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House of Lords

Monday, 1 November 2010.

2.30 pm

Prayers—read by the Lord Bishop of Gloucester.

Elections: Fraud

Question

2.35 pm

Asked By **Baroness Royall of Blaisdon**

To ask Her Majesty's Government which are the "specific complaints" about electoral fraud referred to by the Deputy Leader of the House on 5 October (HL Deb, col. 10).

The Minister of State, Ministry of Justice (Lord McNally): My Lords, my reference to "specific complaints" referred to paragraph 2.58 of the Electoral Commission's report on the administration of the 2010 UK general election, which says:

"Because many of the cases of alleged malpractice are still under active investigation by police forces, it is not possible at this time to give any definitive figures for the number of cases which relate to the 2010 UK general election".

Baroness Royall of Blaisdon: My Lords, I thank the Minister for that reply. In essence, the noble Lord has confirmed that these cases have now been referred to the police, which is absolutely the correct procedure. However, in October, it was stated in the BBC "Newsnight" programme that two of the constituencies concerned were in Halifax and Oldham. I understand that the police are now quite properly involved, but can the noble Lord confirm the BBC's claim? Many people are in a state of perplexity and extremely worried because they do not know what the situation is.

Lord McNally: I would not want to verify or otherwise many of the claims that are made by "Newsnight". I can say that the police are investigating and that, as the noble Baroness rightly says, the Electoral Commission will report in January. We have to be patient. It may be difficult for the individuals concerned in the constituencies where complaints have been made, but the due process has to be gone through and we just have to be patient.

Lord Rennard: My Lords, does the Minister agree that as only around one in 20 of the crimes committed in this country are thought to be reported to the police, there is probably far greater prevalence of electoral fraud than we are generally aware of? Does he further agree that if many more people were aware of how easy it is to commit fraud under the present system, it would be even more prevalent? Could he indicate what steps the Government may be taking with the parties and the Electoral Commission to reduce the possibility of such fraud?

Lord McNally: I am not sure that I agree entirely with my noble friend. Most of the inquiries about the conduct of our elections show a good performance in complying with the law. Many colleagues in this House must feel, as I do, that we went through most of the 20th century with the integrity of our voting system unquestioned. We were very confident about it. It is only in the past 10, or perhaps 20, years that we have become concerned about it. We are bringing in various measures to make it more difficult to perpetrate fraud in our elections, as did the previous Government. We have made it clear that, whatever the party, anybody who commits fraud will be prosecuted and may well face jail for that fraud.

Lord Touhig: In answer to my noble friend Lady Royall on 5 October, the Minister said:

"The Government do not have information and neither is this the Government's direct responsibility in these matters".

Then, in answer to my noble friend Lord Hughes, he said:

"As far as I understand it, specific complaints have been made in a range of constituencies and are being investigated".—[*Official Report*, 5/10/10; col. 10.]

At that time, did the Government have information—yes or no? I refer the noble Lord to the *Ministerial Code*. Part 1.2(d) says:

"Ministers should be as open as possible with Parliament and the public, refusing to provide information only when disclosure would not be in the public interest".

Why is it not in the public interest to tell Parliament if there is an investigation into fraud?

Lord McNally: I think that is straining things a little. What I said was that I am not directly involved: the police and the Electoral Commission are involved. There would be a lot more questions from that side of the House, and probably from this side too, if Ministers were directly involved in investigating electoral fraud.

Noble Lords: Oh!

Lord McNally: It is a matter for the Electoral Commission; it is going to produce a report in January, and my recommendation, as an elector and a citizen—never mind being a Minister—is that all three political parties study that report very carefully and then see if we can come together to try to tighten it up still further. Nothing I said either the last time or today suggests any impropriety as far as I am concerned. I am leaving it to the Electoral Commission, the police and the returning officers in the constituencies concerned, which is exactly as it should be.

Lord Naseby: Is my noble friend aware that he is absolutely right in the position he takes—not least as someone who has sat through a fair number of recounts? However, is he not also correct in saying that, when the police have investigated, they do report? We have the case of Bristol East, where the newly elected Labour Member has been cautioned by the police for the use she made of—it is reported—the postal votes on her Twitter, and, rightly, that is fraud under Section 63 of the Elections Act 1983.

Lord McNally: I am not going to make comments on individual constituencies at the ballot box. I note what my noble friend says.

Baroness Taylor of Bolton: Would the Minister agree that probably everybody in this House would acknowledge that Ministers should not investigate electoral fraud? However, is there not a responsibility on the part of Ministers and, indeed, all of us, to acknowledge that we should not be fanning the flames and making wild accusations as has happened in the past?

Lord McNally: I agree with that, but after a general election, when there are close fights—we have all been through this—comments are made. What is important is that all parties co-operate in ensuring that the machinery we put in place works. Let us see what the Electoral Commission recommends, and then, if further action is needed, further action will be taken.

Lord Wright of Richmond: I note that the Minister referred to himself as an elector. Does the coalition have plans to allow Members of the House of Lords to vote?

Lord McNally: I regularly vote in local elections and I am particularly looking forward to voting in the AV election in May next year.

Lord Teverson: Is not the real electoral fraud that a party that gets 23 per cent of the vote gets only 8 per cent of the Members of Parliament?

Lord McNally: I think that is undeniable, and I noticed that there were nods from all around the House in response to my noble friend.

Banking: Bonuses

Question

2.44 pm

Asked By **Lord Myners**

To ask Her Majesty's Government what action they intend to take to discourage the payment of excessive bonuses to senior executives in United Kingdom banks.

The Commercial Secretary to the Treasury (Lord Sassoon): My Lords, the Government have taken action to tackle unacceptable bonuses in the banking sector. The Financial Services Authority is updating the remuneration code, which will ensure that bonuses are deferred and aligned with the underlying risks, and significant portions of any bonus will be paid in shares or other securities. Employees in this industry will no longer receive all their bonuses in cash while leaving their shareholders, and potentially the taxpayer, exposed to the long-term consequences of the risks they take.

Lord Myners: My Lords, the Minister said that the Government have taken action to deal with unacceptable bonuses. Can we therefore conclude that, as far as this Government are concerned, all future bonuses declared are deemed to be acceptable?

Lord Sassoon: My Lords, what I said was that we have indeed taken action, including, among other things, requesting the Financial Services Authority to take certain factors into account in its consultation on the remuneration code. We have said that we will look at—and we are looking at—the costs and benefits of a financial activities tax, consistent with, among other things, not driving banks abroad. The banking sector remains an extremely important part of this country's economy.

Baroness Williams of Crosby: Does the Minister agree that, while undoubtedly a commendable degree of restraint has been shown by small businesses in the past year, the position of FTSE 100 company executives is very different, with, we now learn, a 55 per cent increase in bonuses last year? Will he consider, first, adopting the proposals in the Walker report on the buying out of bonuses, which is an increasing and troubling practice? Secondly, does he agree that we should consider taxing share-based bonuses, even if they are delayed for a couple of years, to be paid at the same rates that the rest of us are obliged to do?

Lord Sassoon: My Lords, the Walker report, which was commissioned by the previous Government and reported in November 2009, made a number of important recommendations, some of which have already been incorporated by the Financial Reporting Council in its governance code. Sir David Walker made other recommendations on disclosure which remain to be considered. As for taxation, I have already said that we are considering the costs and benefits of a financial activities tax in relation to banks and remuneration. We are doing that by working with our international partners to make sure that, if we produce proposals along those lines, they are consistent with international practice and with keeping the banks operating in this country.

Lord Dubs: Even if the bankers say that they will leave the country if they are taxed more heavily, will the Minister assure us that that outcome might be a good thing rather than a bad one?

Lord Sassoon: My Lords, lots of people threaten to do all sorts of things when they are in the middle of a negotiation. Whatever we continue to do to tackle unacceptable bonus structures in banks, we want to ensure that, among other things, they are incentivised to align their remuneration structures with the reduction of risks that bankers entail, and that we continue to have an important banking sector in this country.

Lord Hamilton of Epsom: My Lords, does my noble friend accept that one reason why there is so little finance for people to buy houses, and for small businesses, is that during the financial crisis many of the foreign banks took their money back to where they came from? They are not returning to London because they regard it as highly taxed, they regard certain members of the Government as extremely hostile to bankers, and they are worried about the degree of regulation. We must get these people back—contrary to what the

noble Lord, Lord Dubs, said—because otherwise we will not have enough finance in this country to get the economy moving again.

Lord Sassoon: I certainly agree with my noble friend that we need a vibrant banking market to underpin the economy's recovery. The action that the Government have taken to make sure that interest rates remain low is absolutely critical. We welcome the first steps taken recently by the British Bankers' Association task force, which made a range of proposals that go to the heart of tackling the need for a continued flow of credit to British business.

Lord Barnett: My Lords, would not the straight answer to the Question on the Order Paper have been to say that the Government do not have any plans whatever to deal with future bonuses?

Lord Sassoon: My Lords, I have said that we have already taken action and are continuing to consider other possible actions in this area.

Lord Eatwell: My Lords, I was intrigued by the Minister's identification of remuneration with risk taking. Are not bonuses usually paid to bankers for taking risks with other people's money?

Lord Sassoon: My Lords, that is precisely why we want to make sure that there is a better alignment between the way that remuneration is paid and the mitigation of risk that should be there. It is precisely to get a better alignment with the risks that are incurred that we are supporting the measures that are being taken globally—limiting the amount of bonus taken up front in cash and deferring a significant proportion of bonuses in line with the proposals of the G20.

Lord Brooke of Sutton Mandeville: My Lords, can my noble friend remind me which Administration were in power when this problem developed?

Lord Sassoon: My noble friend is completely right that this problem arose under the watch of the last Administration, who implemented a one-off bonus tax that is now widely regarded to have been a failure—so we have to take the time to find a better way of dealing with this in the medium term.

Lord Brooke of Alverthorpe: In considering other possible action, as he mentioned, will the Minister have a look at the Private Member's Bill which was promoted by my colleague the noble Lord, Lord Gavron, last year to try to get all companies, including banks, to put on the front page of their annual accounts the proportion of the highest paid compared with the lowest paid? A good deal of cross-party support was given to that and, while the Minister was not in the House at the time, would he go back and have a look at it again?

Lord Sassoon: My Lords, I am always up for looking at good ideas; this sounds a bit extreme, but disclosure of remuneration for bankers is indeed unfinished business.

Food: Labelling

Question

2.50 pm

Asked By **Baroness Seccombe**

To ask Her Majesty's Government what proposals they have to improve the labelling of British foods in retail stores.

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Henley): My Lords, the Government have made a commitment to clear and honest food labelling. Through negotiations on the proposed EU food information regulations and national initiatives, the Government are working to improve the accuracy of origin labelling. We are also discussing with the food industry ways that food businesses can provide clearer information on the origin of food and food ingredients, particularly for meat and dairy products.

Baroness Seccombe: I thank my noble friend the Minister for his reply, but what irritates me is that when one goes into a supermarket, one sees our luscious British fruits packed in containers identical to others, and similarly priced, so that shoppers very often do not realise that they have bought foreign goods until they get home. This year, British raspberries have been excellent; plums are in a different league from their foreign cousins; and there is nothing that can be said about British apples except that they are superb. Therefore, can encouragement and guidance to stores be given so that they promote our wonderful British home-grown fruit?

Lord Henley: I echo the "Hear, hears!" from around the House and congratulate my noble friend on paying tribute to the UK food industry, in particular to United Kingdom fruit. We are, as I said, trying to facilitate a number of voluntary industry agreements to try to encourage more labelling of food. On this front, we want to pursue—dare I say it?—a stick-and-carrot approach in terms of encouraging greater development. The stick, as it were, is being provided by the EU food information regulations; the carrot will be by food industry voluntary agreements.

Lord Borrie: Does the Minister agree that one of the major problems with food labelling, especially in supermarkets on tins and packages, is that there is a superfluity of it in very tiny print, which is impossible to read—and that it is impossible there and then, in the supermarket, to distinguish what is important, what is significant, and what is not?

Lord Henley: I agree that very often there can be too much information. That, too, is why it is far better to try to pursue a lot of these matters through voluntary agreements, whereby a simpler process can be developed that is of greater use—to, for example, the noble Lord—than something more complicated and more bureaucratic that ends up producing too much information which the noble Lord, and many others, find rather difficult to read.

Baroness Finlay of Llandaff: Are the Government considering using clearer labelling on food that contains nuts, as was recommended by the committee on allergy which I chaired, given the number of cases of anaphylaxis that occur when people are unaware that there is a nut content in food?

Lord Henley: My Lords, I understand that work is being undertaken in this area. I also understand that all packets of nuts have a serious health warning on them saying, “Warning—this packet might contain nuts”, which should be of help to noble Lords as well as to others. More seriously, the noble Baroness makes a very important point, as nut allergies are increasingly common and that needs to be addressed. We need to make sure that any food that contains nuts has the appropriate warning on it.

Baroness Trumpington: My Lords, I agree with the noble Lord on the opposition Benches, but I ask the Minister not for an increase in the number of words on packages but simply for words, such as “Boil for five minutes”, to be in big print.

Lord Henley: My noble friend always has the best suggestions. I did not say that we should increase the number of words on packages but, rather, that we should make sure that the wording on any package is user-friendly and can be accessed by as many people as possible. That is why we believe that voluntary, rather than compulsory, agreements are often the better way of addressing this issue.

Baroness Quin: My Lords, given that labelling is the subject of European as well as national decision-making, and given that the Government, like the Opposition, have said that they are in favour of clear labelling and a colour-coded traffic-light system, can the Minister tell me why Conservative MEPs voted not only against such a traffic-light system for Europe but against continuing such a system here in the UK? Should not the Government be consistent in pursuing policies in the interests of Britain and our consumers?

Lord Henley: The noble Baroness will be aware that, although I was formerly a Chief Whip in this House, I have no responsibility for Conservative MEPs on the other side of the channel. However, we are continuing to negotiate on the EU food information regulations and will ensure that they are as user-friendly as possible. We will also try to ensure, for example, that it is made quite clear where meat comes from. Therefore, even if, for example, the labelling says that bacon is British when the meat itself comes from Denmark, it will also say that the primary product, the pork, comes from another country—that is, Denmark.

Baroness Parminter: My Lords, can the Minister inform the House how, without compulsory labelling on egg products, consumers do not unwittingly purchase eggs from Spain’s illegal battery cages and undermine British producers, who will comply, unlike those in Spain, with the deadline for phasing out battery cages?

Lord Henley: My Lords, my noble friend is right to draw attention to the very serious problems relating to animal welfare. They are concerns that have always been at the forefront of our mind in negotiations on the EU food information regulations, and we will certainly take them on board in those continuing negotiations.

Lord Tomlinson: Will the noble Lord reflect on his earlier answer that the conduct of MEPs has nothing to do with him, particularly when he reflects that the leader of his party forced Conservative MEPs to leave the Christian Democrat group where they were and join every odd-bod racist, right-wing group, losing all influence that they had in Europe?

Lord Henley: My Lords, the noble Lord makes a point but it is a pretty silly point. He knows perfectly well that I—and, for that matter, the Prime Minister—have no influence over what they do. In the end, they will decide what they do, and the noble Lord knows that perfectly well.

Foreign and Commonwealth Office: Educational Allowances *Question*

2.59 pm

Asked By Lord Campbell-Savours

To ask Her Majesty’s Government what was the total cost of educational allowances paid to Foreign and Commonwealth Office and associated departmental officials in the last 12 months for which figures are available; and whether they intend to amend the cap on those allowances.

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): My Lords, we contribute only towards the education costs of children of staff who are required to work in posts overseas. These officials pay UK tax wherever they work and are entitled to have their children educated at public expense. In 2009-10, we spent £13.3 million on children educated in the UK and £11.5 million on children at schools overseas. The ceiling on the amount that parents can claim towards boarding schools is reviewed annually and was reduced in September this year.

Lord Campbell-Savours: Is it not true that excellent quality, state boarding-school education is available in the United Kingdom at an average price of around £9,000 per annum, plus a £3,500 contribution towards tuition by the state as against public school fees of between £22,000 and £30,000 a year? Why cannot the Foreign Office save tens of millions of pounds by capping the amount of money that a Foreign Office official can claim to the level of state boarding-school fees?

Lord Howell of Guildford: I am grateful to the noble Lord. It is true that state boarding-school places are excellent, but unfortunately it is not true that they are available. Diplomats with children who need to be educated when they go abroad to places where they

cannot take their children—I have a list of 48 countries to which children are not allowed to be taken—need to find places quickly. However, they find that they are not at the top of the queue for the 5,000 boarding places available in state schools in this country. I appreciate very much the point that the noble Lord makes but it does not add up if you are trying to find a place for your child.

Lord Deben: Does my noble friend agree that it is a very important part of keeping the best people in the Foreign Service that we provide this service for their young children, as without it we would not have the quality people whom we expect? It is about time that people stopped sniping at the Foreign Service on this issue.

Lord Howell of Guildford: I am grateful to my noble friend for that support. He is absolutely right but I shall correct him on one thing, if I may. It involves not only senior staff as 75 per cent of the children helped are of parents with quite junior salaries. The Foreign Office sends junior people to very difficult posts and they may have young children who need to be educated.

Lord Wright of Richmond: My Lords, I declare two interests. First, I was a beneficiary of these allowances for a large part of my career. Secondly, 19 years ago I gave evidence to the noble Lord, Lord Sheldon, and the Public Accounts Committee in support of these allowances, so I am somewhat biased. Does the Minister agree that the continuation of these allowances is essential as members of the Diplomatic Service are often posted abroad with very little notice and such allowances are necessary for the uninterrupted education of their children? Does he also agree that they are very much in line with those given by practically all international companies, and so are essential if recruitment and retention in the Diplomatic Service is to be preserved?

Lord Howell of Guildford: I agree with the noble Lord, who obviously speaks with enormous authority on this subject. I would just add, referring back to my Answer to the noble Lord, Lord Campbell-Savours, that we are looking at ways of bringing the cost of this operation down. However, the basic requirement is that these children are educated; we do not want only childless diplomats. Therefore, we have had to make the provision that the noble Lord has just described. I believe that it should continue and that it is essential for an effective diplomatic effort by this country.

Lord Harrison: Further to his first Answer, will the Minister say in simple pounds, shillings and pence what is the annual maximum tax-free contribution that can be made to the education at a secondary school of a child of a Foreign Office official? Secondly, will he rebut in their entirety articles in the *Daily Mail* and the *Telegraph* suggesting that this Government will abolish the continuity of education allowances which are so important to our Armed Forces and, indeed, the Foreign Office?

Lord Howell of Guildford: There is no suggestion, as I made clear, that these allowances will be discontinued for the Diplomatic Service. I cannot comment on other branches of the Crown service or other public

services because that is another question for which a rather different set of arrangements apply. The figures for which the noble Lord asks are that the ceiling for junior boarders in the current year is £7,239 per term and £8,236 for senior boarders, which is a reduction of £100 since last September. The figures are considerably lower for those attending as day pupils.

Baroness Falkner of Margravine: Will my noble friend comment on whether, given the large sums involved and these rather austere financial times, there are any efforts to have negotiations with DfID and the Ministry of Defence for a collective purchase agreement at a limited number of schools so that the costs might be constrained in that way?

Lord Howell of Guildford: That is a very valuable thought. As far as Foreign and Commonwealth Office is concerned, the numbers are rather small. We are talking about a maximum of 2,000 children, of which only 500 are being educated in the United Kingdom. Given the circumstances of where these children go—whether to be near their grandparents or to where an available space is found—it is very difficult to concentrate on a single discount operation. This is slightly outside the question, but I believe that the Armed Forces are large enough to have a kind of discount arrangement, but we do not have the numbers or the weight to engineer that kind of system for the Foreign Office.

Lord Campbell-Savours: My Lords, if the cap were to be reduced from over £25,000 per annum to the £13,000 to £14,000 that I am suggesting, surely that would create the demand in the state boarding school sector that the Minister said in his first reply is missing?

Lord Howell of Guildford: My Lords, the difficulty that the noble Lord must appreciate is that although there are state boarding-school places, and perhaps there ought to be more, they tend to be filled up very rapidly with children with real boarding needs from domestic households and families. Diplomats inevitably come along at the last minute, because postings sometimes have to be on an emergency basis, and they find that those places are filled. If the sums were reduced to the levels that the noble Lord is talking about, parents who are already on fairly modest salaries and are paying a contribution to meet the total requirements of the school where their children are being educated would simply not be able to afford it and the children would not be educated. We have to face it: if we want good diplomacy, we have to allow the children to be educated.

Deputy Chairmen of Committees

Membership Motion

3.06 pm

Moved By The Chairman of Committees

That Lord Paul be discharged from the panel of Members appointed to act as Deputy Chairmen of Committees for this Session.

Motion agreed.

Arrangement of Business

Announcement

3.07 pm

Baroness Anelay of St Johns: My Lords, at a convenient point after 4.30 pm, my noble friend Lady Neville-Jones will repeat a Statement entitled “Statement on Aviation Security Incident”. Grand Committee will be adjourned for the Statement because it is involved in Home Office matters and it will resume five minutes after the end of the Statement.

Terrorist Asset-Freezing etc. Bill [HL]

Third Reading

3.08 pm

Clause 2 : Treasury’s power to make final designation

Amendment 1

Moved by Lord Lloyd of Berwick

1: Clause 2, page 2, line 28, at end insert—

“() For the avoidance of doubt, “person” in subsection (1)(a)(i) means—

- (a) United Kingdom nationals as defined in section 33(2);
- (b) A body incorporated or constituted under the law of any part of the United Kingdom;
- (c) Persons or entities within the territorial jurisdiction of the United Kingdom.”

