We cannot pretend to reduce gross inequalities in our society if in fact we precipitate despair, and not only among Labour or Liberal local authorities—the first outrage was expressed by Northamptonshire County Council, which is a Conservative authority. This year alone, the social care spending gap is destined to be £2.6 million. How can we say that the resources are there to meet real needs?

Some 10,000 new prison places have been promised, but after all, these were promised two years before in the election manifesto of 2017, so this is merely a rehashing of a previous activity by the Government, which has not been realised to the extent they were suggesting. There is no suggestion about how any of this will be paid for.

Noble Lords on my side of the House, in particular, were keen to emphasise the fact that this country has an acute problem of poverty—it has an increasing problem of child poverty—and yet Conservative Chancellors have been concerned, as the noble Lord, Lord Livermore, pointed out, to reduce the tax on higher-income taxpayers three times more than taxpayers on the basic rate. There are an awful lot of people in work on the very low rates in this gig economy in which the question of taxation plays a relatively minor part—they do not earn enough to actually qualify for it. The right reverend Prelate the Bishop of Durham emphasised this point in a strong moral plea for some degree of fairness for those who are in poverty. In one of the world's richest economies, the dependence of so many of its citizens on food banks, as well as sleeping rough and having continual problems with the operation of universal credit is something which the Government ought to be thoroughly ashamed of.

There have been not inconsiderable economic resources devoted in these last few years to a no deal Brexit, as the Government wrestle with the consequence of the strategy they have been pursuing, which is clearly fraught and has divided the nation in a very dramatic and sad way. We all know that we have a society which requires some very constructive and important solutions to its needs. It is necessary that we have budgetary approaches which, in fact, tackle those needs. This spending round is not one of those documents.

9.17 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy and Northern Ireland Office (Lord Duncan of Springbank) (Con): My Lords, I thank all your Lordships for your warm welcome on my new role. It is nice to be here for a brief time—I am not wholly convinced it will be my permanent future—but, none the less, I am interested in each of the comments made by noble Lords this evening.

I think there has been far more consensus than there has been division on some of the issues affecting wider society. I am reminded of some remarks, again, by Benjamin Disraeli, which he would have written in *Sybil*, a book subtitled *Two Nations*. He said:

“Two nations; between whom there is no intercourse and no sympathy; who are as ignorant of each other's habits, thoughts, and feelings, as if they were dwellers in different zones, or inhabitants of different planets”.

He spoke not of different parts of this kingdom, nor indeed of different social classes; he spoke simply of the rich and the poor—a reminder again that some challenges are with us and must be addressed even now afresh.

I have also thought how we might frame this debate, and I was struck by the comments made by the right reverend Prelate the Bishop of Durham. It put me in mind of some remarks by a former Vice-President of the United States, Hubert Humphrey, who simply said that,

“the moral test of government is how that government treats those who are in the dawn of life, the children; those who are in the twilight of life, the elderly; and those who are in the shadows of life, the sick, the needy and the handicapped”.

That is a test that we need to embrace now.

In lots of ways, this particular spending review does a number of things, but it does not seek to do everything. We need to recognise the difference between what a spending review is destined to try to achieve and what a Budget is setting out to try to achieve. I take for example, one aspect, which I know a number of Lords have touched on this evening: education. It is very easy to talk about education in simple, glowing terms or in simple statistics and headlines. However, it is important to recognise that we made great strides forward in collaboration with the Liberal Democrats in our coalition Government back in the day: 85% of pupils are in good or outstanding schools, compared with 66% in 2010; there are 10,000 more teachers and 921,000 new school places since then; and there are 160,000 more six year-olds on track to become fluent readers compared even with last year.

When we look at the money we put into education, we begin to see how that money can make a difference. Money spent wisely is money well spent. I will touch upon the comments of the noble Lord, Lord Davies. The minimum per pupil funding for a primary school pupil will become £4,000, for a secondary school pupil £5,000. We are putting £66 million into early years spending, and £400 million more will go into further education. Each of these elements should create a positive pathway to move issues forward.

Social care is perhaps one of the shadowy areas that Hubert Humphrey spoke of. In many respects, this is a new area as we begin to explore how funding will work. The money we are putting into social care is significant, but it is only to stabilise the system until we can begin to understand how best we can tackle the wider challenges that exist within the social framework. For too long we have seen these simply as issues to be dealt with by the individual; there is a wider community interest which we have recognised. That is why I expect that the Budget itself, which will come later, will look at this head-on and should, I hope, begin to make a significant difference.

[LORD DUNCAN OF SPRINGBANK]

I will try to answer all questions in the time available, but I hope noble Lords will appreciate that there were quite a few. I will begin by picking on the right reverend Prelate, just because I happen to have the notes at hand. I hope he will forgive me. The question of health and social care that I have already touched upon will become important. The £1 billion will make a difference. There is an additional £500 million which should begin to stabilise the system. It does not solve the problems but begins to take us in the right direction.