Lord Lloyd of Berwick: My Lords, the purpose of Amendment 1 is to clear up an ambiguity that emerged only during Report on the Bill. The amendment thus falls within the type of amendment that is normally allowed on Third Reading.

The question is whether Clause 2, which gives Treasury Ministers the power to designate a person and freeze his assets, has extra-territorial effect. On Report, the noble Lord, Lord Sassoon, argued that Clause 2 has such effect; indeed, that was a crucial step in his argument generally, as it was in the argument of the noble Lord, Lord Bach. The noble and learned Lord, Lord Wallace of Tankerness, made the same point in Committee when he told us that the Treasury had designated many individuals outside the jurisdiction in the past. I do not know whether they were British subjects, but the fact that something has happened does not necessarily mean that it was lawful. My argument was that Clause 2 does not have extra-territorial effect, so “person” in Clause 2 means a British subject or foreigners within the territorial jurisdiction. Whether I am right or wrong about that, I had hoped that we could have cleared up the point before the Bill went to the Commons. I had hoped the Treasury might table an amendment to say what its understanding of Clause 2 is. After a longish discussion on Friday morning, the Treasury failed to do that so I felt obliged to table this amendment late on Friday afternoon.

What does “person” in Clause 2 mean? The noble Lord argues that it includes foreigners outside the jurisdiction. Of course, Parliament can legislate to cover foreigners outside the jurisdiction; there is no question about that. However, the presumption is that Parliament does not intend to do so unless very clear words are used. That presumption has been around

for a very long time, as I hope to show. It is stated in section 130 of Bennion’s *Statutory Interpretation*. The presumption has also been applied in so many cases that it is difficult to know which to pick, so let me choose one case—about the meaning of the word “debtor” in the Bankruptcy Act of 1869—that I think illustrates the point.

The case concerns two Chilean subjects who carried on business in Liverpool. They had assets here within the jurisdiction and they incurred debts within the jurisdiction but they were not resident here. An English creditor wished to start bankruptcy proceedings against the Chileans. It was argued that the general word “debtor” in the 1869 Act should be given a wide meaning so that it included debtors all over the world, just as it has been argued that “person” in Clause 2 covers persons everywhere. That argument was, however, decisively rejected by the Court of Appeal. It was held that “debtor” covered only British nationals or foreigners within the jurisdiction, which of course the Chileans were not. That case—I refer to *ex parte Blain*, decided in 1879, volume 12, Chancery Division, at page 522—has been followed on innumerable occasions ever since. There is no doubt that the presumption to which I refer exists and is applied as a matter of course.

What is the reason for the presumption? The answer was given by Lord Justice James in the same case when he said that it rests on the broad general principle of comity, the comity which should exist between independent states. Applying that to the facts here, I ask whether, if the French authorities were to designate a British subject resident in England and freeze his assets because they believed him to be a terrorist, we would regard that as a friendly act. Clearly, we would not. The same must also apply the other way round. If the noble Lord, Lord Sassoon, is right and Clause 2 has the extra-territorial effect that he suggests, the Treasury could designate a French subject, freeze his assets here in London and require him to come to London in order to appeal against the designation under Clause 26. If a Treasury Minister did that, how would it play in France? It may be argued that in the real world we would never dream of designating a French subject. That might be right—I hope it is—but it is the power to designate contained in Clause 2, if the noble Lord’s construction is right, that is repugnant to comity. There is no doubt that the presumption exists and it is based on a sound principle of international law.

3.15 pm

The presumption is reinforced on the facts of this particular case by what is contained in other provision of the Bill. Clause 33 gives extra-territorial effect to offences committed under Clauses 11 to 15 but not to Clause 2. That is a strong indication that Clause 2 was not intended to have extra-territorial effect. Clause 3 provides for notification and it works well in the case of foreigners within the jurisdiction, but how does it work in relation to foreigners in Afghanistan? How does Clause 17, “Licences”, work in relation to foreigners resident abroad? Quite apart from the presumption, which is what my argument rests on, all the indications in the Bill are that it was not intended to have extra-territorial effect.

How does the noble Lord, Lord Sassoon, put his case? He cannot say that the presumption is excluded by clear language because there is no such language in the Bill. Instead, he says that the presumption is excluded by necessary implication as it is incompatible with our international obligations under Security Council regulation 1373 of 2001. With respect, that is where the basic error lies. The presumption is not incompatible with regulation 1373—quite the contrary—as one can see from what the regulation says. Regulation 1373 imposes an obligation on all states individually to criminalise the provision of funds by their nationals or in their territories—that must mean foreigners in their territories as you cannot criminalise a fund. Exactly the same applies to the freezing of assets. Each state is responsible for designating its own subjects and freezing their assets. Each state is responsible for designating foreigners within its jurisdiction and freezing their assets. Nowhere is it provided that states should designate foreigners outside their territorial jurisdiction. Indeed, there is nothing to suggest that that was ever the intention.

I accept that an increasing number of international conventions confer what is called “universal jurisdiction”, but no one suggests that regulation 1373 has that effect. If the Treasury has reason to believe that a fund in London is held by a French terrorist who is not resident here, it must simply inform the French authorities who, if they agree, will take the necessary action by designating the individual and freezing his assets. It is as simple as that. I accept that some countries are unwilling to designate their subjects as terrorists, but that cannot affect the meaning of the word “person” in Clause 2. I beg to move.

Lord Pannick: My Lords, to achieve its purpose this Bill needs to confer powers in relation both to persons and to assets within the jurisdiction. I understood the Minister to assure the House on Report that the Bill, as currently drafted, covers both categories of case. I do not understand that to involve extra-territorial effect, although the descriptive term may be less significant than the substance. My concern is where we find in the Bill a clear statement to the effect that a person may be the subject of a designation order because he has assets in this country even though he otherwise has no connection with this country. I hope the Government will give further thought to that matter as the Bill proceeds through the other place.

Baroness Hamwee: My Lords, I cannot bring the same academic knowledge to this debate as the noble and learned Lord and the noble Lord, Lord Pannick, but I start with the question of what this Bill aims to achieve and what it is directed at. As I understand it, it deals with assets that are in the UK. For me, other questions flow from that. I agree with the noble Lord, Lord Pannick, that if there is a query over the scope of the Bill, it should be clarified. One would hope not to have an argument such as this repeated either in the other place or, indeed, in court. However, having been involved with this Bill and its predecessor, I do not have the anxieties that have been expressed this afternoon.

Lord Davies of Oldham: My Lords, on behalf of the Opposition, I too would not dream of seeking to put myself in the same category of argument as the

noble and learned Lord and the noble Lord who have spoken on these issues. The Minister has an argument here that he will need to respond to effectively. We in the Opposition thought that most of these issues were covered effectively on Report by the Minister. Like the noble Baroness, Lady Hamwee, who has expressed her reservations about other aspects of this Bill in the past, we see no argument for this amendment at present. Therefore, if we were to move to a Division, the Opposition would support the Government if, as I anticipate, they present an accurate and effective case for the rebuttal of this amendment.

Lord Wallace of Tankerness: My Lords, I am grateful to the noble and learned Lord, Lord Lloyd of Berwick, for introducing this debate. I am also grateful to other noble Lords for their contributions. I am particularly grateful to the noble Lord, Lord Davies, and my noble friend Lady Hamwee for indicating that, subject to what I may say, they are generally satisfied with the position which the Government have adopted.

This amendment goes back to the debate we had on Report about the scope of Clause 2 and whether it should allow the Treasury to designate non-UK persons who are outside the United Kingdom. We are grateful to the noble and learned Lord for having written to my noble friend Lord Sassoon, following our debate on Report, to explain his concerns with the clause as drafted, and for having taken the opportunity to discuss the matter in some detail with officials before he tabled his amendment. I readily recognise that this amendment stems from the noble and learned Lord's very strong belief, which he clearly expressed in moving his amendment, that it is the right and responsibility of each country to make laws that affect their nationals and those within their jurisdiction. Generally, we would not dissent from this principle but, if the House will permit me, I will explain why we cannot accept the noble and learned Lord's amendment.

The noble and learned Lord referred to United Nations Security Council Resolution 1373, which requires that states shall,

“Prohibit their nationals or any persons ... within their territories from making any funds, financial assets or economic resources or financial or other related services available, directly or indirectly, for the benefit of persons who commit or attempt to commit or facilitate or participate in the commission of terrorist acts”.

I think it is clear that a key aim of Resolution 1373 is to prevent acts of terrorism anywhere in the world. To that end, the definition of terrorism in this Bill is borrowed from the Terrorism Act 2000 and is used in other legislation. The definition makes it clear that terrorist activity anywhere in the world against persons or Governments falls within the scope of the legislation.

It is also clear that Resolution 1373 puts an obligation to prevent terrorist finance not only on the state where particular terrorists and terrorist groups reside but on the states from which the funding of those terrorists may originate. If, for example, a foreign terrorist holds assets within the United Kingdom or relies on funding coming from the United Kingdom, it is not only right but essential that the United Kingdom should be able to freeze those assets and prevent funds being transferred for terrorist purposes. That is what the language of United Nations Security Council Resolution 1373, which I have just quoted, clearly requires.

[LORD WALLACE OF TANKERNESS]

Relying purely on the country where the terrorist resides to take action has two fundamental drawbacks. First, that country cannot control funds or other assets that may be available for use overseas by the terrorist. This is why the Security Council resolution is worded as it is. Secondly, we know, as was acknowledged in our short debate, that terrorists are often based in countries where the authorities cannot or will not take action: for example, in failed states or in states where the authorities turn a blind eye to terrorism.

Clause 2 therefore provides the Treasury with a power to identify those whom we consider to be terrorists, based on activities that could take place anywhere in the world. The effect of the designation is twofold. First, any funds and economic resources within the United Kingdom of such persons are required to be frozen. It will be a criminal offence for anyone in the United Kingdom to deal with such assets without licence from the Treasury.

Secondly, persons in the United Kingdom will be prevented from providing any funds or economic resources to designated persons. I shall try to make it clear; the fact that some persons designated by the Treasury are ordinarily not in the United Kingdom does not give extra-territorial effect to the provisions. The effect of listing such a person is to freeze only their United Kingdom assets and prevent persons within the United Kingdom or United Kingdom citizens abroad assisting them. It has no further effect.

The noble and learned Lord, Lord Lloyd, asked what would happen if we were to designate a terrorist who was in France. He suggested that it might lead to a breakdown of international comity. That we are taking these measures in pursuance of a United Nations Security Council resolution indicates where the balance of international comity may lie; it is in United Nations member states taking the resolution and implementing it. We have not so far designated a French national. However, if we were to do so, I would certainly expect close co-operation between United Kingdom and French authorities in such a matter. The French might indicate to the United Kingdom that a French national was a terrorist of concern to them, whose assets they wanted to freeze. Working with French counterparts, the United Kingdom's law enforcement agencies would identify whether that suspected terrorist held assets in the United Kingdom that the French Government then wished to be frozen. The French would provide United Kingdom authorities with the relevant evidence to support a UK designation, showing that there was at least a reasonable suspicion that person X was involved in terrorism and that a UK asset freeze was necessary for protecting the public from the risk of terrorism.

Finally, a Treasury Minister will consider the case and, if the legal test that is set out in this Bill is met, will designate person X, with the Treasury taking the necessary steps to inform the financial sector and to freeze person X's assets within the United Kingdom. We accept that other countries may use domestic asset-freezing powers to designate United Kingdom nationals, but again we would expect this to be done in co-operation with United Kingdom authorities.

The power in Clause 2 relates to designated persons, including non-UK nationals; it is not a radical departure.

Sanctions legislation is by its very nature often targeted at persons outwith the United Kingdom, but the prohibitions bite only on those in the United Kingdom or when United Kingdom nationals are elsewhere. An example is the prescription regime under the Terrorism Act 2000 and this legislation. There is a list of prescribed groups, almost all of which operate outside the United Kingdom, but the effect of proscription is to prohibit persons in the United Kingdom from membership of such groups or from providing material support to such groups. As with our Bill and sanctions legislation generally, the target is outwith the United Kingdom but the prohibitions apply solely in relation to persons in the United Kingdom or UK citizens operating abroad. That accords with the fundamental jurisdictional principle that the country should normally legislate to criminalise only acts committed within its territory or by its citizens abroad. Here the acts that are being criminalised are the provision of finance for the purposes of terrorism.

I understand the noble and learned Lord to be concerned about interfering with the sovereignty of other states. I hope that he can see from an indication of how we might act in the event of getting intelligence or representations from France that this measure would not offend another state but would promote co-operation. At the risk of repeating myself, the effect of a designation is to freeze only those assets of a designated foreign national that are within the United Kingdom, and we believe that that is the sensible way in which to proceed.

Clause 1(b) refers to persons listed in Council Regulation 2580/2001. This regulation is the means by which the European Union implements Resolution 1373; it does so by requiring member states to identify persons against whom the state has taken action, for example by way of a domestic asset freeze. Persons put forward and included on the list are then subject to financial sanctions throughout the EU. The reference to "persons" here cannot be confined to those within the UK and the same term cannot have different meanings in the same clause. The EU regime emphasises, I think, the essential territoriality of an individual member state's actions, and the need for each member state to take action against assets in their country and to prevent those in the country from providing material support to terrorists.

The noble and learned Lord referred to Clause 33, which provides for cases in which UK nationals and UK incorporated bodies commit an offence outside the UK. This is not an unusual extension of the application of a statute, and I do not think—nor did he suggest—that it is in any way controversial. The purpose is straightforward—to prohibit UK nationals and companies from committing acts abroad that would be offences under the Bill if committed here.

The noble Lord, Lord Pannick, asked whether we should be able to designate overseas persons only if they hold assets in the United Kingdom. I have answered that. The asset-freezing regime not only freezes assets but prevents persons in the United Kingdom making payments to a designated person. That is why we need to be able to designate overseas persons, even if they do not hold funds in the UK, so that we can prevent people in the United Kingdom or UK persons overseas providing designated persons with funds.

In summary, we believe that Clause 2 does not limit the Treasury to designating only persons who are in the UK, and nor should it. While we have listened carefully to the noble Lord's arguments today, on Report and in the exchanges that he has had with my noble friend, we are satisfied that the wording of Clause 2 as it stands is sufficiently clear in this regard. It does not make the provision extra-territorial. Clause 2 merely identifies those persons involved in terrorism whose assets persons in the UK cannot deal with and whom persons in the UK cannot assist by providing funds or economic resources.

For this reason, the Government cannot support the amendment, and I urge the noble and learned Lord to withdraw it.

Lord Lloyd of Berwick: My Lords, I am extremely grateful for that full response. The problem remains, I fear, the meaning of the word "person" in Clause 2. Somehow underlying the Minister's reply is the idea that a Treasury Minister has a power to designate assets, but of course the power can designate only persons. The Minister dealt with that clearly in relation to the example of us suspecting a French terrorist; indeed, he gave the same answer as I did. The way that it is meant to work is as follows: if we suspect someone in France of being a terrorist, we approach the French authorities and ask them in the spirit of co-operation—as the Minister rightly says, that underlies all this—to look at this, and the French will agree. If they come back and say, "Yes, we think you're right", they will designate the terrorist in France. There is nothing wrong with that. That is what Regulation 1373 envisages. What it does not envisage is us, without consulting the French, simply designating a Frenchman resident in France. All the cases show that a general word such as "person" in this clause, whatever may have been the Government's intention, does not mean—I respectfully suggest—what they think that it means.

I will look closely at what the Minister has said and, more important, I hope that others will look closely at what the Minister has said and what I have said. I hope that in due course they will reach what I believe to be the correct result, which would require only a small amendment to Clause 2. That having been said, I beg leave to withdraw the amendment.

Amendment 1 withdrawn.

Clause 23 : General power to disclose information

Amendment 2

Moved by Lord Sassoon

2: Clause 23, page 11, line 28, leave out "or Guernsey" and insert ", Guernsey or the Isle of Man"

Lord Sassoon: My Lords, I hope that this will be a little briefer. In Committee, I tabled, and this House accepted, a minor amendment to remove any doubt that disclosure of information obtained under Part 1 of the Bill to the law officers of Jersey or Guernsey is permitted. I said at the time that the ability to share this information is essential to the maintenance of an effective asset-freezing regime. The Government have

tabled a further amendment to Clause 23 to make it clear that the disclosure of information obtained under Part 1 of the Bill can also be to the law officer of the Isle of Man. This is a minor amendment, which is intended to ensure that Clause 23 achieves its original intention. I hope that your Lordships will support me in making this technical amendment to the Bill.

Amendment 2 agreed.

A privilege amendment was made.

Bill passed and sent to the Commons.

Comprehensive Spending Review

Motion to Take Note

3.39 pm

Moved By Lord Sassoon

That this House takes note of the Spending Review 2010.

The Commercial Secretary to the Treasury (Lord Sassoon): My Lords, in another place, my right honourable friend the Chancellor of the Exchequer set out the conclusions of the Government's spending review. This represents a clear plan to tackle the nation's deficit and demonstrates the Government's commitment to investment in growth, in jobs and in the future of the British economy. It is a plan that has at all times been guided by three core principles: growth, fairness and reform. These are the right priorities for making some of the most difficult decisions that any modern Government have had to make. We should never forget the financial position that we inherited when we came to office. Our country was borrowing £1 for every £4 that we spent. We had the largest budget deficit in our peacetime history and interest payments on our debts will total £43 billion for this year, or £120 million a day.

We need to take control of our country's finances and put them back on a sustainable path because, if we lose that control, our priorities will be determined no longer by the needs of our people but by the demands of our debtors. This loss of control would threaten higher interest rates, rising inflation and more cuts in the future. Indeed, failing to restore credibility to our finances is the most fundamental threat to the recovery, to our jobs and to the growth of our economy. Therefore, I dispute the claim, which some have made, that there is a choice between fiscal discipline and supporting growth. That could not be further from the truth. The choice is between a sound platform to support growth and a lack of control that would undermine it.

In June's emergency Budget, the Government therefore set out the roadmap to recovery. The independent Office for Budget Responsibility looked at these plans and forecast the economy growing and unemployment falling in every year. It has also assessed that we are on course to eliminate the structural current deficit and see debt falling by the end of this Parliament, one year ahead of our mandate. The emergency Budget set out the Government's credible plan to balance the books, while the spending review has shown how we will deliver on it and find £81 billion of savings by 2014-15.

[LORD SASSOON]

The Chancellor's Statement set out the levels of departmental budgets for the next four years. I will not repeat every decision here. Instead, I want to focus on our priorities: growth, fairness and reform. They have guided our every choice. We are a pro-growth Government who have focused our capital resources on key infrastructure projects in transport and green energy. We are a Government with fairness at our heart and we are a reforming Government who leave no stone unturned in the search for waste, while devolving power and funding away from Whitehall. I shall address each of these principles in turn, starting with growth.

Before I do, among all the contributions to today's debate I will be particularly keen to hear what principles the party opposite would apply to spending reductions and what specific measures it would propose. I will also be listening with particular attention to the maiden speeches of the noble Baronesses, Lady Nye and Lady Healy of Primrose Hill, and to that of my noble friend Lord Allan of Hallam.

On growth, I have already said how our plan as a whole will deliver macroeconomic stability, which is crucial to restoring growth and giving businesses the confidence to invest. However, we are not standing on the wayside waiting for growth to happen. We have prioritised spending on the areas that will deliver the best returns to growth. Over the spending review, capital spending will be higher than that planned by the previous Government. With investment in transport capital across the country, more cash will be spent over the next four years than the past four. We will maintain, in cash terms, resource spending on science. A new green investment bank will lead the way to the economy of the future. Last week, we also published our *Local Growth* White Paper, which included a £1.4 billion regional growth fund, focusing our resources on the areas that need them most. These actions, and many others, form a major part of our strategy to secure and support sustainable economic growth.

Our second priority is fairness. Fairness means that, across the entire deficit reduction plan, those with the broadest shoulders will bear the greatest burden. It means that, even in tough times, we focus our resources on extending the ladder of opportunity. It means that we look carefully at whether we are doing right by those who receive welfare, as well as by those working families whose taxes pay for it. These are our aims and we have met them in full. We have published distributional analysis that clearly demonstrates that those on the highest incomes will contribute more towards the consolidation. This is not just in cash terms but also as a proportion of their income and consumption of public services combined.

Our progressive approach also places responsibility on the banks to make their fair contribution. We will continue pressing banks to do more and bring forward reforms that improve our financial system. That is why we have introduced the bank levy. Because banks need to follow the spirit, not just the letter, of the law, we have engaged in a concerted effort to get our banks to sign up to the code of practice on taxation by the end of November.

We must ensure that everyone pays their fair share. That has been the motive behind agreeing a new £900 million package for HMRC. This investment will fund a clampdown on criminal behaviour, bringing in £7 billion each year by the end of the Parliament. There is no place for tax cheats in our society and there is no place for people who cheat the benefit system.

That brings me to welfare, with a budget that accounts for nearly £1 in every £3 that we spend. It is certainly right that the Government should help those who need it most. However, in many cases, the current approach has trapped people in a system where it simply does not pay to work. These are people who have been dumped on benefits by the previous Administration and then left there, indefinitely, with no prospects for improving their position. That is not fair on them and it is certainly not fair on the taxpayer. The case for reform is clear; the real question is how we can strike the balance.

Our approach has been this: we are moving to a universal credit system over the course of two Parliaments to do away with the complexity of the current system, ensuring that work always pays. We will introduce a new work programme to provide personalised support to those who need the greatest help back into employment, with private and third sector providers paid on the basis of the additional benefit savings that they secure. We will fund significant increases to the child tax credit to ensure that this spending review has no measurable impact on child poverty over the next two years.

Through the welfare reforms in the spending review, we will find £7 billion net savings on top of those identified at the Budget. Some £2.5 billion comes from removing child benefit from households with a higher-rate taxpayer. This is the most progressive welfare measure in the spending review, but we are making other reforms, too. For instance, we will cap household welfare payments at the average earnings for working households. This has to be right. The welfare system should provide an effective safety net, but it should not pay some workless families far more than the amount that most working families earn. Our reforms mark a historic shift from state dependency to independence.

Throughout this review, we have been clear on one thing: our decisions need to be fair and, in being so, to improve the chances of the poorest and most disadvantaged in our society. Fairness is about opportunity—a chance for a better life, especially for the next generation. Therefore, we have chosen to invest in our children. We have introduced a new pledge for 15 hours' childcare for disadvantaged two year-olds. Cash spending on Sure Start services will be maintained, with a renewed focus on life chances. Although it has meant a greater challenge for other departments, the schools budget will not just match but outstrip inflation in each of the next four years. When you factor in reduced pressures from pay restraint and back-office savings, that amounts to a very significant boost for the classroom. A new £2.5 billion pupil premium will target additional resources on those with the most to gain, because fairness runs through the very heart of this spending review.

I now move on to our third principle: reform. It manifests itself in three separate ways. The first is by bearing down on back-office costs. Each main government department has found at least 33 per cent in administrative savings. We have announced our plans to share services, cut down on waste and abolish unnecessary quangos.

Secondly, we will oversee a massive devolution of power from the centre. Apart from in schools and public health, we will end the ring-fencing of all government grants to local authorities from April next year. We will reduce the number of separate core revenue grants to councils from 90 to fewer than 10. Our new tax increment financing borrowing powers will allow councils to fund key projects and, last week, we announced that we are considering options to enable local authorities to retain locally raised business rates. This puts more power into the hands of local government—the people who know best what is needed in their own towns, villages and cities.

Finally, reform means recognising where the old ways of doing things were not working, so we will overhaul the failed system of social housing. The terms for existing tenants, and their rent levels, will remain unchanged, but some new tenants will be offered intermediate rents nearer to market levels. Together with capital investment, that will enable a more flexible and responsive model, enabling the Government to deliver up to 150,000 new and affordable homes over the next four years.

There will be reform, too, in the justice system. We have a prison population that has been steadily rising out of control. This is not right, let alone affordable. The guilty must be punished, but rehabilitation should not be ignored. In fact, it should be the priority.

I conclude by saying that the coalition Government faced the worst economic inheritance in modern history. The debts that we were bestowed threatened every job and every public service in the country. Our response has seen us make some tough choices on spending, but we have protected health, schools and investment in growth. We have cut welfare and waste, pulled the country back from the brink of bankruptcy and put it on a more stable footing. Ours is the right plan and it is a plan that will help to build the more dynamic, prosperous and sustainable economy that this country deserves.

3.52 pm

Lord Myners: My Lords, I congratulate the Minister on mastering something which it took me a long time to understand as a Minister: when you have to convey unpalatable messages or to spin messages, it is best to keep your eyes firmly fixed on the notes in front of you and avoid any eye contact with those opposite through fear of not being able to maintain a straight face. I congratulate the Minister on maintaining a straight face throughout that speech.

I appreciate that we have more than 50 contributions today, so I shall endeavour to make my remarks as brief as possible. Like the Minister, I look forward to the maiden speeches from the noble Baronesses, Lady Nye and Lady Healy of Primrose Hill, and the noble Lord, Lord Allan of Hallam, who are all significant and important additions to your Lordships' House.

The structure of my response is very similar to the structure of the Minister's speech, which is perhaps not altogether surprising as his speech was almost certainly written by the same people who were writing speeches with completely opposite views for me when I was a Minister, barely a few months ago. I recognise the structure.

We need to ask ourselves the following questions. Are the cuts necessary in scale and in terms of pace and are there alternatives which are worthy of consideration? Are the proposed cuts fair? Are they progressive? Do they fall on the broadest shoulders? I will not speak specifically to that issue, as I am sure that a number of my noble friends on these Benches will wish to do so. It is quite clear from the Institute for Fiscal Studies that the broadest shoulders are not bearing the greatest burden in terms of these cuts. To the extent that this programme can in any way be described as progressive—that is, limited to the top 2 per cent of all income earners—that is specifically as a consequence of the tax changes which the previous Government introduced in their Budget. This is not a fair programme; it is not a progressive programme; and I am sure that others will speak to that effect later in the debate.

Next, I ask myself whether the proposal is, to use parliamentary language, well put. Finally, are the issues of growth sufficiently addressed? The Chancellor presented cutting the fiscal deficit and the share of public spending as a proportion of gross domestic product as unavoidable. It is simply not true. There is a choice in terms of the target and the pace—whether the focus should be on expenditure or taxation and whether the expenditure cuts should fall most heavily on welfare. It is the Government's decision to make cuts on this scale, at this speed and with the greatest burden bearing on the poorest, the most deprived and the most vulnerable in the community. The Minister nodded his head for most of my statement until he saw the consequences of what he was nodding in agreement with.

There was no risk of national bankruptcy. I can say that with confidence, having been a Treasury Minister in May. There was no talk in the Bank of England or the Treasury about national bankruptcy. It is a complete figment of the imagination—a convenient truth that is now peddled by the Government. Let us remind ourselves that the average maturity of funding for government debt is 14 years. Let us remind ourselves that the Government are borrowing at the lowest interest rates for 40 years. That was true before the general election, as it is now. Interestingly—I am sure the Minister would point to this as being a sign of confidence in government—the spread of gilt yields over US dollar yields has expanded. I am afraid the Minister is wrong. His hand movements went in the wrong direction. He will no doubt wish to check the facts and find that I am correct. The spread has widened, so this is not a positive response to the Government. It is a very clear statement from the markets that there is now a real risk of recession. That is the consequence of the policy that the Government are pursuing.

We went into the global financial crisis with the second lowest debt as a percentage of GDP in the G7 countries. It was 36.5 per cent of GDP in 2007-08,

[LORD MYNERS]

which was lower than 42.5 per cent when the party opposite was last in government in 1996. Borrowing as a percentage of GDP in 2007-08 was only 2.4 per cent. That was largely being used for capital investment—for schools, hospitals and infrastructure. Let us remember that the Opposition were committed to the public expenditure programme as late as 2008. Indeed, David Cameron endorsed it as a tough approach. However, we then had a global crisis. It was absolutely right in those circumstances, when we saw a significant reduction in demand in the economy, for the Government to step in to create that demand in a typical Keynesian response.

However, the deficit needs to be addressed. We not only made a clear commitment to address the deficit—to halve it as a percentage of GDP within four years—but had already made a significant start on it. Remember that the deficit was lower at the end of our period in government than was forecast 12 months earlier and economic growth was stronger than had been forecast 12 months previously. Again, the Government's argument now that the crisis they confronted was far greater than they had imagined or envisaged simply is not borne out by the truth. The deficit as a percentage of GDP was lower than we were forecasting, as confirmed by the OBR. Economic growth was faster than had been forecast 12 months earlier. Of course the deficit needed to be addressed but we had a programme to do that. We had a programme to reduce the deficit from 11.1 per cent of GDP in 2009-10 to 5 per cent in 2013-14. The Government's own Office for Budget Responsibility has endorsed the fact that the programme we outlined would have achieved that degree of reduction.

One of the fallacies of the Government's thinking is that, somehow, borrowing is wrong. The family budget analogy—a good family always lives within its means—is used here. The Government miss the point entirely. Borrowing is sensible from a government perspective in a situation where there is endemic, pervasive overcapacity, as there clearly is at the moment; or when there is underutilisation of capacity and higher unemployment of people and capital than would otherwise be available. It is equally sensible to borrow for investment. The Government miss this point because their analysis of the economy is based solely on liabilities, not on assets.

It is absolutely sensible to pass on to future generations the benefits of capital investment—in education, hospitals, roads and infrastructure—and the costs of that investment in a fair and proportionate way. This Government, in fact, are slashing capital investment at precisely the time when we should be increasing capital investment because of the existence of surplus capacity. Now is the time to commission new building work because there is excess capacity in the building and construction industry. I should like the Minister, in his closing speech, to confirm that, under the Government's own economic forecasts, the economy will still be producing at 10 per cent below theoretical productive capacity at the end of the CSR period. If that is, as I believe, correct, then I think it underlines the fact that the Government's policies are pushing us back into a recession and not ensuring that the economy recovers in the way it should.

On the issue of fairness, the Minister has spoken about children. He says that the Government have chosen to invest in children and that investment in children will outstrip inflation. However, we know from public statements that there will actually be a significant reduction in investment and expenditure per pupil in the education system. We know the pupil premium is a sleight of hand—a deception played by one of the coalition partners on the other. We have seen a fairness programme that is going to put the greatest burden on young families, on women, on the disadvantaged, and on local authorities. The Minister talked in a straight-faced way about devolving responsibility from central government to local authorities, but the only thing they have devolved is the axe for cutting. Because they have not had the guts to make the cuts themselves; they have passed most of these cuts on to local authorities. I fail, for the life of me, to see how that squares with the big society.

Thirdly, I ask whether the CSR was well-put. There were presentational tricks. I will be the first to admit that the current Chancellor is not the first to use presentational tricks: the mixture of numbers and percentages, the combination in single statements, paragraphs and sentences of cash amounts and inflation-adjusted amounts. We had more on the widening of the A11 in Norwich than we had on the loss of half a million jobs in the public sector. I hope that the Office for Budget Responsibility will be asked to look at ministerial statements on the economy to ensure that, in the future, they meet certain minimum tests for veracity, balance, and completeness.

What was most striking about the Chancellor's Statement—this is my fourth and final point—was that there was no compelling supply-side narrative and no macroeconomic analysis at all. There was no evidence to support the contention that crowding out was working, or that there was some form of Ricardian Equivalence. There was no acknowledgment at all of what was necessary for the private sector to grow. The absence of a growth narrative was the most significant deficiency from an economic perspective of the Chancellor's Statement. What we do know is that the proposed cuts will reduce economic activity by something in the region of 0.5 per cent per annum through the CSR period. I believe it will be more when one takes into account the multiplier effect. I am confident that the OBR will shortly reduce growth assumptions significantly. That is because we are seeing more unemployment; consumption will be affected by the increase in VAT; demand for credit remains low; the export outlook does not look at all encouraging; and investment by business in the private sector is clearly going to be curtailed until a more certain economic future can be seen.

We need a supply-side agenda, which is simply not being produced by this Government. The Government are fixated on cutting, cutting, cutting and reducing the size of the state. They have no alternative other than keeping fingers crossed and assuming that if the state consumes less, the private sector will somehow more than make up for that—something that is clearly at odds with the fact that we currently have considerable excess capacity in the economy. Cutting back on investment at a time such as this is a tragedy.

The Government have created further uncertainty for the banking industry. They have slashed spending on business support programmes and have abolished the RDAs, replacing them with mere shadows. They are cutting investment programmes in innovation and applied research. Some of the consolations offered in terms of a green investment bank or a carbon-capture demonstration model are, frankly, trifling by comparison. Instead, the Government are increasingly relying on monetary policy. I strongly advise them to avoid compromising the independence of the Bank of England in this respect. I also urge the Bank of England to be very careful about introducing further quantitative easing until it can produce clear evidence that existing quantitative easing has worked. Certainly, the scale of existing quantitative easing exceeds anything which we envisaged was likely when it was first introduced by the Monetary Policy Committee as a possible response to low interest rates.

I have already said that Labour would have taken decisive action to reduce the deficit. What else would we have done? We should have introduced a much more activist programme to support industry and new investment by facilitating investment in innovation and, importantly, putting in place better infrastructure and making sure that private capital was increasingly available to support public needs in terms of infrastructure. I am pleased to read in the Sunday newspapers that the Minister has been travelling the world making the case to sovereign wealth funds for investment in infrastructure. If those reports are correct, that is sensible, although it is slightly at odds with the Chancellor feeling that paying interest on borrowings to non-domestic lenders is somehow unpatriotic, while giving ownership of infrastructure to non-nationals is acceptable. I should like to believe that the Government would invest in and create a new national investment bank. There are important opportunities here to use private capital from interested pension and insurance funds that would give fixed and predictable returns to support investment in infrastructure. However, to date, we have seen very little original thinking from the Government on that.

Finally, what I found shocking about the Chancellor's presentation was the waving of Order Papers and the cheering at the end of his speech. This was deeply insulting to those who will have to bear the burden of this cutting programme. To see the Chief Secretary demoted to a position of being glass filler in chief—filling the Chancellor's glass of water from time to time until he received a note telling him that it would perhaps be sensible if he shuffled up the Bench a little, so he was not as visible to the television cameras, and sat immediately behind the Chancellor—speaks volumes about the discomfort that those on the Liberal Benches must now be feeling. The Chief Secretary said he did not come into politics to cut government expenditure and public funding of needy services. That is what he has done; that is what the Government have done; and in doing that, they have completely failed to put forward a clear growth strategy that is fair and reasonable and which would ensure that the country delivers to its full potential.

4.08 pm

Lord Newby: My Lords, no doubt the CSR makes me, like many other noble Lords, angry and frustrated—angry that the US and British banking systems landed us in a major financial and economic crisis; angry that the previous Government had been spending like there was no tomorrow, with big government deficits in every year since 2002; and angry and frustrated that in attempting to clear up the mess we have often been portrayed, as the noble Lord has just done, as latter-day scrooges who take a perverse delight in reducing public expenditure, when nothing could be further from the truth.

There is no doubt that the deficit had to be tackled decisively. We can argue whether the aim should be to eliminate it over the lifetime of this Parliament or over a slightly longer timescale. Labour argues that the timescale that we have adopted is a gamble. Perhaps it is, but Labour's policy—to the extent that we can discern it—is simply a gamble of a different sort. The noble Lord today failed yet again to spell out how Labour would save even £1 of the tens of billions of pounds which it is committed to cut from public expenditure. Frankly, until it does, it has no credibility with me.

These arguments are, however, in my mind now secondary to the main challenges facing the British economy and the operations of the state when it comes to taxation and expenditure. There are two principal challenges which I believe we face and against which this CSR should be judged. First, almost every aspect of our taxation and expenditure systems are no longer fit for purpose. Secondly, we have not responded effectively to the fundamental change in the world economy that is now in full swing.

Take the way we do things. Almost wherever one looks, our public expenditure and regulatory systems have become so complex that they cannot deliver effectively the outcomes that they seek. We have a benefits system that makes the Schleswig-Holstein question look like child's play; we have a pensions system that is confusing and obscure; we have a tax system that is now the most complex in the world and which almost certainly no one—literally no one—fully understands; and we have a regulatory system that stifles initiative in almost every area of public life.

Because we have to cut public expenditure, we are being forced to look afresh at the way we do all these things. This is long overdue and can lead to positive outcomes. I shall give examples. The Building Schools for the Future programme is being cut, but not before another 600 new schools are built. It has been announced that these schools will have to be built at 40 per cent less cost than has been the case until now. This sounds an impossible aim, until you read the document produced by Balfour Beatty that explains how it thinks it can save 30 per cent on new build schools, and a massive 60 per cent on non-structural refurbishment, simply by being more efficient in the process.

In social care, Sandwell healthcare, a social enterprise, was able literally to halve the costs of delivering services previously run directly by the local council, with no loss of pay or other conditions for the staff, by among other things being able to reduce the number of sick

[LORD NEWBY]

days per employee from 32 to one. The challenge now is to ensure that this kind of saving is identified and delivered across the whole range of public spending.

On benefits, the Government have embarked on fundamental reforms. I welcome the plans to introduce a universal benefit and the plans for a citizens' pension, as they are major simplifications of the system and will mean that many people who currently lose out—in the case of the citizens' pension, principally women who stayed at home to have children—will for the first time get the benefits they deserve.

The second challenge we face is how to rebuild the economy in circumstances where the main drivers for growth are the emerging economies and not simply, or even primarily, the US and Europe.

Analogies are often drawn between the current crisis and the 1930s. They are largely misconceived because they ignore the fact that large parts of the world economy are booming and are likely to continue to grow strongly, whatever happens in Europe and the US. Emerging markets now account for a third of the world economy and two-thirds of its growth, which helps to explain why the world economy is now larger than before the financial crisis. All the evidence shows that companies are planning for further cross-border growth. A recent study by BDO showed that 95 per cent of ambitious mid-cap companies are confident about international growth for the year ahead. This is a far cry from the 1930s.

The high levels of growth in the BRICs and the appetite for international expansion by companies offer the UK huge opportunities, but ones that under the previous Administration were simply not adequately exploited. This is not simply or even primarily a matter for government, but government has a crucial part to play. The new Government appear to recognise this potential and have taken some positive steps towards realising it. The early visit of the Prime Minister to India was a good start. However, there is much more to be done. For a start, we must stop making things more difficult for those wanting to trade with or invest in the UK.

Over recent weeks, we have exhaustively discussed the immigration cap, but the current policy, which among other things denies multinational companies with large-scale operations here the opportunity to bring in the highly skilled staff they need to expand their activities, is highly damaging and must change soon.

We must also create the conditions that help companies to grow. We need, for example, a 21st-century infrastructure. In this area, the transport infrastructure announcements are highly welcome, but they deal with only part of the need. The establishment of the green investment bank is also a welcome development, but it needs to attract significantly more capital if it is really to bring our infrastructure up to speed. This should be possible as pension funds, other fund managers and sovereign wealth funds are all looking for long-term, secure vehicles in which to invest. Like the noble Lord, Lord Myners, I was pleased to read of my noble friend's success in discussions with sovereign wealth funds in this area.

We also need a more highly skilled workforce. Here the Government's announcements on the science budget, on funding part-time higher education students on the same basis as their full-time equivalents and on expanding funding for apprenticeships are welcome developments. However, the new system for the bulk of university students needs to include incentives for those of modest backgrounds to attend all our universities if we are to make the best use of the talent which we as a country possess. We also need to do more to reduce the level of functional illiteracy among school leavers and the adult population as a whole.

Regional development is clearly going to be crucial if we are to get a more balanced overall economy. The Government have introduced the regional growth fund but, with less than half the funding of the RDAs and an apparently weak bias towards spending outside London and the south-east, it will struggle to make much of an impact. Indeed, it was rather depressing to see that the initial local enterprise partnerships announced last week covered nearly all the south-east, including some counties already doing extremely well economically, but not large parts of the north. It is hoped that those gaps will be filled, but it is crucial that the limited money available goes to the parts of the economy with the largest amount of spare capacity.

In the CSR, the Government have set out a clear programme for this Parliament. If they meet their stated aims of making the delivery of our public services more effective and efficient and of creating the conditions for businesses to grow, they will deserve to succeed.

4.17 pm

Lord Bilimoria: My Lords, I have always believed that a wise person learns from other people's mistakes, a sensible person learns from his previous mistakes, and a fool makes the same mistake over again. The question before us is: is the Government's spending review wise, sensible or foolish?

As regards past mistakes, it is widely held that it was Franklin D Roosevelt's failure to provide prolonged stimulus during the great depression, combined with fiscal tightening, that prolonged the slump and was responsible for the double dip during that period. On the other hand, the Canadian and Swedish examples of making severe cuts in the 1990s that led to their economic recovery are cited as examples of why a country in our position should take similar measures by having our own "bloodbath budget". Well, we have had our "Axe Wednesday".

However, the world was very different in the 1990s. Canada was able to make those cuts, first, because the rest of the world was emerging into a prolonged boom time—a sharp contrast to today—and, secondly, because Canada is a country with enormous natural resources whose exports have accounted for 45 per cent of GDP. Sweden had, 50 years ago, the same level of public sector expenditure as a percentage of GDP as the United States—at 30 per cent of GDP—but, by the 1990s, the figure was well over 60 per cent. However, when those countries began wielding their axe to public expenditure, they were surrounded by a benign and increasingly booming global economy. Furthermore,

both countries had the flexibility to use fiscal and monetary measures to compensate for huge public spending cuts.

Just look at the world situation over the past four years. In 2006, the sub-prime crisis started to unfold. In 2007, there was the credit crunch. In 2008-09, there was the great recession. By 2010, we had the sovereign debt crisis. In the same year, we now have the potential global currency crisis, increasing economic protectionism and beggar-thy-neighbour policies around the world. That is a classic domino effect, with one thing leading to another. What is next?

Here in Britain, there is no question that the previous Government squandered away an economy in excellent shape that was handed to them on a silver platter in 1997. They used that period of prolonged growth and low interest rates to take public expenditure to well over 50 per cent of GDP, from the 40 per cent level that it had historically been. I am delighted to see that the comprehensive spending review plans to bring public expenditure as a percentage of GDP back to 40 per cent by 2014. I would appreciate hearing the Minister confirm that that is the Government's target.

Today, we have the non-dom levy and the 50p high rate of tax, both of which are driving people away and deterring the best talent from coming into this country. On top of that, the current Government have introduced a madcap immigration cap. In addition, the forthcoming VAT increase will hit every man, woman and child in this country. Those things combined with interest rates of 0.5 per cent—how low can we go?—mean that as a country we have boxed ourselves into a corner, with no room for manoeuvre. We have high levels of unemployment, especially youth unemployment; our housing market has come to a standstill; the spectre of inflation looms; our people have low levels of confidence and high levels of uncertainty; and our banks are not lending. We have to prevent not just the danger that we bump along the bottom for the next few years but the risk that we become another Japan—in the doldrums for two decades.