The right reverend Prelate asked very specifically about unaccompanied children and legal aid. Unaccompanied children were brought into the scope of legal aid in immigration matters when the Ministry of Justice's *Legal Support* action plan was published in February 2019. I hope that will go some way to addressing that particular issue. We are committed to ensuring that everyone can get the timely support that they need to access that justice system. If you cannot access justice, you cannot secure it. It is very simple.

There was a question on whether we should be in any way rejoicing that there are 10,000 more prison officers. In some respects, the answer to that should simply be no. That is not a way we should measure things, but it is not the only way we seek to measure things. It is about ensuring that those who find themselves in prison find a way out of prison without returning, looking at the recidivism rates themselves to ensure that people who have found their way into that troubled area are able to find their way out of it. In order to do that, we have to take the pressure off the system itself. Those 10,000 extra guards should, I hope, make some difference. However, it should not be a metric by which we measure the success of our society; it is simply a reflection of the need that these aspects have for us.

The right reverend Prelate will be aware that many aspects relating to benefits will appear in the Budget more sensibly because that is where they will rest. What we are looking at here is the departmental spending aspects. The Government are increasing spending on universal credit: it will be £2.5 billion higher in 2023-24 than when the decisions were taken in 2016.

Overseas aid is an issue very dear to my heart. The 0.7% of GDP is an important measure of our society. We are one of the few developed nations actually to try to meet that. However, we have got to make sure that the money spent works. It cannot be based upon return to the United Kingdom, although we must make sure it is value for money. Money spent unwisely is, in some respects, money lost. It should look at issues around poverty but should also begin to question the notion of how we address the wider global climate change and look at some of the wider issues that rest underneath that. I am proud that we managed to commit that fund. However, I want to make sure that it works for everybody here at home, to make sure that there is support among those who seek to continue the spending, so that it does not get undermined by people saying, "Why are we spending money on foreign people doing foreign things?" We are all part of a global community, and I think we should be able to recognise that.

A number of noble Lords touched on the north, but my noble friend Lord Kirkhope in particular touched on devolution. We often think about devolution within the nations of this United Kingdom but in truth—he is absolutely right in flagging this up—the question is: how does it break through to the parts of Great Britain? It is true that we need further investment, and this spending review looks at investing in a new towns schemes, bringing substantial funds into the north to try to bring this about. This cannot be tokenistic, it must come from the ground up, it must be money spent wisely and it needs to be accountable. We need to see value for money—it is not about headlines, it is about making sure that the people themselves experience the benefit.

Returning to the issues raised by my noble friend Lord Kirkhope, I am also aware that that question of mental health is absolutely vital. For too long our health service has seen this as a separate issue to be encountered later—it is not. It is at the heart of so many of the problems experienced by wider communities. A number of noble Lords have raised this matter, and that is why the Government have been willing to commit money directly into the mental health area. Is it enough money? I do not think there could ever be enough money committed into this area, but I hope it is a beginning, to move us in the right direction. I welcome my noble friend's comments in this regard. It is important that as a community we recognise, as we pull these things together, that nobody should be left behind.

The noble Lord, Lord Tunnicliffe, raised a number of issues, including some put forward by the Labour Party itself. I do not want to be overly political here because each party must decide how it wishes to promote wider ideas. However, I note that some of the aspects appear to be broadly uncosted and unfunded. One of the challenges when you are trying to address wider austerity issues is to make sure your books are balanced and you can deliver what is most important—the sustainability of support. Those very elements are critical to giving confidence that we can deliver against them. I admire each of the aspects of the issues he raised, but they must be sustainable in the way they are delivered. Again, I respect the comments made by the Liberal Democrat Benches, recognising that we cannot spend our way out of a problem. We need to find the right balance in the way we address this. It is not always going to be easy, but I hope that we can find the right dynamic to do it.

If you will forgive me, I will work my way through my notes. The noble Lord, Lord Tunnicliffe, was also asking about the timing—and a number of noble Lords raised this question. Is this a pre-election attempt—a would-be pre-election attempt—to interest the wider community? In truth, I think noble Lords will recognise that 31 October is a watershed moment. Whatever you make of that, there needs to be a recognition that after that point there will need to be a brave new tomorrow. Exactly what that looks like will depend on how we enter that point, but we need to be in a position to look at that in a different fashion—a way of seeing how we can begin to budget. That is why, in looking at the spending review, every attempt was made to ensure that it was as up to date as could be, but it does not

replace the Budget, which is yet to come later this year. The OBR will have the full details of that material, allowing for a detailed analysis of how money will be spent, and there will be a greater ability to interrogate that. We recognise that a number of issues have lain dormant as we have tackled Brexit. A number of noble Lords this evening and on other occasions have been very clear that we have, in the past, been guilty of becoming indulgent in regard to Brexit and not looking at what we need to be getting our hands dirty with, which is the issues of the people. This spending review aims to try to achieve that as best we can.