Our only hope is to play to our strengths and to address our weaknesses. Our weaknesses include nearly £200 billion of welfare and pensions expenditure. I am delighted to see the measures in the CSR to deal with this head on. As much as we all appreciate and love the NHS, there are still tens of billions of pounds of efficiency savings to be made.

With 500,000 public sector jobs predicted to be lost over the coming years, are the Government doing enough to encourage the private sector to provide those jobs? Are they doing enough to promote growth in the economy today? I welcome the £1.5 billion fund and the £200 million enterprise fund to help businesses in this country, but by comparison with the United States, which has created a \$30 billion loan fund along with \$12 billion in tax breaks specifically for small business, we seem to be falling very far short of the mark. The proposed measures are even more piffling when compared to the hundreds of billions of pounds spent on bailing out the banks, given that it is the small and medium-sized enterprises that will lead the charge to recovery in this country.

Our strengths include our higher education sector, but we are cutting that by 40 per cent over the next four years to try to save £3 billion. Our higher education is the cornerstone of our competitiveness and is one of our biggest export earners through the foreign students that we attract. Surely such a cut is foolishness.

We have had a hastily rushed-through defence review when our brave troops are making the ultimate sacrifice in Afghanistan—a war that is almost 10 years old—and despite the uncertainties that the world throws our way all the time. We did not predict the Falklands war, but it happened. We did not predict 9/11, but it happened. We do not know what is going to happen next, so to skimp on our defence at this time is foolishness.

Our creative industries, our design capabilities and our tourism are strengths, yet we are planning cuts in those. That is foolishness indeed.

I am president of the UK India Business Council, which is funded by UK Trade & Investment, which in turn is funded by the Foreign and Commonwealth Office and the Department for Business, Innovation and Skills. Surely to cut funding that helps UK firms to go global is folly. The Indian economy is booming even in these times. The Goldman Sachs BRICs report predicts that China and India will become the world's two largest economies by 2050, yet Gerard Lyons, who is the chief economist of Standard Chartered Bank, told us yesterday that Britain exported more to Ireland in 2009 than it did to Brazil, India, Russia, China and South Africa combined—countries that have a population of 3 billion. Instead of encouraging the spirit of global enterprise, we make cuts. "Penny wise and pound foolish" seems to be the mantra of the comprehensive spending review.

The amounts involved in those cuts to our areas of strength are tiny compared to the big-ticket items in our areas of weakness, but the effect of destroying our abilities and competitiveness is potentially catastrophic. We are shooting ourselves in the foot. Our Nobel Prize-winning economist Christopher Pissarides has said:

"Unemployment is high and job vacancies few. By taking the action that the chancellor outlined in his statement, this situation might well become worse".

No one denies that cuts need to be made, but the timing, severity, pace and priorities of the cuts and their indiscriminate nature are a cause for worry not just here but in the United States and all over the world.

We are still in the eye of the storm and the global uncertainties continue to whirl around us. Our only chance of getting through depends on our strengths. I implore the Government not to hamper this country's great and special strengths. Help us unleash our strengths and play to them. Then, and only then, will we get through this nightmare and come out stronger than ever.

4.26 pm

The Lord Bishop of Leicester: My Lords, I must crave the indulgence of the House for speaking to your Lordships with laryngitis, but my presence is an earnest of the Church of England's profound concern about the issues before us today.

[THE LORD BISHOP OF LEICESTER]

There are aspects of the comprehensive spending review that we on these Benches would be happy to acknowledge and applaud, not least the commitment to protect overseas aid spending, the re-emphasis on the rehabilitation of prisoners and the proper commitment to prevent structural and personal debt running out of control. However, noble Lords will not be surprised to hear that, like most bishops, I am hearing a great deal of genuine anxiety and concern in my diocese among serious people—vice-chancellors, local authority chief executives, health managers and businesspeople—since the Chancellor sat down after delivering his spending review Statement. Local government chief executives express profound concern about the termination of the so-called specific grants and are deeply concerned about the £2 billion black hole in local authority support that was reported in last week's *MJ*.

I cannot help coming to the conclusion that there is a gap between a London-centred debate about debt reduction and a different debate in the regions about the extremely painful consequences that are having to be managed by those not privy to the initial decisions. There is genuine fear among some of the most vulnerable people that their already difficult lives are to be made effectively impossible by the assault on benefits. As we all know, there is a growing sense of indignation, which I do not necessarily condone but which I certainly understand, that in the City of London and in the boardrooms of too many companies, it is business as usual with inflated salaries, enormous bonuses and apparent disregard for the Government's rhetoric that we are all in this together.

I am not an economist, but I am well aware that professional economists by no means agree that the Government's approach to the deficit is necessarily the right one. Where the discipline of economics is divided, we expect the Chancellor to be light on his feet and ready to change direction if the impact of his policies turns out to be dramatically different from what is predicted. The Treasury does not know, any more than I do, which group of economists is correct, but the well-being of millions of our fellow citizens depends on the Chancellor getting this right and having the courage to change direction if necessary.

I want to make one key point that is not dependent on economic expertise but it is about the kind of society that we think that we are building. How on earth is the so-called big society vision of stable, mutually supportive communities to be enhanced by changes to housing benefit that will drive poorer people into what amount to townships in the undesirable areas of our towns and cities? That is the inexorable logic of capping housing benefit. More than that, how will limited tenure of social housing help us to build the big society? It is precisely the long-standing residents whose family commitments have begun to recede who are the linchpins that bind a neighbourhood together. The very people who will be the foundation of a bigger, more mutual and caring society are being told that they cannot take security of tenure for granted. The importance of stable populations in neighbourhoods and communities appears to count for nothing. I am led to suspect that any money saved by moving people out of their homes will have to be spent many times

over on supporting and managing the problems that follow when formerly stable communities become home to transient populations of insecure tenants who have no incentive to act as though they belong to their neighbourhood. Why should they try to belong when successive governments' housing policies have created, not a big society, but a very thin, rootless society among those who rely on social housing?

The reason why people rely on social housing is, basically, not fecklessness or inadequacy but simply because our mismanaged housing market has fallen out of step with our deeply unequal labour market. When hard work does not pay enough to pay for decent housing, we had better act to raise wages or create more houses to bring their price down. On both counts, successive governments have been too shy of acting. The present belief that cutting housing benefit will depress the market and reduce private sector rents might just work if there were more houses to meet the demand. As it is, all the risk is being born by the vulnerable, not the comfortable.

Lord St John of Fawsley: My Lords, what the country now needs is not blame for the deficit—we all know who is responsible for that. What we want is hope for the future, which is the second of the theological virtues faith, hope and charity. Anybody listening to the Minister's speech will note a very subtle but clear change in what he was saying. It was shot through with hope for the future, and also flexibility. Congratulations to him for doing so.

The Lord Bishop of Leicester: My Lords, it seems to me that hope for the future depends on ensuring that those who are most vulnerable, those who are most excluded and those who most depend on the state for any kind of security are made secure by these changes. Hope for the future depends on recognising the widespread damages to society and to social justice from ever-widening inequalities, which have been widely researched and established by many authorities. We do not create a fair society—let alone a big society—by placing some of our fellow citizens beyond the reach of social solidarity. I hope that such is not the intention of the Chancellor but I fear that it may be the effect of some aspects of the review. I hope that the indignation of many people in my diocese turns out to be uncalled for, but I fear that this may be just the beginning, for the cuts have not yet begun to bite deeply.

I trust that the Chancellor will prove quick to turn again if the harm caused by his policies becomes a price not worth paying for merely economic rather than fully social recovery. The Church of England remains committed to work with Government and with others to respond to the vision of the big society, but I fear that the comprehensive spending review has made that vision much harder to realise and even more necessary.

4.34 pm

Lord Lamont of Lerwick: My Lords, I welcome the comprehensive spending review. The noble Lord, Lord Myners, made a point of saying that there were choices open to the Government. Indeed there were. I particularly

welcome the choice that they made to stick more or less to the ratio of 75 to 25 per cent in the balance between expenditure cuts and tax increases. I believe that the emphasis had to be on public expenditure cuts in order to correct at least part of the overspending of recent years.

Undoubtedly this was a bold set of announcements, for which praise is therefore due. Bold it may have been, but the idea that this was the biggest fiscal consolidation since the dissolution of the monasteries seems somewhat overdone. We are cutting spending by 7.4 points of GDP, which, as the noble Lord, Lord Bilimoria, said, compares with what Canada did in the early 1990s. Sweden, after its banking crisis in the early 1990s, reduced expenditure by nearly 15 per cent, as did Finland. Spain and the Netherlands at the same time reduced spending by much the same amount as the Government are reducing it today. The early 1990s were not at that time a benign environment internationally. Indeed, there had been other fiscal consolidations, such as that of my noble and learned friend Lord Howe in the early 1980s, of a similar magnitude. In this country, from 1993 onwards, we moved from a deficit of 7 per cent of GDP in five years to a surplus. All these fiscal consolidations were achieved without Armageddon arriving.

Of course there are risks, but there are risks also in not acting. The Government were for several reasons right to move more quickly than the previous Government to reduce the deficit. First, the sovereign debt crisis in Europe has altered the balance between the merits of delay and the merits of action. Secondly, as the Minister said, Britain has one of the largest structural deficits in the world. It is true, as the noble Lord, Lord Myners, said, that we compare quite well with other countries in terms of the stock of debt, but the size of our annual deficit means that we are adding considerably to the stock of debt each year. Indeed, the predictions have been that this would top off somewhere at 80 or 90 per cent of GDP. However, if we go on adding at a rate of 10 per cent—or, if it is modified, at a rate of 7 or 5 per cent—we shall increase it considerably, at great risk.

As the Minister said, debt interest is taking an increasing proportion of total public expenditure. After the CSR, there will be savings in debt interest payments, but debt interest is to go on rising during the whole of the expenditure period. With an uncorrected deficit, we would see more and more public expenditure silted up with interest payments. Ken Rogoff, the former chief economist at the IMF, has argued that the relationship between interest rates and debt is not a linear one. Interest rates can rise quite suddenly when a country hits its debt ceiling and he has demonstrated in his work time and again that, when a stock of debt reaches a certain point, it is a dampener on the growth of that economy. We have been running a deficit that is something like one and a half times the level of deficit run by Franklin D Roosevelt in the 1930s, which his own Treasury Secretary at the time confided to his diaries had not done much good or made much difference.

These cuts will not come into effect until next year and they will take four years in total to implement. How long do noble Lords opposite think we can take?

What are their criteria for when we should act? One answer that is often given is that we should act when the economy is showing signs of recovery and that recovery is firmly established. It is not easy to say what “firmly established” means, but so far the economy has recovered remarkably quickly. Growth in the past three quarters has been 0.4 per cent, 1.2 per cent and 0.8 per cent, which surprised the markets in general. The ONS has said that the difference between the first and second quarters in underlying growth was much the same, implying that the economy is growing at an annualised rate of 3.2 per cent, which is above its long-term trend rate of growth of 2.35 per cent as found by the previous Government. I am the first to say that there are risks to this growth rate—it may well slow down—but the recovery is faster than that following the recessions of either the 1980s or the 1990s. We have recovered 40 per cent of the loss between the first quarter of 2008 and the third quarter of 2009.

An answer that we sometimes get to the question how we should judge when it is appropriate to tighten policy is that we should wait until the output gap is closed—that is, the difference between output as it is now and where it would have been had there been no recession and the economy had grown during that period at the long-term rate of growth. But how does anybody know what the output gap is? It is a concept that is extremely difficult to measure precisely. Also, it might take years to close the output gap, in which case we would go on adding to the structural deficit by 10 per cent or 5 per cent, or whatever the chosen rate was each year.

There is much concern, understandably—the noble Lord, Lord Myners, referred to this—about the loss of 490,000 jobs in the public sector. That is to be spread over four years but it also has to be seen in the context of a labour market of nearly 30 million people. That labour force increased by over 315,000 in the period between December/February and June/August. If the economy continues to grow—and of course there are risks and huge uncertainties in this—there is every prospect that this sort of redundancy in the public sector can be absorbed.

The noble Lord, Lord Myners, seemed to see the cuts ideologically as part of the desire for a smaller state. Indeed, there have been a lot of headlines about rolling back the state. However, they seem somewhat wide of the mark when one realises that public expenditure in money terms is going to go on rising every year to the end of the survey period and that, at the end of that period, spending in real terms will be where it was two years ago. Spending as a proportion of GDP is going to fall from 47 per cent back to 41 per cent, where it was for much of the 1980s and 1990s. With all due respect, that does not seem to be a radical restructuring of the state but rather a common-sense reversal of part of the overspending that we have seen in recent years.

The right reverend Prelate talked about fairness. There never will be consensus on fairness; fairness is in the eye of the beholder. Some noble Lords opposite think that the entire burden should be shouldered by the better-off, but any objective person will see that the Government have laboured long and hard to try to

[LORD LAMONT OF LERWICK]

spread the misery and the pain around. Any cuts proposed in welfare would lead the Opposition to say that this was unfair. Perhaps they should remember what James Purnell said when he was Secretary of State for Work and Pensions, specifically about housing benefit, which was that he wanted to consult in order to see that

“people on benefits do not end up getting subsidies for rents that those who work could never afford.”

This has been a difficult package to assemble. I believe that it will gain acceptance by having been assembled by a coalition Government of two parties and that the exercise of doing it has strengthened the coalition. I welcome the CSR. After a decade of recklessness, the Chancellor of the Exchequer and the coalition have laid the foundations for a decade in which we could earn our prosperity in the future rather than borrowing it.

4.43 pm

Lord Peston: My Lords, my contribution is based on three premises: this is the most reactionary economic statement of modern times; the proposals will do serious damage to our economy; and, to echo the remarks of my noble friend Lord Myners, there is no immediate crisis and the Government should have adopted a much more deliberative approach.

The first sentence of the spending review Statement by the Chancellor said:

“Today is the day when Britain steps back from the brink”.—*[Official Report, Commons, 20/10/10; col. 949.]*

There was no brink; there is no brink. Britain is not, and never was, on the verge of bankruptcy. There was no financial catastrophe. The Chancellor’s reference to financial catastrophe merely indicates something that I deeply fear—namely, that he has entered into fantasy land. As one sees from reading the whole Statement, he never leaves it. As a devoted watcher of the “The Wizard of Oz”, I deeply appreciate his frame of mind, but I thought that this was a serious matter of economics confronting the country and that fantasy is not what the Chancellor really does. I regard his document, despite the damage that it does, as intellectually frivolous.

My noble friend Lord Myners referred to the alleged burden on future generations. Are the Government suggesting that we should have fought the Second World War on a no-borrowing principle? We have all gained from the defeat of the Nazis. The period did not strike me as being terribly bad, although I was only a child. We paid taxes then to finance the national debt that resulted. If we are now to defeat terrorism, are the Government asking us to believe that, if necessary, we should not borrow to finance the resources that we need to do so? The Government are in fantasy land. As my noble friend pointed out, we donate so many good things to future generations that there is, as far as I know from my limited knowledge of economics, no reason not to place a bit of the burden on our children. They will thank us for what we gave them.

The noble Lord, Lord Lamont, referred to recent GDP figures. There have been three good quarters. However, it has been overwhelmingly established by

all the economic research that I know that what happened in that period was determined during the previous two years. Not a single bit of the recovery that we observe is remotely attributable to this Government. I looked in vain for the Chancellor in his Statement to thank his predecessor for the legacy that had been left him. He did not even have the courtesy to admit that that was the foundation that was given to him.

The Chancellor devoted a whole hour to a speech that, apart from being reactionary, was one of the most uninteresting of all time. He referred to the IMF. The IMF and the European Central Bank are the two last repositories of completely outdated and erroneous monetarism. They, too, believe in the doctrine, “Private expenditure good, public expenditure bad”. The noble Lord, Lord Lamont, et al tell us that this is not ideological; I tell them that it is entirely ideological. It is all about the kind of society in which we would like to live. We cannot avoid that.

The Chancellor said in his Statement:

“The creation of an independent Office for Budget Responsibility has brought honesty back to official forecasts”.

Since the official forecasting was done by the economists in the Treasury, who I assure your Lordships are of the highest quality, his remark is totally defamatory. If he had made it outside the Commons Chamber, I wonder what would have been said. The idea that those economists did not give a Chancellor of our time or the Chancellor of this time their best and honest views is preposterous. The Chancellor continued:

“I can confirm to the House that the OBR and its new chair”—

I always use the word “chairman”—

“have audited all the annually managed expenditure savings in today’s statement”.—*[Official Report, Commons, 20/10/10; col. 949.]*

Is there any published documentation corresponding to that statement and, if so, where can I find it so that I can read it?

A noble Lord: It is in the document.

Lord Peston: No, it is not in there. That is not a document from the OBR; it is a document from the Government.

To what extent is the Chancellor talking to the head and other members of the OBR, who are meant to be independent? If they are meeting, were minutes taken? If so, could we have copies of them so that, for the sake of transparency, we know the nature of the argument that we are dealing with?

The Chancellor tells us that we are all in this together. I refer to the great economist Michal Kalecki, who in 1943—note the date—wrote a brilliant article in *Political Quarterly*. He said, apropos of exactly what the Chancellor has said:

“For here a moral principle of the highest importance is at stake. The fundamentals of capitalist ethics require that ‘you shall earn your bread in sweat’—unless you happen to have private means”.

I wonder whom Kalecki, if he were alive today, might have in mind. Of course, they are not laughing, because they know what this is really all about.

Lord Marlesford: I was brought up on the great Kalecki and my recollection of one of his fundamental theses was that the only rescue and hope for capitalism was armament and war. That has not been proved true.

Lord Peston: That is not true—that was not his view. What is interesting, if I may give a lecture on the history of economics, is that we can distinguish Kalecki from Keynes, although Kalecki made the great mistake of publishing in Polish and therefore was never fully appreciated. Keynes was attacked, particularly by the American right, for being left wing, but he really believed that capitalism could be saved and advocated his policy so that we could go back to capitalist free enterprise. Kalecki believed that the ideology of capitalists was such that they would prefer to destroy the system rather than to allow Governments to intervene to save it. I am glad that the noble Lord is aware of Kalecki; the sadness is that his name still rarely appears in any of the economic textbooks.

I refer again to the problem of what we should be doing. The noble Lord, Lord Sassoon, said that none of us was telling him what he ought to do. I shall not send him a bill when I do tell him. I am a Back-Bencher so I speak only for myself. The first thing that I would do to save money, after what one of our major newspapers called the fiasco of the defence review, is to redo that review and realise that our whole future on the defence side depends on conventional weapons. We should announce immediately that we have no intention of wasting any money on the renewal of Trident; our nuclear deterrent is not a deterrent, because no one can tell us whom it deters and, in any case, it is not independent. What this country needs is a much improved set of conventional armed forces. The Government should go back and think about that.

My second recommendation to the Government is to abolish immediately the raising of VAT at the beginning of next year. It is the last thing that the economy needs. I speak only for myself; I have no idea whether others are deeply committed to raising VAT. My view is that abolishing the increase is the stimulus that the economy needs.

Thirdly, the Prime Minister, instead of looking for headlines in his attack on the European Community by telling us that he is a Eurosceptic, should realise that the biggest waste of money in the whole of Europe is the common agricultural policy. If he had any backbone, he would seek a row with the Europeans to abolish that policy. That would save us enormously more money than the trivial sums that we are talking about.

4.54 pm

Lord Oakeshott of Seagrove Bay: Well, my Lords, that was the noble Lord, Lord Peston, at his peppery professorial best. I welcome what he said about Trident. I hope he will be paying tribute to the Liberal Democrats in Government. We are not meant to brag about this too much but I am still going to mention it. By a feat of negotiation we have managed to get the renewal of Trident put off until after the next election, which, we hope, will at least give time for Labour to change its

policy as well. So there is a really serious chance that we will not be committed to a replacement of Trident which the other two main parties were putting forward at the general election.

It is always interesting to hear from the noble Lord, Lord Lamont, with his experience. He certainly does know all about markets losing confidence in governments. I was particularly impressed by the wise words of the right reverend Prelate the Bishop of Leicester about the importance of maintaining stable communities in social housing. I am afraid the real problem about the housing benefit situation is the way the social housing stock was run down disgracefully under Thatcher, Blair and Brown. That is the real reason we are in this mess on housing today.

The Chancellor announced £81 billion of cuts in the CSR and the official estimate of the tax gap—the total of tax avoidance, evasion and fraud—is £42 billion. We must close the deficit, but to do that in a fair and sustainable way, we must repair Britain's broken tax collection machine. Volunteering is all very well, but not when it comes to paying tax. Just like any business in the real world, we must get our revenues up as well as our costs down. I declare my interest as a pension fund investment manager for the past 34 years. It is one of life's rather strange twists that I went from advising a Labour Minister, Roy Jenkins, to working for Warburgs in the City, and the noble Lord, Lord Sassoon, went from working for Warburgs to advising a Labour Minister, Gordon Brown, at the Treasury. Today he is a Conservative Minister and I am a Liberal Democrat Treasury spokesman. With all his top-level experience at the Treasury in the Brown years, the Minister will know where all the bodies are buried and be ideally placed to answer our questions and respond to our concerns in this House.

My right honourable friend Danny Alexander told Parliament last week and the Minister repeated today that there is no place for tax cheats in our society. How we deal with tax cheats will be a crucial test of fairness for us. We will never persuade the great majority of hard-working British taxpayers who pay their dues and cannot afford expensive accountants and solicitors that we are all in this together unless we make fair tax our watchwords. This is not just some airy-fairy academic issue. At the Arsenal on Saturday we were having a moan at half-time about our failure to score against West Ham, when the man behind me suddenly said:

"I liked your piece in the paper, you know. These non-doms get away with murder".

We know a fair bit about dealing with non-doms in this House. I pay tribute again to the fantastic support I have had from noble Lords sitting on all sides of this House for our long and successful battle against delaying tactics and outright opposition from the Front Benches to make all of us here pay full British tax. The House showed itself at its independent and robust best last June when we passed our amendment to the Political Parties and Elections Bill to ban non-dom and non-resident donations. That is now law and just needs a touch on the statutory instrument button. What are we waiting for?

Did your Lordships know that you inherit non-dom status from your father? Just like an hereditary peerage, it passes down the male line, and like an hereditary

[LORD OAKESHOTT OF SEAGROVE BAY]

peerage, you are born a non-dom and you stay one unless you disclaim it. Leading accountants advise me that between three and four million people living in this country, most of whom have lived here all their lives, are non-doms and could claim non-dom tax status for tax purposes if they wanted. Does the Minister agree with that figure, or what is the Government's best estimate if he does not? Can he give us the latest figures for the numbers paying the £30,000 flat charge? What is the Treasury's best estimate, in its detailed review of Liberal Democrat proposals on tax avoidance, of the amount of extra tax which will be raised by limiting non-dom tax status to seven years—the Treasury always initially works these things out—in the absence of behavioural change? The really big benefit of paying no British tax at all—on your income, capital gains or inheritance tax—on all the assets and earnings that you have offshore goes, of course, to the really rich. That is because a £30,000 a year poll tax payment—a non-dom poll tax, if you can call it that—is really just a fleabite for the fat cats.

Our coalition agreement says:

“We will make every effort to tackle tax avoidance, including detailed development of Liberal Democrat proposals”.

The Chief Secretary has made a good start in announcing a beef-up of the tax avoidance operation in HMRC. Yet if we can really close the tax gap, as it is suggested, by £7 billion a year in four years by investing £225 million a year in HMRC over the spending review period, why are we not investing far more? Anything like those rates—a 3,000 per cent annual return—would make Bernie Madoff blush, and if it is anything near that, we should be doing far more. If it is that easy to boost the tax take, what a condemnation that is, I am afraid to say, of Gordon Brown's long years at the Treasury, when he tried to run every department but his own.

Very rich people are also past masters at cheating the rest of us on stamp duty. Anyone who knows their way around the property market will tell you that precious few luxury houses or flats worth more than, say, £5 million today ever feature on Land Registry records with stamp duty having been paid. There is an especially abusive scheme using a loophole in the law on Islamic finance to dodge stamp duty, which is sold to Jews, Christians and atheists with no questions asked. Rich tax cheats and their advisers know no shame. More resources for HMRC will help, but the way really to boost the tax take is to simplify the system and close the loopholes. Non-dom status is an open invitation to tax avoidance on a massive scale. That is why our policy on these Benches is to make non-doms come fully onshore after seven years. That gives plenty of time for visitors and people on short-term contracts, but then we say, “If you're in our club, you pay the sub—full British tax, like all the rest of us”.

The Treasury is reviewing non-dom status as our coalition promised. I asked the Minister a question 10 days ago on the non-dom review which he did not answer, so he has kindly written to me as follows:

“This is a complicated policy area involving considerations of fairness as well as competitiveness. The Government is aware of the need for interested parties to be engaged on this issue and will make a more detailed announcement about the form and timing

of the review, including any formal public consultation, at the appropriate time. I am sorry that I am not able to provide you with a more specific answer at this time”.

So am I. Who are the interested parties? Not just the non-dom bankers, we hope, who choose to be British when it suits them and foreigners when it does not. Those words are Vince Cable's, by the way, not mine; he has not changed his mind. Let us act now to limit non-doms to a seven-year free ride and make Britain a country where the rich pay their fair share of tax.

Terrorism: Aviation Security

Statement

5.03 pm

The Minister of State, Home Office (Baroness Neville-Jones): My Lords, with the leave of the House, I shall repeat a Statement made earlier in another place by my right honourable friend the Secretary of State for the Home department. The Statement is as follows.

“With permission, Mr Speaker, I would like to make a Statement on the recent airline bomb plot. The House will know that in the early hours of Friday morning, following information from intelligence sources, the police identified a suspect package on board a UPS courier aircraft which had landed at East Midlands Airport en route from Cologne to Chicago. Later during the morning, police explosives experts identified that the device contained explosive material. A similar device was located and identified in Dubai; it was being transported by FedEx to Chicago.

Since then, an intensive investigation has been taking place in this country and overseas. COBRA met on Friday to assess progress. I chaired a COBRA meeting on Saturday. The Prime Minister chaired a further COBRA meeting this morning. The House will appreciate that much of this investigation is sensitive and that the information I can give is necessarily limited. Disclosure of some details could prejudice the investigation, the prospects of bringing the perpetrators to justice, our national security and the security of our allies. But I want to give the House as full a picture as possible.

We know that both explosive devices originated in Yemen. We believe that they were made and dispatched by the organisation known as al-Qaeda in the Arabian Peninsula. This group, which is based in Yemen, was responsible for the attempted downing of an aircraft bound for Detroit on 25 December last year.

The devices were probably intended to detonate mid-air and to destroy the cargo aircraft on which they were being transported. Our own analysis of the device here—analysis which has to proceed with great care to preserve the evidential value of the recovered material—established by Saturday morning that it was viable; this means not only that it contained explosive material but that it could have detonated. Had the device detonated, we assess that it could have succeeded in bringing down the aircraft. Our forensic examination of the device continues. We are receiving valuable assistance from a wide range of partners. The analysis has some way to go.

At this stage, we have no information to suggest that another attack of a similar type by al-Qaeda in the Arabian Peninsula is imminent, but this organisation is very active. During this year, it has repeatedly attacked

targets in Yemen. On 26 April and 6 October, it attacked and attempted to kill British diplomats based in San'a'. It continues to plan other attacks in the region, notably against Saudi Arabia.

We therefore work on the assumption that this organisation will wish to continue to find ways of also attacking targets further afield. We will continue to work with international partners to deal with this threat. We have for some years provided assistance to the Yemeni Government and will continue to do so. The Prime Minister has spoken to President Saleh to make clear our desire for a closer security relationship.

Following the Detroit incident, Ministers in the last Government took the decision to stop all direct passenger and cargo aircraft flying from Yemen to and through the UK. Over the weekend, we took the further step of stopping all unaccompanied air freight to this country from Yemen. This will include air freight from Yemen carried on both courier flights and hold-loaded in passenger aircraft. The small number of items in transit prior to this direction have been subject to rigorous investigation on arrival in the UK, and no further suspicious items have been discovered.

We are now taking further steps to maintain our security. I can confirm to the House that we will review all aspects of air freight security and work with international partners to make sure that our defences are as robust as possible. We will update the guidance given to airport security personnel, based on what we have learnt, to enable them to identify similar packages in future. From midnight tonight, we will extend the suspension of unaccompanied air freight to this country, not just from Yemen but also from Somalia. This decision has been made as a precautionary measure and it will be reviewed in the coming weeks. It is based on possible contact between al-Qaeda in Yemen and terrorist groups in Somalia, as well as concern about airport security in Mogadishu. From midnight tonight, we will suspend the carriage of toner cartridges larger than 500g in passengers' hand baggage on flights departing from UK airports. Also from midnight tonight, we will prohibit the carriage of these items by air cargo into, via or from the UK unless they originate from a known consignor: a regular shipper with security arrangements approved by the Department for Transport.

We intend that these final two measures will be in place initially for one month. During that time, we will work closely with the aviation industry, screening equipment manufacturers and others, to devise a sustainable, proportionate, long-term security regime to address the threat. Department for Transport officials are already in technical discussions with the industry and my right honourable friend the Secretary of State for Transport will chair a high-level industry meeting later this week to discuss next steps.

These initiatives are in addition to those which we have set out in the Strategic Defence and Security Review. We are already committed to widening checks on visa applicants to this country. Following the Detroit incident, we are also committed to making changes to pre-departure checks to identify better the people who pose a terrorist threat and to prevent them flying to the UK. We are also committed to enhancing our

e-borders programme which provides data on who is travelling to this country and is, therefore, an essential foundation for our counterterrorist and wider security work.

We have an increasingly active and important border co-operation programme with counterparts in the United States. The Detroit incident led to the introduction of further passenger scanning devices at key airports in the UK. COBRA will continue to meet throughout this week. The National Security Council will also consider this issue. We will continue to work closely with our partners overseas.

Finally, the House will wish to join me in expressing gratitude to the police and the security and intelligence agencies in this country for the work they are doing to understand the threat that we face and to deal with it so effectively"

My Lords, that concludes the Statement.

5.11 pm

Lord Hunt of Kings Heath: My Lords, I thank the Minister for repeating the Statement made by her right honourable friend the Home Secretary in the other place and for the detailed information contained in it. The whole country has been shocked by the events of the past four days and by the discovery of two concealed and hard-to-detect explosive devices, one at East Midlands Airport and the other in Dubai, and by the very serious and challenging threat that such terrorist activity constitutes to public safety and our country's security. There can be no complacency when it comes to preventing and dealing with terrorism.

The noble Baroness has said that the devices were probably intended to detonate in mid-air and that had they done so, they could have succeeded in bringing the aircraft down. Today, my right honourable friend the shadow Home Secretary, Mr Ed Balls, has commended the Home Secretary for the calm way in which she has led the response to these threats. I join him and the Minister in commending our police, intelligence and security services for the vital work that they have undertaken in the past few days, in close co-operation with our allies around the world, to save lives.

It is the job of the Opposition to ask questions, to probe statements and to hold the Government to account. We will do that but we shall also be mindful, at all times, of our wider responsibility to support necessary actions, to keep our citizens safe and to protect our national interests. In that spirit, I pose a number of questions to the Minister in three areas: first, the detailed events of the past few days; secondly, the implication of the events for airline security; and, thirdly, the implications for wider security policy.

On the first point, we all appreciate that where intelligence and international co-operation are involved, events move fast and things are always clearer in hindsight. At what point were the police, the Home Secretary and the Prime Minister first told about the potential threat? Were there delays in getting precise information to our security and police officers on the ground? Can the noble Baroness say why the device was not discovered by police officers during the first search? Would early information have made a material difference? What operational lessons will be learnt from dealing with such events in the future?

[LORD HUNT OF KINGS HEATH]

The second area concerns the fact that these two live explosive devices were intercepted only by an intelligence tip-off after they had already been carried on a number of different planes, including passenger planes, giving rise to serious questions about the security of our airspace. Some security experts have referred to cargo security as a potential blind spot. The noble Baroness will be aware of comments made by BALPA to that effect over the weekend. I understand that the noble Lord, Lord Carlile, drew attention to the potential risks of cargo transit in his annual reports in 2007 and 2008. As a result, significant actions were taken to improve intelligence and international security co-operation, and a tougher search method—explosives trace detection—was introduced for passenger flights following the Detroit attempted attack.

I appreciate that this is a complex problem to solve, that a review has already been established and that the Home Secretary has already acted to ban unaccompanied cargo packages from Yemen. The Minister has also set out, in the Statement, a series of measures that the Government have already taken. What conclusions does the Minister draw about the reliability of current checks from the fact that the device was not spotted on first check by police experts at East Midlands Airport? Will the review consider extending explosives trace detection to cargo flights? Will the scope of the review cover cargo being carried in passenger aircraft? Are there other immediate actions that we should take now to improve the security of cargo coming into, out of or transiting through the UK while the review is being undertaken?

The events of the past few days raise wider issues for our national security and counterterrorism strategy. It is clear that terrorists operating from Yemen constitute an increasing threat. Can the Minister assure the House that the Government are in urgent discussions with the Yemeni Government and our allies around the world with a view to interrupting terrorist activities at source? Given the wider evidence of a mounting threat, the judgments that underpin the Government's current review of counterterrorism powers will be especially important. While we will reserve judgment until we see the outcome of the review, we have said that we will support the Home Secretary where we can and that consensus should be our shared goal.

I raise the issue of resources. Given that these explosive devices were intercepted through vital intelligence work, is the Minister confident that a 6 per cent real-terms cut in the single intelligence account over the next four years can be managed without compromising this vital work? Given that the device was discovered by specially trained police working closely with our security and border services, is she confident that a 10 per cent real-terms cut in counterterrorism police over the next four years, and a 50 per cent cut in capital available to the UK Border Agency, will not undermine our operational capability?

The Olympics, when the eyes of the world will be on this country, are now just two years away. With a planned 20 per cent real-terms cut, front-end loaded, in police budgets—a 6 per cent cut in the year before the Olympics and an 8 per cent cut in the year of the Olympics—can the Minister assure the House that,

given the extra strain that police resources will face, this does not pose an unacceptable risk to fighting crime and to our national security? Finally, does the Minister agree that, in the light of the events of the past few days, the issue of resources should now be looked at again alongside the counterterrorism review?

Baroness Neville-Jones: My Lords, I am grateful to the noble Lord opposite for his willingness to support the Government in the next measures that will have to be taken in what the House will agree is a challenging task concerning the transport of freight around the world. I am sure the police and the security services are grateful for his joint commendation of them.

The noble Lord asked a number of detailed questions, and I will do my best to answer them. First, he asked when people were informed. I can say that the device was removed from the plane at 3.30 in the morning and work continued through the night. In the early morning, the information was fed to London, and Ministers began to be informed shortly after 8 o'clock. The Home Secretary was personally informed nearer lunchtime. The Prime Minister was also informed then, and at that stage they were given a significant analysis of the investigations that had taken place and the information and assessment that was then available.

The noble Lord asked about the police investigation at the airport. There are two aspects to this: the intelligence tip-off and the process of investigation of the device. He rightly remarked that these packages were looked at following an intelligence tip-off. I might say that any implication—I am not suggesting that the noble Lord was implying this—that this was somehow accidental and that we were very fortunate, as we undoubtedly were, is slightly beside the point. I think the House will agree that we pursue a multilayered approach in this, and that it is the combination of the physical measures that we take, the protective procedures that we put in place and the intelligence context that we maintain around the world that enables us to give the people of this country the security that they are entitled to receive. It is very fortunate that our security relationships worked on this occasion and that the tip-off proved extremely accurate.

The police investigation proceeded in stages. Of course, the police are extremely careful about the way in which they dismantle a device not only because it may be dangerous but because they need to retain the evidential information. It is fair to say that they did not discover the device immediately, but they were still proceeding with their investigation when information came from Dubai that it had found evidence of a device. Subsequent work done at East Midlands Airport unravelled the precise nature of device, which was then explored in detail.

The noble Lord also asked about the precautions that may be taken for cargo security while the wider review, which I mentioned, is under way. Those regulations are pretty stringent; they require any cargo that does not come from a trusted, listed consigner known to the airport authorities and approved by the Department for Transport to undergo stringent security tests. Therefore, only those items whose origin is known have a relatively easy passage, but I can assure the House that these regulations will be enforced with the utmost stringency

in the foreseeable period. Very clearly, we will need to look in great detail not only at the procedures that we ourselves enforce in this country, but at what happens to cargo coming towards the United Kingdom—obviously something on which we will need to consult widely. There obviously has to be international co-operation and, in co-operation with other countries, we might wish to lay down new standards.

The noble Lord also asked about the relationship between what this episode tells us and our wider counterterrorism policy. Clearly, this episode tells us that we face a threat not just to passengers but to cargo and freight, unaccompanied and accompanied. It is perfectly possible, after all, for these people to do what they were doing on the basis of accompanied freight. Therefore, the Government are not relaxed and will not confine their investigation or the measures that they take to unaccompanied freight. We will look at a number of measures that may be necessary, and the Transport Secretary's consultation and investigation will be quite wide-ranging, because we clearly need a higher level of assurance about cargo transit and transport.

On the relationship between our wider counterterrorism policies and on the Security Service, which the noble Lord asked about, I can assure the House that, based on an assessment by the head of the Security Service, we will be able to maintain, on proposed funding, the same assurance about our coverage and knowledge of terrorist activity in this country and elsewhere that we have had previously. That also applies to the role of our police in counterterrorism where we are protecting the Olympics budget and where we have confirmation from the head of counterterrorism command that he is able to carry out his duties on basis of the funding that he will get. There is no reason to suppose that the measures that the Government are taking will in any way detract from, inhibit or prevent this country taking care of the security of the population of the United Kingdom.

5.26 pm

Lord Harris of Haringey: My Lords, I declare an interest as the Home Office appointee on the Metropolitan Police Authority, with responsibility for overseeing counterterrorism and security. I, too, am grateful to the Minister for the full account that she has given. With what degree of certainty does she feel that these devices would have been detected had they been in checked-in passenger baggage on a flight embarking in the United Kingdom? Given the variations in standards of airline security in different parts of the world, what degree of certainty does she have regarding incoming flights that such baggage would have been detected at airports elsewhere in the world? What will her answers mean in terms of current levels of aircraft security for passenger airlines in this country?

Baroness Neville-Jones: The noble Lord asks some pertinent and, I have to say, extremely difficult questions. My honest answer to his first question must be that we do not know the answer. This explosive is extremely difficult to detect. Technologies are known for detecting PETN and one consideration that we will have to take advice on is whether we should extend PETN testing

to cargo going on board aircraft—most particularly passenger aircraft, but also other aircraft. We have to do this in a way that is consistent with assuring the public that they can travel safely, while not crippling the country's economy and international commerce. Therefore, an international effort will be needed and we shall talk not only to other operators but to those who may be able to help us technologically. Part of the Transport Secretary's review will consist of talking to the companies. Many of them are well advanced in increasing—and we will be increasing—the screening processes, including capabilities that are not necessarily at the moment distributed as a matter of course.

Baroness Hamwee: My Lords, in the wider context to which both Front Benches referred, can the Minister confirm that control orders are simply not relevant to this situation and that, had they been in place, they would not have prevented it? Would she also like to comment on the remarks made by Michael O'Leary of Ryanair, who talked today about "ludicrous" airport security? He said that,

"we have another ... lurch by the securicrats into making travel even more uncomfortable and an even more tedious ordeal for the public".

I say this not as a cheap shot—although one might say that, if anyone knows about that, he would—but because I think that these are serious points, which should be responded to.

Baroness Neville-Jones: My Lords, I do not think that we are discussing the control orders today. As for what Mr O'Leary of Ryanair said, he does perhaps have extraordinary timing. The view that the Government take is that airport security is extraordinarily important and we cannot let our guard down. That does not mean, of course, that there is never any room for improvement, for review or for looking at those things that could constitute an assurance of greater security. My right honourable friend the Transport Secretary said the other day that he intended to look at whether procedures could be improved and, in particular, whether we could proceed to some extent by way of audit rather than by laying the emphasis on the input side and insisting on lots of layers of security. However, we will wish to proceed extremely cautiously, in the light of events, in lowering or in any way interfering with the current security precautions, which I think give the travelling public a measure of assurance about the seriousness with which these issues are taken by the Government.

Lord Clinton-Davis: My Lords, I speak as the president of BALPA. The Minister spoke about widespread consultations. Has BALPA been included in this? If not, why not? Should not BALPA be included in the review? Is it not absurd that pilots, with all their expertise, should be subjected to stringent inspection before they board the aircraft? Finally, will pilots be consulted further on the relevant rules concerning cargo?

Baroness Neville-Jones: My Lords, I am absolutely certain that the Transport Secretary will consult everyone who has a contribution to make and BALPA would certainly not be excluded from that. The noble Lord

[BARONESS NEVILLE-JONES]

mentions the degree of stringent control over the pilots when they board the aircraft. The House will agree that it is important that those controls are exerted. What we clearly need, however, is to raise controls in other areas.

Lord Elystan-Morgan: My Lords, the Minister will recollect that the Statement said that the device seized at East Midlands airport “could have detonated”. Am I placing too slavishly literal an interpretation on that to assume that that refers to a timing device of some nature or, indeed, that the device could have been detonated by remote control? If it could have been detonated by remote control, within what range could that have been achieved?

Baroness Neville-Jones: My Lords, we are not entirely at the stage when we can answer all those very detailed questions—and we may never be. The “could” rather than the “would” relates to a number of factors, including the precise power of the explosive material and the power of the detonator. Also relevant would be where these devices were located in the aircraft—had they been in the middle of the fuselage, they would have been less likely to cause an accident than if, say, they were near the outer skin of the aircraft. There are a number of imponderables. It is fair to say that those who put the devices on board—these were cargo routes, which can vary at the last minute—could not have known in practice where, if they were able to cause a detonation, it would have taken place. It would be hard for them to know exactly how accurate their ability to detonate was.

Lord Marlesford: My Lords, given that terrorists travel both in and out of countries, does my noble friend share my deep concern that at present only people travelling into the United Kingdom have their passports properly examined electronically? Is she aware—I assume that she must be, because any of us who travels must be—that immigration officers make very little attempt to look at the passports of those who are leaving the United Kingdom? Indeed, in April I travelled out of terminal 3 at Heathrow where there was no one at all at the immigration desk to look at one’s passport. When I asked why, I was told that there was nobody available. When is the electronics border system—the e-Borders system—which is meant to record both the departure and the arrival of passengers, going to be in full effect? As a result of what is now happening, will the Minister ensure that scrutiny of people departing from the United Kingdom is properly and electronically achieved?