The noble Lord, Lord Livermore, asked a number of very detailed questions, particularly in regard to the lower deciles. He is absolutely right to flag this up, because one of the challenges is that if we cannot address the lower deciles the disparity between the rich and the poor—the very thing that Disraeli was talking about—becomes ever greater. In some respects, we have made progress in looking at the living wage, which has made a difference, but to secure the living wage you have to be in work. More people are in employment, which is important, but not enough people are in employment. We need to make sure that not only those on the living wage but those living and working in poverty are recognised. This will be explored further in the Budget itself, but I take away from the points he made the absolutely critical point: we cannot have people left behind who are getting poorer through no fault of their own, and we need to be very careful to achieve that.

My predecessor, my noble friend Lord Young, asked a number of questions, some related to those of the noble Lord, Lord Livermore. He will know far better than I, I do not doubt, that the majority of DWP spend is annually managed expenditure—AME—and the spending review deals with resource spending, so we will see a slight difference in the way this comes forward. The local housing allowance is part of that AME spending, but this is an important issue and I do not want to lose sight of it. I want to make sure that this is absolutely at the heart of the housing question addressed in the Budget and I will ensure that my right honourable friend the Chancellor does that very thing. It would be short-sighted were we to lose track of what that could mean.

The noble Lord also asked when the next OBR forecast will be. The answer is that I do not know—that was an easy one; good—but the Chancellor will know, and I do not doubt that in due course he will tell me, and I will pass it on that further information if I am blessed by retaining this position.

My noble friend Lady Stroud asked a number of quite difficult questions about health, particularly on how those with disabilities are affected. The spending review included £7 million to expand Jobcentre Plus advisory support in schools for young people with special educational needs, and to extend eligibility for access to work to cover internships for disabled people. I would like to know more about that so I will write to my noble friend—I would like more information to understand that as well. The Government will continue to support the most vulnerable: spending on benefits to support disabled people will be higher in every year to 2023 than it was in 2010, which is not unimportant.

As for question of wages, the living wage has risen and that is not to be lightly set aside. The total increase in annual earnings should be higher, by a factor of some significance, than they were in 2016. The lowest earners had the fastest pay rises in the last 20 years, but they have not risen far enough, because they started from a lower point—we cannot lose track of that either.

I shall touch briefly on some of the wider questions in the spending review. Local government spending was raised by a number of Peers, particularly recognising the challenges faced in the settlement for local government. Clearly, there are moneys coming in different areas. There will be a 4.3% core spending power increase. We will see real-terms increases: there will not be just a levelling down in that regard. The extra £1 billion grant for social care, which will affect adults and children, with an additional £500 million, should provide some respite for the budgets of local government. The estimated increase in core spending powers is £2.9 billion, including reference to later consultation of the 2% core council tax referendum threshold and a 2% adult social care precept. That should go some way, again.

On the wider question of housing, and particularly the absence thereof—homelessness—we have put forward £422 million to help reduce homelessness and rough sleeping, including an additional £54 million in 2020-21, a real-terms increase of 13% from 2019-20. Is that enough? I suspect not, but I hope it makes some difference and begins a journey as we try to improve these aspects.

The question of the Foreign and Commonwealth Office was raised by some noble Lords.

Lord Greaves: The Minister might like five seconds' rest. He has not tackled the point I raised, which is that none of this new money—or extra money, if that is what it is—for local government appears to be coming to ordinary district councils and unitary councils for their ordinary local, street-level, neighbourhood services. In many places these are in a state of potential collapse.

Lord Duncan of Springbank: The noble Lord raises an important issue. We talk about millions and billions, and various other ways of assessing money, but if people in the street and in their homes do not experience the benefit of that, it simply seems to wash over them. I will explore further how that money will arrive in the very council forums he discusses, I will write to him on that basis and put that letter in the Library.

Before I forget, the noble Baroness, Lady Kramer, asked a very technical question. My team simply said that we will have to write to her. If she will allow me, I will write to her on that point and put that letter in the Library.

I am running slightly short of time. I am not trying to short-change anyone, but if I end up leaving anyone out, or they feel they have not had full value, I will happily respond to any points beyond that.

The important points I want to stress, as I try to draw my remarks to a close, will be twofold. One is that the spending review itself is based on the best forecasts available at the time. The question of how they go forward is short-term; it will last for one year but the important thing is that it sets a new direction.

[LORD DUNCAN OF SPRINGBANK]

We have turned a page. We often use “austerity” as a pejorative term, and for many people it is to live through that, but in truth it is about living within means and spending wisely. From hereon in, we must make sure that the money we spend delivers and that those in receipt of it see the benefit of it. I hope that this spending review will do that very thing. Importantly, going forward, the Budget will also begin to put the flesh on to the wider bones which we have set out here. I hope that will give noble Lords some confidence that the system itself, and the approach we are adopting, has not been jerry-rigged or in any way seeks to undermine what has been going forward.

I know that I have left a number of questions unanswered but I shall not be able to find the questions and answers at this moment. I realise that it is now slightly late and that some of your Lordships, like me, may be a little wearier than we would have been otherwise. If noble Lords will forgive me, on that basis—if I have left anything out, please come back to me and I will respond formally—I shall sit down and let your Lordships all go home.

Motion agreed.

House adjourned at 9.35 pm.