Baroness Neville-Jones: My Lords, it certainly is the intention that in due course we will be able to record not only incoming travel but outgoing travel as well. The noble Lord is right to say that that is not happening at the moment. It is certainly not happening electronically. I cannot give him, I am afraid, a precise date, but I can say that we are doing our very best to speed up the introduction of e-Borders to enable us to have this information. That would not have necessarily borne directly on this episode, but of course everything helps in giving us greater information about those who are

travelling. As I said at the beginning, it is relevant to know not only about cargo but about those who are potentially travelling in the same aircraft.

Lord Malloch-Brown: My Lords, is there not a tremendous disproportionality between the attention with which an individual passenger’s luggage is microscopically examined and what she described as the trusted consigner, whose large packages cannot be examined in anything like the same detail? A second contradiction relates to the long-term interest that we share in the foreign policy of this. We have had many tragic examples now and many budgerigars in the mineshaft, so to speak, of Yemen’s role—growing role, sadly—in international terrorist incidents and of the links between Yemen and Somalia, which she mentioned. I ask her to take to her colleagues the concern of all of us that we look at this not just as a border security issue but as a development issue, an intelligence-gathering issue and a diplomatic issue, which we must not shy away from just because of its difficulty.

Baroness Neville-Jones: My Lords, on the noble Lord’s first point, the House would agree that we clearly have to increase the capacity to understand and guarantee that cargo travelling around the world is not a danger to the aircraft that it is in or, indeed, to any people who happen to be on that aircraft. As regards what he said about Yemen, the Government are in full agreement. As your Lordships know, the UK is a leading member of the Friends of Yemen, a group that seeks to underpin and help the Government of Yemen to increase the welfare and economic situation of the people of Yemen. A number of countries are contributing to that and a programme is being formulated that should help to put the Yemeni Government on a much more coherent policy of economic development. Other things are happening, including bilateral actions by the UK. Obviously, one policy object is to increase the local Government’s capacity to combat terrorism and engage in effective counterterrorism. As I said, the Prime Minister assured the President of Yemen of our continued support. However, underpinning that is quite a lot of technical assistance to that Government to enable them to, in a sense, take charge of their own affairs, because ultimately the Yemenis have to create conditions in which terrorists do not flourish on their soil.

Lord Craig of Radley: My Lords, it has been suggested that it is likely that these bombs would have been exploded in the air. However, earlier it was suggested that they were intended for the recipient of the parcels in Chicago. Can the noble Baroness say any more about why there has been this change of view?

Baroness Neville-Jones: Given the destinations of the packages—one was destined for a synagogue in Chicago and the other for a shared Christian/Jewish centre—there was certainly speculation that these presents were intended for the recipients. I cannot give a precise answer and I would not want to suggest that there is total certainty about what we now assess to be the case—that these devices were intended to explode in mid-air—but the technical analysis tends to suggest that that was more likely to be the intention of the perpetrators.

Lord Brooke of Sutton Mandeville: My Lords, I have a question on a related issue but it is one that comes into the category of “It’s an ill wind”. Can my noble friend say what proportion of the companies engaged in making the security equipment, to which reference has been made, falls into the SME category? These companies have a significantly greater reputation for building employment in growing markets than do much larger companies.

Baroness Neville-Jones: I thank my noble friend for that question. I cannot give him a precise percentage figure, although the implication of his question is that it is considerable, and in that he is absolutely right. In this country we have some big companies that tend to be both defence and security contractors. Underneath and alongside them are myriad small companies, or SMEs, that are indeed the source of much of the innovation and inventive technology and some of the science. In this respect, I should also mention our universities, which, as I think is widely acknowledged, are going to contribute to and underpin the strength of this country in the defence and security technologies. This Government’s policy is greatly to encourage them to grow and to be real contributors to future security, as well as earning a good living for themselves and this country.

Lord Campbell-Savours: My Lords, are we not deeply indebted to foreign national intelligence officials who risk their lives in gathering intelligence to send to us in the democracies? Is a message going out from the British Parliament to thank the people and officials involved in those countries?

Baroness Neville-Jones: The noble Lord has put it extremely well and I endorse what he has just said. Certainly our intelligence effort cannot be just one-sided—it cannot just be a case of what our own people do, although that should also be the object of our commendation. However, the intelligence that we received on this occasion was undoubtedly extraordinarily valuable and was illustrative of the extraordinary importance of developing these relationships and keeping them in good repair. I entirely endorse what the noble Lord said.

Lord Stoddart of Swindon: My Lords, it was reported on the “World at One” that the Saudi authorities had not informed the Yemeni authorities that there was a suspect package that originated in the Yemen. Was that perhaps a mistake that should be remedied in the future?

Baroness Neville-Jones: My Lords, I am afraid that I do not have any knowledge of that and cannot confirm it. However, it is clear that international co-operation between the parties is extremely important and we are very grateful to those who have helped us on this occasion.

Comprehensive Spending Review

Motion to Take Note (Continued)

5.45 pm

Baroness Kennedy of The Shaws: My Lords, I became aware during the Thatcher years that, if something that was untrue was repeated often enough, it acquired a life of its own and took on the clothes of truth. That

political tactic meant, for example, the monstrosity of all trade unions rather than just of trade union excess, the demonising of single mothers and the trashing of the 1960s. That period of civil rights and of great progress for women, homosexuals and ethnic minorities was depicted as though it were the root of subsequent ills. Then there was the invention of hoards of feckless welfare scroungers, when in fact those who have fallen into the abyss of permanent unemployment have always been a minority. Very few people live well on benefits.

What politicians learned then was that, in the new world of soundbites and short concentration spans, the replaying of the same loop could create a sound track that stayed in people’s heads. Now the coalition’s mantra is, “We have to take terrible measures because of the horrifying financial mess we inherited from Labour”. Not a speech is made in this House without those on the government Benches claiming that they are faced with the “Labour mess”. We are back to the old saw that the only people who can run the economy are what Orwell called the “striped-trousered ones”.

The myth about the inherited state of the economy has to be nailed. We did not hear a peep out of David Cameron or George Osborne about Labour profligacy before the global crisis. Why were they not howling in protest if Labour was throwing money around with such recklessness, as they now suggest? Why did they promise to match Labour’s spending plans pound for pound right up to November 2008?

My sadness is, and was, that Labour was, in my view, far too Thatcherite in its economic policies. While it was absolutely vital that Labour worked well with business and the banks and encouraged entrepreneurship and wealth creation, Labour was far too sycophantic towards the City and the financial sector and too desirous of pleasing new friends. That was neither necessary nor, I think, in the national interest. New Labour was so anxious not to seem “old” that it even vacillated before taking Northern Rock into public ownership because it was fearful of excoriation by the Murdoch press and the *Daily Mail*.

If I may take us back, let us remember that the Conservatives did not want to take the dramatic action that the Prime Minister, Gordon Brown, took to save the banking sector and global capital. He led the world in that stance. Had that not been done, we would have seen interest rates rising through the roof, massive job losses, reclamation of houses on a grand scale and the economy going bust. For the coalition, in its new-found togetherness, to pretend that the vast majority of the deficit is due to Labour’s mishandling of the economy is a shameless spin on the truth—I say that as someone who has never been afraid to speak of new Labour’s flaws. For the Conservatives to pretend that their party would have been more regulatory or that they would have constrained banking excesses is absolutely risible. Enough former Conservative Ministers and friends of the Conservative Party who sat on the boards of banks failed to ask the questions that should have been asked to give us an idea of what the Conservative position was, and remains, on regulation.

Under Labour, the country entered the recession with low inflation, low interest rates, low unemployment and, as has already been said, the lowest net debt of any large G7 country. Our structural deficit in 2007

[BARONESS KENNEDY OF THE SHAWES]

before the banking crisis was 3 per cent of gross domestic product. Two-thirds of that was borrowing for investment, as the House has heard. Therefore, our black hole was only 1 per cent of GDP. The reason that the structural deficit increased to 8 per cent is that we bailed out the banks and dealt with the subsequent downturn. Therefore, a lie is being told and repeated about the mess that was apparently left, when in fact that was where it came from. The larcenous greed of the bankers is now never mentioned. A vast part of the deficit is the consequence of the colossal borrowing that Labour had to undertake to prevent a crash.

Those on the Benches opposite insist that theirs is not an ideologically driven agenda, but I am afraid that the picture of Conservative Members of Parliament waving their Order Papers and cheering for the largest spending cuts in a generation made me feel sick and it defied that claim. The cuts will put 500,000 public sector workers out of jobs as well as thousands more in the private sector whose employment derives from public sector contracts. How will that help growth or regenerate the economy? The gamble that the private sector will create replacement jobs is a monumental one, and many businessmen who are Conservative supporters admit that it is a step into the unknown. This is voodoo economics. To reform welfare at the very time that the Government are taking a scythe to jobs and throwing people on the dole is a double whammy. Services upon which millions have come to rely will be scaled back or shut completely. Think what that will mean to disabled people and the elderly. The aim is a fundamental reconfiguration of the British state with the ultimate destination being a society that is less equal and less humane.

I ask noble Lords whether they have ever seen the hurt and despair in the eyes of those suddenly told that they are redundant or the fear that floods their soul at the prospect of being forced to be “idle”—a word that haunted my childhood—and possibly unable to find other work. Has proper thought been given to the destruction and demoralisation that joblessness wreaks? There are currently people up and down this country waiting in fear for news on whether the axe will fall on them. The impact of such experience on families is huge. The sheer audacity of the programme is such that it is peppered with claims that we will all feel the pain equally, but that is a sleight of hand. The poorest in our society will be hit hardest. They are being used as guinea pigs for this experiment, as the Institute for Fiscal Studies has made clear.

I accept, like everyone, that cuts are necessary, given the banking crisis and the consequent debt that it has placed on our shoulders. The Government talk of creating a country that is fair. If austerity is the need of the day, it must mean more than money. There has to be a corresponding set of ethics. However, I have heard insufficient about tackling tax havens used by the rich. Large companies continue to minimise their tax bills by basing their operations abroad. In the spirit of fairness, surely non-dom status should be abolished altogether. That might not mean a lot in money terms, but it would mean a lot in terms of fairness. America does not tolerate it, so why should we? Sir Philip Green, the Government adviser on

waste, holds almost all his assets in the name of his wife, who is resident in Monaco and pays no UK tax. Why do we not renegotiate the tax treaty with Monaco? What about Mr Murdoch and News International? What is his and his company's tax status? As for the contribution made by the banks, the coalition levy of £2.5 billion is not nearly enough. It should have been much closer to £5 billion or £6 billion. Then we might have been talking about fairness.

Memories are short, so let me remind people of the state of public services when Labour took office. Our schools and hospitals were in a disgraceful state of neglect, but Labour radically renovated our public services. Like many others, I am not content with all the ways in which that was done. The introduction of phoney markets has not been a productive way forward and has, indeed, been disastrous in some areas. Increased layers of management within public services have become a serious handicap to effective service delivery. Bureaucracy and red tape blight our health and social services. I also think that aspects of our welfare system are in need of reform, but any reform at this time must be carried out with very great care.

Communities where there is intergenerational unemployment need to have those cycles broken, so we should look with care at projects such as the Harlem Children's Zone project, which is innovative in tackling the horrifying consequences of urban poverty. I remind noble Lords about the other economists, not just those who have been mentioned in this debate, who have reminded people of the folly of our Government's policy. The Nobel Prize-winning economist Paul Krugman says that our Government's boldness is going in completely the wrong direction. That view is reiterated by Robert Engle, Eric Maskin, Daniel Little McFadden and, indeed, Christopher Pissarides, all of whom say that the Government's policy did not work for Herbert Hoover and will not work for us. Welfare benefits have more social value in a recession when jobs are scarce, and it is capital spending that creates jobs. That has not been accepted in the policies that are now being promulgated. Having worked in the law all my life and seen up close the effects of deprivation, job loss and poverty, I dread the consequences of such divisive and unjust policies. The social as well as the personal cost will undoubtedly be great.

I understand very well why the Liberal Democrats entered into the coalition after the election. It is perfectly right to want to be in power. We on these Benches want to be in power, too. What I cannot accept is that these are policies that decent Liberal Democrats can condone. I hope that, with noble Lords on these Benches, they will make their voices heard in opposing much of what is being advanced. I remind noble Lords about power. Martin Luther King said:

“Power without love is reckless and abusive”.

There is not enough love being shown just now.

5.56 pm

Baroness Campbell of Surbiton: My Lords, I welcome this debate on the impact of the comprehensive spending review. For the benefit of new Members of the House, I should say that my noble friend Lady Wilkins will assist me when I run out of breath, as agreed by the usual channels.

There is so much to debate, so I have decided to speak to one area only: where disabled people are being asked to pay a price that far outstrips the potential saving to the Exchequer. I know that my noble friend Lord Low will later cover other new financial policies that will affect for good or bad the lives of disabled people. Let me be clear from the outset that I do not deny the need to address the deficit in part through cuts in public spending. It is in everyone's interests, including society's poorest and most disabled, that the books balance. However, to face reality, we must understand reality. Doing so requires us to recognise the full implications of cuts to people in their everyday lives. Only then can we make sensible choices, not just for the individuals who are directly affected but in the public interest.

That is why I have decided to concentrate today on what some may think is a small and insignificant cut to independent living services for disabled people but which has the most disproportionately devastating consequences for their lives. First, before I say what it is, I declare an interest as someone who receives public care and support services targeted by the CSR. I am also a trustee of the National Centre for Independent Living and chair of the Government's Right to Control advisory group. In fact, I often give expert advice to the Minister on disability matters.

A Government proposal under the heading "Welfare Reform" is to,

"remove the mobility component of Disability Living Allowance for people in residential care, where such costs are"—

supposedly—

"already met from public funds, saving £135 million by 2014-15".

To claim DLA, you must be under 65 at the time of the claim. The Government estimate that this cut will affect 58,000 disabled young people and working-age adults.

This proposal is seriously flawed for four reasons. First, it will have negative and costly effects on disabled people's health and well-being, their ability to develop social and community networks and their capacity to move on from residential care to be, as the Government want, independent, participating citizens, not dependants. Secondly, it conflicts with the Government's policies for personalisation, independent living and encouraging disabled people to gain or retain employment. Thirdly, it is based on a misunderstanding of the purpose of modern residential care and the potential of disabled people living there. Fourthly, it is incompatible with the UN Convention on the Rights of Persons with Disabilities.

I am sure we all agree that people living in care homes today are full citizens. We should therefore expect and want them to exercise their human and civil rights and to contribute to civil society like everyone else. Residential care homes are no longer, or should not be, places to hide people away in or to deny them opportunities the rest of us take for granted: independence, choice, access to public life and maybe, for those who can, eventually the possibility of work and independence. Residential care homes are not intended to be prisons. We all enjoy activities outside our homes. It should be no different for those living in residential care homes.

At this point, Baroness Wilkins continued the speech for Baroness Campbell of Surbiton.

Since the CSR announcement on this DLA saving, disability organisations have been receiving alarmed calls from people desperate at the prospect of losing this entitlement to hard-won independence. Last week RADAR heard from Patricia King. Her son and daughter-in-law are both disabled and live in residential care. Without the mobility component, they will no longer be able to visit the doctor, dentist, bank, church, library or shops, let alone relatives and friends. The proposed changes will remove over 45 per cent of her son's total allowances and over 69 per cent of his wife's. Neither the local authority nor the care home is in a financial position to offer free transport as part of its service to the residents. Patricia King, rightly in my view, calls this a cruel cut. She says:

"Some politicians are accepting a 5% cut, but would they accept a 45% or 69% cut to the money that buys them their personal freedoms?"

The DWP argues that the measure would bring care-home residents into line with hospital in-patients, who lose access to the benefit on the same basis. However, the comparison is false. People of working age living in care homes are not in the same position as patients in hospital. In hospital, you are sick and therefore do not need an allowance to go out. Residential care is disabled people's home and the base from which they go out to engage in education, training, work, leisure, travel, family and social contact. For many, it is a stepping stone to living independently in the community. Noble Lords may know that care-home residents must surrender almost all their income to support the cost of their care. They are allowed to retain only about £22 a week for personal expenses, so a basic mobility scooter—a mobility aid often bought with DLA finance—costing about £1,500 is out of reach without the DLA mobility component of £49.85 a week. Removing that component takes away over two-thirds of the care-home resident's income. It makes Britain's most severely disabled people the group who lose most from the CSR; it literally removes their mobility.

At this point, Baroness Campbell of Surbiton resumed.

Could this House consider, even for a moment, denying me my electric wheelchair or the noble Lord, Lord Ashley, his scooter? I am sure noble Lords would be outraged and would defend our right to contribute to the work of the House. I do not accept that the national finances are such that we should now deny people living in care homes the same rights. To be clear, the DLA mobility component helps residents to maintain contact with families and friends, access the big society as a volunteer, participate in leisure and fitness activities and be active members of their local community. Such activities promote physical and mental well-being. They help to sustain one's sense of identity and prevent the loss of confidence and the low morale often associated with depression. The proposed modest savings in DLA are likely to be outweighed by increased demands on the NHS and the costs linked to preventing severely disabled people joining society. It makes neither moral nor financial sense.

[BARONESS CAMPBELL OF SURBITON]

I am deeply concerned that this cut in spending was not subject to a disability, equality and human rights impact assessment, that it was not discussed with those of us who have had years of experience of advising Governments on disability matters, and that the Treasury failed to run it by its own expert department, the Office for Disability Issues, which found out about the policy on the morning of the CSR announcement. I hope the Minister will explain that to me.

The big fair society can be achieved only if support structures are there to enable disabled people to play their part. Otherwise, we will go back to a time when most disabled people were caught in a culture of dependency with no alternative but to beg for charity or to be jolly grateful for what they got. This fills me with dread. I am sorry that if this debate continues beyond 10 o'clock, I will not be here or, if I am, I will be bedding down on the Back Bench. I have to be home as my CSR-dependent support service dictates my moves. Please think again on this very small cut that illustrates where we are heading.

6.08 pm

Lord Knight of Weymouth: My Lords, it is a great privilege to follow that speech by the noble Baroness, Lady Campbell, and I look forward to the Minister's response. I, too, am looking forward to the maiden speeches from the noble Lord, Lord Allan, and my noble friends Lady Healy and Lady Nye.

I served on the National Economic Council for the last year of the previous Government, and I noted what the Chancellor said, which was repeated by the Minister in his opening remarks, that the Government, "faced the worst economic inheritance in modern history", and that the country was on,

"the brink of bankruptcy".—[*Official Report*, Commons, 20/10/10; col. 965.]

This was an inheritance of a growing economy, very low interest rates, low inflation and falling unemployment, but with a growing deficit. It is important to distinguish deficit from debt. Clearly, a rising year-on-year deficit adds to debt, but it is in the context of the overall debt-to-income ratio of the nation. As we heard from my noble friend Lord Myners, in 1997 that was 42.5 per cent. By fixing the roof while the sun shone, we got that down to 36.5 per cent in 2007-08 when the global financial crisis hit. At that point, we had the second lowest debt-to-income ratio in the G7 after Canada. That meant that when the crisis hit—when, as we heard from the noble Baroness, Lady Kennedy, the Conservative Opposition were pledging to match our spending and wanted more, not less, banking deregulation—we had the room to borrow to make up for the collapse in tax revenues that is at the root of the deficit.

With London as the global centre for finance we were especially hard hit and the deficit is very high as a result, but it is important to remember that tackling the deficit is as much or more about increasing revenue through growth than it is about cutting public spending. We borrowed to buy bank shares, assets that can be sold in time; we borrowed to invest in housing to keep people in construction employment and in their homes;

we borrowed to invest in jobs and defeated all expectations of a year ago that youth unemployment would exceed 1 million and general unemployment would exceed 3 million. The fiscal stimulus worked and still left room to continue to borrow if further investment in growth were needed, alongside necessary reductions in spending.

There is also room for less haste, with fewer mistakes and fewer contradictions along the way. We do not have to have the fiasco of the implementation of the child benefit cuts that have been described by experts as "unworkable". We could buy time to iron out contradictions. For example, today we hear that the noble Lord, Lord Young, is to address the Prime Minister's concerns about,

"the shocking way in which small and medium sized firms are locked out of procurement opportunities by central and local government".

How does this square with the work programme procurement, mentioned by the Minister in his opening remarks, which is an essential plank in the Government's economic strategy and is effectively closed to any but the very largest contractors?

We also have time to get the phasing right. I support the principles behind the work programme. We were developing the pilots to test the risks behind this idea as we left office. How do the Government think that a programme that pays by results of sustained job outcomes will work if there are no jobs in the labour market? Should we not wait until private sector jobs growth is secure? PricewaterhouseCoopers estimates that the CSR job losses will be half a million each from the public sector and private sector. I make that a total of about 1 million. In government, we estimated that 1 million job losses cost £4 billion in benefit and lost tax revenues. Is that being properly accounted for?

Will those jobs come back? Vacancies are falling, claimant numbers are rising, and last month saw the first rise in youth unemployment for many months. Current employment growth is largely in part-time work and is not showing through in falling claimant figures. Many employers—very responsibly during recession—put staff on short time and will now grow output through increasing hours and productivity rather than through rushing to take on more staff.

Jobs growth comes through four possible sources. Will it be through consumer growth? Looking at the current retail figures, and with VAT going up in January, I suspect not. Will it be through housing-led growth? The housing market looks pretty flat, and government spending on housing is being cut by 60 per cent. Could it be through trade-led growth? Admittedly the IMF predicts that virtually every other major economy will grow faster than that of the United Kingdom, but the signs remain poor. Could it be through investment-led growth?

I welcome the Prime Minister's late conversion in his speech last Monday to the Confederation of British Industry, but I have to say to him, "too little too late". If he was serious he would not have cancelled the regional development funds, Sheffield Forgemasters, Building Schools for the Future, or support for the creative industries. He needs his version of last year's

excellent New Industry, New Jobs strategy which my noble friend Lord Mandelson introduced. Nor would he be cutting the entitlement to free training for first level 2 qualifications for adults over 25 or charging fees to those over 25 wanting A-level equivalents. He would not be slashing the educational maintenance allowance, which has done so much to persuade those from poorer backgrounds to carry on learning. Skills and long-term growth do go together.

These training cuts are also the tip of the iceberg of unfairness in this spending review. As we have heard, the Institute for Fiscal Studies has been clear that families are the biggest losers, and the poorest are hit hardest. For example, the VAT increase means that compared with the richest 10 per cent, the poorest 10 per cent lose double the proportion of their income.

It has been said by the Minister and the noble Lord, Lord Lamont, that we are in effect opposing for our own sake and not offering anything in return, but alongside our focus on jobs and growth we agree with continuing the migration off incapacity benefit that we started, we support aspects of the reform of the disability living allowance—although I have listened carefully to the noble Baroness, Lady Campbell, and I hope the Ministers have too—and the principles of the work programme build on what we did in government. There is room to make reforms of the welfare system, but we oppose the changes that will make it harder to get back into work, that are unfair and that undermine the basis of our welfare state. The real-terms cut to working tax credits, especially the childcare element, will reduce the incentives to work and make those in low-paid employment significantly worse off.

And what of those who now lose their jobs? As the labour market continues to be difficult, they will get a cut of 10 per cent in housing benefit after 12 months on jobseeker's allowance, regardless of how hard they are working to get back into employment. They might also have a large family in an inner city and find themselves having to move because of the housing benefit cap. They might be unable to work because of sickness and have paid national insurance through their working lives, find themselves still sick 12 months later, on the tougher work capability assessment, and then lose entitlement to contributory employment support allowance and get no money until the family falls within the means test. Under no version of fairness could the Minister pretend any longer that this CSR is fair.

That takes me to my final point. In their haste, the Government have pulled the rug from under the basics of the welfare state—the universal principle and the contributory principle. No more the idea that everyone pays in and everyone gets out: that we are taxed as individuals and assessed for benefits as households. The changes to child benefit and employment support allowance need careful debate and consideration, not the unseemly haste, the high risk or the shambolic delivery plans that are unfolding as this spending review unravels.

6.17 pm

Lord Haskel: My Lords, I am not going to speak about the economics of the CSR. My noble friend Lord Myners did that with devastating logic. My

concern is about the process. Can the Government and the local authorities carry it through? It is easy to put numbers on a spreadsheet; it is a lot more difficult actually to deliver the proposed savings, as the Government, with the housing benefit and child benefit problems beginning to become apparent, are beginning to find out. Is this project a sound platform, as the Minister put it, or is it fantasy land, as my noble friend Lord Peston put it?

I start with Sir Philip Green's report. I feel qualified to do this because for 30 years I was in the textile business and on the receiving end of exactly the sort of thing that Sir Philip proposes. Unfortunately, he told the Government only half the story. After you get the hard talk, most firms will then carefully send someone round to ensure that the goods or the services that have been ordered will be delivered on time and satisfactory in quality and that there will be no problems. They know that the problems of the suppliers become the customers' problems, only magnified. Is Whitehall set up to be the kind of enlightened customer who is needed to do that? Is it more Toyota and less Topshop?

Writing in the *Financial Times* on 20 October, my noble friend Lord Adonis has his doubts. He says that, based on his experience as a Minister over many years, the intensive Whitehall support, as he calls it, is just not there. Last week, when debating government contracts with consultants, we were reminded that the National Audit Office said that the Government lack the information, skills and strategies to manage them.

What are the Government going to do to make sure that the budgeted savings are actually delivered? With this lack of time and skills, the Government are right on one thing; cut a service entirely rather than trim it and do it badly—do it properly or not at all. However, they are seeking to economise by encouraging the outsourcing of some of the services on the principle that the private sector does it better and cheaper than the public sector. This is sheer dogma, as my noble friend Lord Peston explained. What has produced the improvement is not privatisation but competition, and where the public sector has had to compete with the private sector, the public sector has done pretty well. We need look no further than the National Health Service. Where some NHS operations have been contracted out to the private sector, the private sector has had to be paid between 30 and 50 per cent above the tariff of the NHS hospitals. The chief economist of the King's Fund also pointed out that the private sector takes the less complicated cases.

On Welfare to Work, independent reports state that there is no hard evidence that the independent sector does better than Jobcentre Plus. Indeed, when Pathways to Work was rolled out for people on incapacity benefit in 2008-09, the private sector providers performed worse than Jobcentre Plus, and private sector prisons are certainly not consistently at the top of the performance tables.

Instead of sacking civil servants and contracting out services or closing them, why have not the Government allowed them to compete with the private sector? If we are all in it together, surely they deserve a chance too; or is it again too much rush, too little thought, all in the name of no alternative?

[LORD HASKEL]

The experience of the London Borough of Barnet proves my point. It had its own mini-CSR some time ago, and last week the council leader said that the savings for this year will be less than half those projected in its budget precisely because of the problems that I have outlined. Surely there is a red light flashing there. However, a decision has been made; people will be sacked and it is up to the private sector to employ them. Let us consider how realistic that hope is. I know that the Government have the support of many business leaders in this policy, but you will notice that they are careful to give their support in their private capacity. This is because when it comes to business, things are different. Again you get only half the story. My noble friend Lord Knight pointed out that, yes, they may be creating new jobs, but old jobs are being destroyed at a faster rate because of the continuous search for innovation and increased productivity. This applies to every sector. A typical British manufacturing worker today produces four and a half times as much as their equivalent did in 1980. That is why there are far fewer jobs in manufacturing even though manufacturing output is about 70 per cent higher than it was then. This applies throughout business and industry.

The Government tell us that 176,000 vacancies are known to jobcentres, implying that these are jobs for people on the unemployment register. Last week, the noble Lord, Lord Sassoon, told us that 300,000 jobs were created in the second quarter, and the noble Lord, Lord Lamont, repeated it. Again we get only half the story. What we are not told is how many jobs ceased to exist and how many jobs were taken up by the 40,000 or 50,000 people a week who are in employment but change jobs. It is easy to cherry pick the labour market figures, but it is very difficult to give a true figure.

Like other noble Lords I ask where these extra jobs are going to come from. I welcome the plans to invest more in our infrastructure; I welcome the plans to develop Britain's offshore wind power industry. Certainly these should create new jobs but, like the noble Lord, Lord Bilimoria, I ask whether this is enough. I welcome the new innovation centres—a Labour innovation, I might add—but do not expect quick results; it will take three or four years before they show results. The Technology Strategy Board and the knowledge transfer networks have been doing this kind of work for some years and, yes, there are several projects in the pipeline. I declare an interest as the honorary chairman of perhaps the largest knowledge transfer network. However, this is a pretty thin supply-side narrative, as my noble friend Lord Myners put it. Growth in the economy does not necessarily mean more jobs; it may mean more output, but the two do not necessarily go together.

Where is the money for these new jobs going to come from? Big business has money but is looking to cut its costs by destroying jobs while most new jobs are created by small and medium-sized enterprises—the very sector that is being starved of investment capital. Like the right reverend Prelate the Bishop of Leicester, I, too, think that there is something wrong when banks are making a fortune trading the very debt for which the rest of us are making sacrifices. Is it because

quantitative easing does not get beyond the banks? Banks do not create jobs—innovation and demand do. Perhaps the quantitative easing should go straight to business and industry.

I am concerned about the Government's ability to manage their strategy and budget. Will the promised savings be delivered? Will the private sector be able to absorb the jobless from the public sector and still remain competitive? I am concerned about where all this is leading: about the direction of travel. The Minister portrays the CSR in economic, fairness and reorganisational terms; others see it differently. I am a bit of an old leftie and I see it in terms of the Government failing in their duty to protect the public good from private interests, an issue to which several noble Lords have referred. Whatever our perspective, it is testing the limits of our tolerance. The CSR should be given more time and approached with a lot more caution and humility.

6.27 pm

Lord Tugendhat: My Lords, like other noble Lords, I look forward to hearing the maiden speakers who are yet to come in the debate. I hope that they will not be put off by the length of the list and that they will contribute not only on this occasion but on many others when it is to be hoped that the speakers list will not be so long. It is also a great pleasure for me to follow my noble kinsman, the noble Lord, Lord Haskel. It is the first time I have had the opportunity to say that in this House and I am pleased to have been placed at this position in the pecking order. However, we will not be approaching the problems in hand from quite the same vantage point.

There can rarely have been an occasion when an incoming Government have moved so quickly and decisively to grapple with the country's economic problems. They were right to do so: not because we were in the position of Greece or Ireland—we were not—but because the situation was running out of control and, after the denials and prevarications of the previous Government, any dawdling or delay could have provoked a crisis. In saying that, I am not referring to the noble Lord, Lord Myners, or even to the previous Chancellor of the Exchequer, Alistair Darling. I am of course referring to the previous Prime Minister. It was he who set the tone of his Government, and his denial of the nature of the problems facing the country meant that the incoming Government had to move quickly and decisively.

My noble friend Lord Lamont was right to draw attention to the deepening of the sovereign debt crisis in the eurozone. At the moment it is dormant, but it has certainly not gone away and no doubt we will have to deal with it again during the coming months. So this was a time for boldness and the Government have shown that. As a result, they have got themselves ahead of the markets. They do not have to worry about international confidence, their credit rating, or funding the deficit. This is a much better position to be in than not having done enough and being subject to speculation that they were going to have to come back and do more. There are, of course, as any army that advances very rapidly knows, dangers in getting ahead of the game. The question now is whether, in

their determination to eliminate the structural deficit so quickly, they are putting growth and jobs at risk. By placing so much emphasis on this particular economic measure and fiscal consolidation as the means to achieve it, there is the question of whether it will stifle economic growth. In my opinion, there is such a danger. Faced with the protracted pain set out in the Chancellor's programme, will companies now cut back on investment and hiring?

Banks, as we well know, are under attack for the low level of their corporate lending. But banks have not gone on strike. They are not lending because they do not want to lend. The reason they are not lending is that the value and volume of viable applications reaching them are not as high as we would like them to be. That is the problem. Consumers are also being affected. We are told that half a million public sector jobs will go. Many times that number of people will be fearing for their futures and cutting back on their household spending. That will be true not just in the public sector but also in those sections of the private sector that will be hit by the cutback in the public sector. The Governor of the Bank of England called recently in his speech in the Black Country for half a million jobs to be created in our export industries. How good that would be. I hope they are, but it is a big ask when times are so hard in so many of our principal export markets.

So, having got ahead of the game, established their credentials, ensured that their credit rating is secure and that the funding will be possible, I hope that the Government, by acting quickly and decisively, will take advantage of the room for manoeuvre that they have created. Room for manoeuvre is a precious commodity in economic policy-making and the Government now possess it. I believe that they should not now regard an arbitrary target of deficit reduction by means of fiscal consolidation as the be-all and end-all of their economic policy. Rather, they should be willing to calibrate that programme in accordance with the needs of the real economy, by which I mean growth and employment. When the record of this Government comes to be judged, it will be on the basis of those criteria. The debt reduction programme should contribute to that and not dominate their overall economic policy. It is through economic growth and high employment that tax revenue is generated and that benefits are held in check, and that can make a considerable contribution to the reduction of the deficit. This aspect of policy now needs to be given more emphasis. The speeches which the Prime Minister gave last week and the initiatives which he took show that he appreciates that. I believe that the Government have put themselves in a strong position and they deserve credit for that. They have room for manoeuvre and I hope they will show the pragmatism and flexibility that the economic situation will require.

6.34 pm

Baroness Hollis of Heigham: My Lords, the Minister has insisted today that the CSR cuts are fair and that they support the DWP's *21st Century Welfare* paper for a universal credit to bring people back into the labour market, mainly through making work pay. Really?

On fairness, the Budget cuts and the CSR, as the IFS and some of my noble friends have said, have hit the poor more than all but the wealthiest 2 per cent. But there are other forms of redistribution—horizontal, if you like. This hurts women more than men. The analysis of Yvette Cooper shows that three-quarters of the Budget cuts and two-thirds of the CSR cuts fall on women, as well as the fact that 40 per cent of women work in the public sector. So they are hit through their wage, their job, their tax, their benefits, and public services. It also takes from children rather than the childless. The Government say they want to end child poverty by 2020. The JR Foundation believes that there will be 3 million more children below the poverty line by 2020. Instead of redistributing from the healthy to those who are not, as the noble Baroness, Lady Campbell, said, disability benefits will be threatened, frozen or cut. As for geographical distribution, the cities in the north which depend on public sector jobs and social housing are savaged while prosperous suburbs remain unaffected. Yet generations of Government have deliberately relocated Civil Service agencies and bodies out of high-rent and high-employment London and the south-east to the more depressed north. The CSA went to Dudley, the Patent Office to Newport, the Inland Revenue office to Nottingham, and the NHS executive and the DSS to Leeds. It is profoundly unfair for a Prime Minister representing wealthy Witney to talk about the north's unhealthy dependence on public sector jobs when that relocation was supported by all parties as part of sensible regional economic policy. So the CSR hurts women, children, disabled people, the inner cities, and the north disproportionately. In all of these dimensions it is unfair.

The one redistribution I have not mentioned is between those who are in work and those who are not. The Minister made much of this, as though the CSR would encourage people into the labour market, given the jobs economy. Like many noble Lords on both the opposition Benches and the government Benches, I welcome the *21st Century Welfare* paper of Mr Duncan Smith and the noble Lord, Lord Freud, for a universal credit underpinned by ensuring that work always pays and that mini and part-time jobs are supported to keep a toehold in an increasingly difficult labour market until those jobs can gradually become full time. What is bizarre—I hope that the noble Lord, Lord Freud, is aware of this—is that the CSR actively discourages entry into work, and if you are in work, it caps any aspirations you may have to seek better prospects. In my view, it is goodbye to this Green Paper, which we all know, given that the Treasury is extending its implementation time to two Parliaments, is loathed by the Treasury.

Increase your pay by £1,000 into the higher rate tax category and you lose twice as much in child benefit as you gain in pay. If you create cliff edges, do not be surprised if people are not too keen on walking over them. The father on £42,000 will not take that pay rise. Supporting work incentives by punishing improved work prospects—brilliant social policy. It is perverse. Similarly in social housing, increase your pay and risk losing your home as an insecure tenancy. Social housing is for the down and out; if you climb the work ladder you will be up and out. Of course you will not work

[BARONESS HOLLIS OF HEIGHAM]

those extra hours or take that pay rise if it costs you your home. It is perverse—brilliant social policy again. Staying with housing and non-dependent adult deductions, the adult son, we will assume, is living at home and in low-paid work. The parents will now lose almost their whole housing benefit as his notional contribution to their rent increases by a third or more. What will happen? Either, he will leave, the parents will get full housing benefit again, and he will get housing benefit on his new place, in which case the housing benefit bills will rise and more housing will be needed. But the parents will now be under-occupying and therefore they may be evicted, even though there are no small properties available around them. So the result will be higher housing benefit, more housing used up and insecurity all round. Or he can stay at home, save his parents' housing benefit, and stop work—the intelligent, rational strategy. It is brilliant social policy again. It is perverse. I will say more on housing on Thursday because carnage awaits us there.

The employment and support allowance has been mentioned already. After one year, it is to be means-tested. Who will it means-test? It will not just be him and any savings, but his wife. If she holds down a part-time job as well as caring for him, she may find that his ESA is withdrawn. What would you do in her situation? Either you reduce your hours right down to the minimum or you probably stop work altogether. Well done: the CSR has ensured that they enter retirement much poorer than they are now. She as a part-time carer has lost her place in the world of work. If in a few years she is unfortunately on her own, she will not be able to regain it. She will remain poor, workless and isolated into retirement. We have all spent the past decade trying to help parents stay in work as far as they can. The CSR may now destroy that. It is brilliant social policy again.

The same goes for the move from 16 to 24 hours' work for a couple with children, of which one job has to be at least 16 hours, before they can get tax credits. That is not just cruel, it is perverse. It will affect more than 200,000 families. Many men are now accepting substantially reduced hours at work, but, without working tax credit, which is worth up to £70 a week on top, that work may not pay. Yet if they stop working, it will be very hard to regain a full-time job. If he loses his full-time job, she will give up her part-time job because the tax credits are not there to make that work pay. Neither of them will have a foothold in the labour market to keep them in the knowledge economy of work and, as the economy, we hope, strengthens, to work full time. Brilliant social policy, pulling them both out of the labour market. It is perverse.

The child care element of working tax credit will go down from covering 80 per cent of costs to 70 per cent and affect half a million poor families, who will lose up to £30 a week. At the very same time as the Government are seeking to propel lone parents of five year-old children back into work, they are ensuring that, for many, with the increased cost of child care and transport, work will not pay. Brilliant social policy.

The Minister and the noble Lord, Lord Freud, want a single universal benefit, incorporating housing benefit and council tax benefit, to make work pay. I

support that. But the Government intend to localise—balkanise—council tax to 500 local authorities, which will make that universal credit impossible to deliver. It is brilliant and unbelievably stupid. I could cite another dozen examples from the CSR, each one of which undermines *21st Century Welfare*, which I am sure all your Lordships welcome. I respect the efforts of Iain Duncan Smith, the noble Lord, Lord Freud, and Steve Webb, and I want to support them, but what on earth are they doing allowing the CSR to destroy those proposals detail by detail, forensic cut by forensic cut, before the DWP has even published the results of its consultation paper? The best way of getting fairness between poor families out of work and other hard working families is to help the workless into work, provided we can create the growth economy. That is what the consultation paper seeks to do; that is what the CSR will destroy.

I did not expect the CSR to be fair, not from this Government—and the IFS has shown how unfair it is—but I expected the policies of the DWP, the DCLG and the Treasury to be coherent and consistent. Not on your life. The CSR has made a shambles of future welfare reform and, as always, it will be the poor who pay the bill.

6.44 pm

Lord Foulkes of Cumnock: My Lords, it is a great pleasure to follow my noble friend Lady Hollis, who is probably the greatest expert on welfare in this House. I hope that the Government will take some account of her very carefully argued contribution today—they would be well advised to do so. When we eventually get to the end of this debate, I shall go outside and look at the colour of the moon because today is an interesting day, for I agreed with almost everything that the noble Baroness, Lady Kennedy of The Shaws, said. That is most unusual. Given such a coalition, we must be arguing in the right direction.

Speaking very much as a layman and not as an economist—we have heard contributions from some very eminent economists on our side—I want to make only three points. The first is a detailed but vital matter relating to the budget of the Department for International Development, in which I used to work. That budget is rightly protected in the CSR, but it is protected because of the pressure that we put on the Government when they were in opposition. We got assurances that they would protect that budget. However, it is vital that DfID's budget is not raided for funds by other departments, especially the FCO, which has its beady eyes on some aspects of DfID's budget, and the Ministry of Defence. The latter's expenditure in Afghanistan needs to come under the defence budget and the work being done by DfID needs to be clearly humanitarian. Great pressure will be exerted by the FCO and the Ministry of Defence, but it must be resisted.

My second point relates to the manifestly false claim of fairness in the CSR, which all my colleagues have commented on. The cuts to welfare have been swift and severe—as we heard from my noble friend Lady Hollis and from the noble Baroness, Lady Campbell of Surbiton, in a powerful and moving contribution—but

there has been almost nothing at all relating to tax dodgers, who could contribute a huge amount more to our revenues. There has been some indication that HMRC will get some more money to deal with illegal tax evasion, but there has been nothing at all about tax avoidance, which has been described by the Deputy Prime Minister, who I remind some Members opposite is still a Liberal Democrat, as immoral. It is immoral at the best of times, but particularly at present. Nothing has been done to start closing the loopholes offered by the tax havens of our own overseas territories. There is no international co-operation with other countries to deal with tax avoidance. The noble Lord, Lord Oakeshott, made a powerful argument in that direction, but the power of his argument is perhaps detracted from by the fact that he is in the strange limbo of being a Liberal Democrat spokesperson rather than a Minister. If he was a Minister who was incorporated into the Government, we might have greater confidence that some work would be done on tax havens and tax dodgers.

Reference has also been made to the bankers. I find it appalling that some of those who caused this crisis in the first place are still in charge of the banks and stuffing their pockets with huge amounts of money.

One lighter moment came in a delightful spat over the cap on housing benefit, when our well beloved Mayor of London described the effect as being like that of ethnic cleansing in Kosovo. He was then forced to withdraw the remark, no doubt due to some public school loyalty. However, what was missing from that argument was the reality. Housing benefit payments are so high in the centre of London because rents are so high, and they are pushed up by people who are rich. Ordinary workers can no longer afford to stay and live in London, whether in rented or in any other kind of accommodation, without some support.

My third and main point is that, although I agree with everyone who has said that we must cut down waste and increase efficiency in the public sector—indeed, that is what the Labour Government wanted to do—I cannot accept, having thought about the matter again and again, that the pressure on government to cut the deficit is as strong, compelling and powerful as Ministers pretend. I just do not believe it. To whom do we owe this money? Who are the debtors? We have not had any mention of them so far. Do we owe the money to some celestial pawnbroker or some global loan sharks, who will come and do us in if we do not repay?

If the Chancellor and the Government's spokesman today in the Lords are to be believed, the money is owed to foreign Governments and to foreigners, who are prospering at our expense. I wondered whether that was right, so I tabled a parliamentary Question, which the noble Lord answered. In fact, the debts to all the foreign countries and foreign private bodies taken together represent less than 30 per cent of our total indebtedness. Of the rest, which is more than 70 per cent, 30 per cent is owed to UK insurance corporations and to pension funds—no doubt some of our pension funds here—and 27 per cent is owed to the Bank of England, 10 per cent to other financial institutions, 7 per cent to banks and the rest to households, local government and public corporations.

In his introduction, the Minister claimed that the coalition Government's actions are responding to the demands of our debtors. Perhaps in his reply he could say where those demands are coming from. Which of our debtors are demanding that we take this action? I certainly do not see it. Perhaps the credit rating agencies were demanding it, but I sometimes wonder whether too much attention is paid to them, given that they are private organisations based in the United States, Canada and Japan. Surely we as a country can join together with other countries and take some responsibility, and some control and authority, over what the credit rating agencies say.

I believe that the CSR is not only unfair but unnecessary. The Tories are using it as a totally false pretence to justify what they have wanted to do for a long time for ideological reasons. The Liberal Democrats are their hapless human shields. They deserve the greatest blame for these cruel and unfair cuts, because of what they said before the election and what they are now doing, which is entirely the opposite.

6.52 pm

Lord Low of Dalston: My Lords, I hope that the Minister will have got the message that we are beginning to get rather tired of the partisan rhetoric about train crashes and the like, to which we are habitually treated as a characterisation of the situation that the coalition faced on coming into office. Such rhetoric is, for one thing, exaggerated and, for another, quite wrong. I would expect a greater degree of clear-sighted objectivity from this House in considering the origins of our present difficulties, which clearly lie with the excesses of finance capitalism rather than with the Labour Government. It was Gordon Brown, not George Osborne, who brought us back from the brink. Gordon Brown may not have been a very good fox, but he was a pretty good hedgehog—noble Lords will remember that the fox knows many things but the hedgehog knows one big thing.

I have taken some trouble, with the help of the Library, to try to get an objective handle on our financial position, amid all the claims and counterclaims that are made. As always, it is not difficult to use the statistics selectively so people will refer to structural deficit or debt and use OECD and G7 countries as the comparator as best suits their argument. The most dispassionate assessment that I can make is that our structural deficit was larger than that of most OECD and G7 countries as we entered the recession and our level of public sector net debt was higher than that of most OECD but not most G7 countries—not the big ones. However, our total public sector borrowing requirement was a manageable 2.6 per cent of GDP, similar to that inherited from the previous Government, and the level of public sector net debt was actually lower. The level of indebtedness has since gone up sharply for what I would argue were unavoidable reasons—much more unavoidable than the measures contained in the comprehensive spending review.

Those measures are intended to reduce the debt, but the results of attempts to do the same thing by similar means in the 1920s and 1930s are not encouraging. Between 1919 and 1923, national debt rose from 135 per

[LORD LOW OF DALSTON]
cent of GDP to 180 per cent; between 1929 and 1933, it rose from 160 per cent to 180 per cent. The OECD says that about half of fiscal contractions in the EU in the past 30 years have led to growth in the economy, and it cites Canada, Denmark and Ireland as examples—though Ireland might not provide such a good model at present. There was recovery following the fiscal contractions of 1931 and the early 1980s, but in a very good article in this week's *New Statesman*, the noble Lord, Lord Skidelsky, argues persuasively that that had much more to do with the abandonment of the gold standard and the loosening in monetary policy than with fiscal consolidation.

Whatever view you take, it seems that the macroeconomic judgment of the CSR is just that—a judgment—and some would say it is a gamble. Whatever it is, the proposed measures are certainly not unavoidable. As the noble Lord, Lord Haskel, said, they put the interests of bankers, markets and the institutions of finance capital—what used to be referred to as the ruling class, although that perhaps makes me even more of a lefty than the noble Lord, Lord Haskel—before the interests of the ordinary citizens of this country. To be honest, it does not seem to me that Labour's ideas are a whole lot better; I would describe them as “coalition-lite”. At all events, in circumstances when the harm done to the fabric of our society by the CSR is palpable and certain but its benefits are at best speculative, I agree with the noble Lord, Lord Haskel, that it is incumbent on the Government to search for an alternative strategy that subordinates the interests of the financial system to those of ordinary people.

The financial system is only a means, not an end. Instead of terrorising us with spectres of debt so that we forget our own interests, the Government should be demystifying the debt, a good part of which is owed only to ourselves in the form of pension funds and the like—as the noble Lord, Lord Foulkes, clearly demonstrated—and is not nearly as astronomical as we are asked to believe. At the end of the Second World War, according to the UK Debt Management Office, the national debt stood at 252 per cent of GDP, as opposed to a mere 50 per cent or so at present. That debt was paid off over a much longer period than is currently proposed and, during that period, we managed to implement the Beveridge reforms and found the National Health Service. That is the sort of framework in which we ought to seek the solution to our present difficulties.

Moving on from the strategy to the specifics of implementation, although a great deal could be said—I associate myself with the remarks of the noble Baroness, Lady Campbell, about the withdrawal of the mobility component of DLA from those in residential accommodation—I shall concentrate in the short time that I have left on the Government's decision to limit contributory employment and support allowance to 12 months. I believe that that will cause great hardship. The Government's decision fails to recognise three key points. First, those who have paid into the system through tax and national insurance have a right to expect that, if they become sick or disabled, the benefits system will support them as they come to terms with their impairment, gain access to rehabilitation services,

retrain, learn new life skills and then move towards work. They paid in in the belief that they could rely on such support. The proposed change has not been consulted on and is a radical redrawing of the contract between the citizen and the state.

Secondly, it is completely arbitrary to say that everyone must find work within 12 months or lose a benefit for which they have contributed. Every individual is different in their journey towards work. Most important of all, there are simply not the jobs to enable everyone on ESA to get a job within 12 months. Since 2008, long-term unemployment has almost doubled to 797,000 while vacancies have fallen to 467,000. That leaves a deficit of 330,000 jobs. The impact is therefore clear. The Government will be means-testing large numbers of people on the work programme and ending their contributory ESA before they find work. Not only is that sadistically harsh, but it comes at completely the wrong time, as the noble Baroness, Lady Kennedy of The Shaws, has said. It is also self-defeating, and will completely undermine the welcome objectives set out in *21st Century Welfare*, which, as the noble Baroness, Lady Hollis, has said, we all support. I will not be surprised if the time limiting of ESA, together with the changes to DLA and housing benefit contained in the CSR, come to be totemic symbols of coalition heartlessness such as the ending of free school milk in an earlier age.

Finally, the majority of the 1.5 million incapacity benefit claimants who are due to be migrated on to ESA over the next three years will face the same 12 month limit and means test. That is because the majority of those are expected to pass the new work capability assessment and be allocated to the work-related activity group. The vast majority of IB claimants have been on the benefit for five years or more, which means that they have complex needs in terms of making the journey back to work. Complex needs require time to address them; the time-limiting policy completely disregards that. Have the Government made any assessment of the proportion of claimants who will qualify for income-based support as they come off ESA? I should be grateful if the Minister could enlighten me.

The damaging and unjust consequences of time limiting ESA are just one of many reasons—the noble Baroness, Lady Hollis, has instanced a string of further examples of perversity—why the Government should seriously rethink the CSR. If they refuse to do so, I would not mind betting that they will be forced to do so in due course.

7.03 pm

Lord Davies of Stamford: My Lords, that was a very eloquent and well-informed speech and I hope that the Government have taken careful note of it. I am delighted to follow such a substantial and distinguished contribution.

I think all of us were delighted and greatly relieved at the good performance of the economy in the third quarter and the fact that the growth rate was at 0.8 per cent. But it is quite ludicrous—actually embarrassingly ludicrous—for the Chancellor to go around almost in an orgy of self-congratulation about that. Anyone who knows anything about how an economy works

and the time lags in an economy knows perfectly well that there is nothing that could have happened in fiscal or monetary policy since the middle of May which would have affected the output of the economy three or four months later. There was no change in fiscal policy over that period. Quite clearly, if tributes are to be given, they are to be given to the former Prime Minister and to the former Chancellor for the course that they had correctly set during the difficult international conjuncture of the past two or three years.

Undoubtedly the Government are now embarked on economic policies which are very risky. It is not just I who says that—there have been eloquent supporters of the Government today in this Chamber, the noble Lords, Lord Lamont and Lord Tugendhat, who have acknowledged the same thing. You cannot take £133 billion out of the economy over five years—taking the combination of expenditure reductions and increases in taxation—with impunity. That is roughly on average 2 per cent of GDP per annum. That is an enormous reduction in aggregate demand and begs a tremendous question as to where that aggregate demand is going to come from, particularly in present international circumstances. There are obviously great risks. No sensible person denies that and sensible Tories today have acknowledged that.

I am worried about two aspects. I may be right or I may be wrong but my inclination is that Government are cutting expenditure too far too fast. I may be completely wrong, but there are two slightly more objective factors here, which concern me deeply. The Government do not seem to be helping themselves very much. I have several examples in mind. It seems to me extraordinarily ill-chosen, in the situation in which we find ourselves now, to increase the VAT rate from the beginning of January. Every fool knows that January and February are the low point seasonally in the economy when consumption is at its lowest. Increasing a consumption tax like VAT at that point is likely to exacerbate the volatility of the economy rather than stabilise it. Why 1 January or perhaps 4 January? Why then? Any sensible person would have done it perhaps in April, or in two stages. It is extraordinary.

I put another example to the noble Lord, Lord Sassoon, at Questions the other day. Why allow the publication of a forecast that there are going to be 490,000 job losses in the public sector over five years—a calculation that must be based on knowledge of which particular departments and functions are going to be affected—without saying what those departments and functions are. As a result it is not just 490,000 people and their families who are going to be desperately worried and cutting back on their consumption expenditure and increasing their savings ratio, but it is going to be millions on millions of people in the public sector—other than those who have been explicitly protected—any of whom could feel that they are going to be targeted. It is not a sensible thing to do when you are trying to replace with enhanced consumption spending your explicit and deliberate reduction in public spending. I am worried about that.

I am also worried that the Government do not seem to have much of a fallback position. If you ask them, the reply is “monetary policy”. There are two problems

there. One is because of the time lags. If the Government find that they have cut expenditure too far and too fast and killed the recovery, it will be too late to use monetary policy then because monetary policy does not feed through into output for a year or two. Again they will have exacerbated the volatility of the economy and have got the thing badly wrong.

The next thing that concerns me in this context is that monetary policy at present levels of interest rates means of course quantitative easing. I am concerned that the Government are getting rather addicted to quantitative easing—rather like an adolescent discovering drink or drugs. It tastes pleasant, it makes you feel good—let us have some more. There is a big question about quantitative easing which the Government need to answer. The Government have never answered it as far as I know—in fairness I am not sure the question has ever been asked—so I shall do so now explicitly and ask for an answer. It is very easy for the Bank of England to buy in this paper, creating automatically bank deposits and generating an increase in the monetary aggregates. That is an easy and apparently painless thing to do. But when is the Bank going to sell back that paper? Is the Bank ever going to sell back that paper? Is this part of the Government's debt that is being bought in by the Bank of England going to be permanently monetised? If so, how much do the Government plan permanently to monetise in this fashion? Is there a ceiling? May I have an answer please from the Minister? If there is no intention to monetise, when and in what circumstances is it planned to sell back this paper, bearing in mind of course that selling it back will be in direct competition with government new issues in the gilt market at the relevant time. That is a problem that does not exist when you increase and use interest rates to manage demand. It is an important question to which the country needs a clear and explicit answer. When and in what circumstances is that paper to be sold back?

I was going to speak at slightly greater length about some of the perversities in the measures on benefits in the comprehensive spending review. However, my noble friend Lady Hollis made an absolutely brilliant analysis and she was followed by an extraordinarily distinguished analysis from the noble Lord, Lord Low. They have done so well that I am going to do something quite different. I ask the noble Lord, Lord Sassoon, whether he would be good enough to commission from the DWP and the Treasury a reasoned response to all the perversities that were set out by my noble friend Lady Hollis and the noble Lord, Lord Low. He should not only send that to them but put a copy in the Library for the benefit and elucidation of us all.

I am of the view that welfare reform is a very good thing and that Iain Duncan Smith's single benefit idea is much to be commended. As I see it, it forms a coherent progression with the measures taken by the previous Administration to make sure that people had a greater incentive to work and that there were fewer perversities in the system. That was created by the introduction of the minimum wage and by the tax credit scheme which were, again, very important measures of welfare reform. Similarly, I would welcome other measures in the same direction. There were egregious abuses with regard to housing benefit. I am perfectly

[LORD DAVIES OF STAMFORD]

happy to acknowledge that and it is good that we are addressing them. Indeed, I have always felt that housing benefit was inherently problematic because it tends to drive up rents. Too often, landlords assume that the maximum that the benefit office or local authority will pay is the minimum that they will demand. It becomes an engine for driving up rents and therefore contributes to the problem that it is designed to alleviate: homelessness. Yet that does not mean to say that the Government are very clever to have produced a situation in which literally tens of thousands of people—so we are told by no less a figure than the Mayor of London—will be forced out of their homes.

My noble friend Lady Kennedy spoke movingly about people who are confronted with redundancy. I think that would have moved noble Lords on all sides of the House. Yet if you go home and tell your children that you are to be evicted, it is only scarcely less horrible than having to go home and say, “I’ve got the sack”. We should think carefully about the tens of thousands of our citizens being forced to leave their homes in that way. I put it to the Minister that there was a solution which was, at once, more practically sensible, more economically judicious and more humane in all these matters—this goes for child benefit as well. It was to introduce the new, more stringent rules for new applicants, to phase in the new rules for existing claimants, to use transitional relief; and to withdraw benefits at a certain level—whatever effective rate of taxation that might be. That could have been done in a less economically disruptive and less dramatic way in terms of the human impact on families.

It is never too late, I say to the noble Lord. What is the point of having these debates if the Government come here with a closed mind before they start? I hope that some of the thoughts that have come out of this debate will indeed be taken back by the noble Lord, Lord Sassoon, to his colleagues and that we might get a slightly better result than the one we have before us at present.

7.13 pm

Baroness Turner of Camden: My Lords, I want to concentrate on what I believe to be the general direction of government policy, as revealed by the review, and its possible effect on all of us as individuals. To put it simply, the Government’s approach seems to be based on the perception “public bad, private good”. Hence the emphasis on privatisation, which was also a feature of the previous Government of which some of us were critical. Yet the present coalition is taking this much, much further. Hence the so-called reform of the welfare state, although, as the shadow Work and Pensions Secretary has pointed out in the other place, welfare reform and welfare cuts are quite different. It looks as though we are mostly going to get cuts.

First, there will be public sector unemployment, which the Government’s own figures indicate will be almost half a million lost jobs. Secondly, there will be a decline in welfare benefits, on which many of our fellow citizens depend. I believe that, in both instances, the impact on women will be disproportionate and certainly not fair. The unemployment resulting from

the public sector cuts is likely to be mostly of women, as a large number of women are employed in the public sector. I have already had letters from women working in the public sector who are scared that they will lose employment in areas where alternative employment is virtually non-existent. We heard some explanations today from my noble friend Lady Hollis of exactly why that is.

We sometimes forget just how women’s rights were improved in the last century. At the beginning, women really were second-class citizens with no right to vote, limited access to jobs and limited access to higher education. There was widespread discrimination. If women had jobs, they were expected to leave when they got married. In many large companies, women were employed only in non-career jobs and were not included in pension schemes until they were over 30 and presumed to be “on the shelf”—that is, unmarried. There was widespread discrimination in unequal pay and, of course, a lack of promotion opportunities in employment. The widespread discrimination that existed has now disappeared, although some complaints can still justifiably be voiced nowadays. Those improvements were achieved as a result of a continuous campaign by previous generations of women. It is sometimes not appreciated just how much was due to women’s access to the job market and to equality legislation, for which Labour Governments were largely responsible. That meant that women achieved independence. They did not have to stay in relationships that were impossible for them.

The spending review, with its impact on women’s employment, could put at risk the achievements of past generations. The Government believe that the private sector will create alternative jobs. In fact, the loss of jobs in the public sector could result in further job losses in the private sector. A number of speakers have explained that today. Many experts do not think it credible that the private sector will be able to create jobs on the scale that will be needed.

As to the review’s proposal on public services, local government has been threatened with cuts and some councils are already responding by cutting staff. Services likely to be at risk involve the provision of social care for elderly people. This is already a problem in many areas and, again, an area where the impact is most likely to be felt by women. Many of the elderly will be older women, whose carers, if they have them, are also likely to be women. I remember when, during a previous employment crisis, those seeking work were famously told by the noble Lord, Lord Tebbit, to get on their bikes and look for work. Well, many did, with the result that family members often do not live close to one another any more; they no longer live round the corner and some even live abroad, hence Age UK’s current campaign on behalf of older people living alone.

Perhaps the Government think that all necessary social services will in future be provided by volunteers in the so-called big society. We should greatly respect those who volunteer to help others, but caring for elderly and disabled people is a service that should be provided regularly in any civilised and developed society. I shall perhaps be told that the review provides for

social care some £2 billion from 2014-2015. I welcome that, but it is some years ahead and the need exists now. Moreover, local government will, presumably, be responsible for administering it along with other services and is already suffering from cuts in income. Will this new money be ring-fenced? Other services under threat, including the provision of social houses, have already received much attention and will, no doubt, be further debated in this House.

I believe that the spending review is ideologically motivated. It is presented to the public as if there is no alternative and as if it is all the fault of the previous Government. Yet alternatives have been suggested by many experts, including a number who have spoken from this side of the House in this debate. What is being proposed could disrupt many lives, mostly of poorer people.

I find it ironically amusing that the talk of the big society often refers to a variety of voluntary organisations, when one of the largest voluntary organisations in this country—with a leadership elected by its membership—is the trade union movement. But unions do not get a mention—oh no. They are apparently not part of the big society as far as the Government are concerned. It is the job of unions to represent their members—many thousands of ordinary workers—and we can expect that they will endeavour to do so. As a former union official, I hope that they will succeed.

The welfare state was created after the Second World War because no one wanted to return to the poverty of the 1930s. The policy direction outlined in the spending review is neither fair nor just and puts at risk some of the achievements of previous generations.

Baroness Anelay of St Johns: My Lords, following inquiries from many of those taking part in this important debate and discussions with the opposition Chief Whip, it may be helpful if I advise the House that, at the current rate of progress, with speeches of around eight to 10 minutes, the House is likely to rise after midnight.

7.22 pm

Lord Higgins: My Lords, by a quite extraordinary coincidence I was about to raise that very matter in my opening remarks. Indeed, I was going to say how glad I was that my noble friend the Chief Whip did not say at the beginning of business that we should try to rise by 10 o'clock or that speeches should be curtailed accordingly. Particularly with the ever increasing size of the House, we will find more and more pressure to reduce speeches to a length at which, in a debate of this sort—of great importance and considerable complexity—it would not be possible for the House to fulfil its job of holding the Government to account as effectively as it should. It is very much a question of balance. I understand my noble friend's point, but we should beware of excessive curtailment of the length of our speeches, as that may frustrate our very purpose. We are in fact barely half way through the list of speakers and are therefore likely to go rather late. However, I do not think that anyone has gone over about 10 minutes and many speeches have been of an extremely high quality. They have raised a number of questions, such as fairness and so on. I intend to concentrate on a rather different aspect.

As I said at the time of the Statement on the spending review, it is quite extraordinary that the Treasury officials and Ministers should have managed to carry out such a comprehensive review in the time that they took. It was desirable that they should do so and, overall, they have done a remarkably good job. There are some obvious omissions—for example, I simply do not understand why winter heating payments should not be means-tested—but, by and large, they got the balance pretty right.

The basic controversy raised before, through and after the election was summed up rather cleverly, as always, by the noble Lord, Lord Myners, who said that this was a question of scale and pace. He took the view that the scale was too large and the pace was too quick. I take the contrary view. Experience shows that it is extremely difficult to cut public expenditure quickly. It almost always takes much longer than people expect. The pace proposed by the Government is probably the minimum at which we ought to aim, because we will almost certainly undershoot it. That was a matter of great debate among all parties but, on the whole, the Government got the pace about right.

With scale, we are faced with a rather strange situation. Individual cuts are clearly a matter of great controversy and depend on many of the arguments that we have heard deployed this afternoon. However, the reality is that, even after all these cuts, public expenditure will go on rising, from £702 billion to £713 billion next year and to £724 billion and £740 billion in the years after that. With cuts, that is strange and therefore important, particularly given the interest that we have to pay, which has been shown to be going up from £43 billion now to £63 billion in 2014-15—a massive increase. I assume that the Treasury's calculation has been done on the assumption that the rate of interest at which it is able to borrow remains the same. Perhaps my noble friend will confirm that.

My noble friend Lord Tugendhat raised big issues about the situation with the international financial markets. We are fortunate in having most of our borrowing spread over a lengthy period of time, but it would not take a large increase in the average rate at which we could borrow—particularly at the margin—for that £63 billion by 2014 to look much bigger. We are making the most optimistic assumptions that we can. Worldwide record low rates of interest are being used. That may be very dangerous for the future.

The other problem is aggregate demand. I raised this at the time of the relevant Statement and my noble friend referred to the forecast of the Office for Budget Responsibility, which said that, on aggregate, demand in the economy would go up. Again, that is strange against the background of a programme of what the Opposition would call "savage cuts". What will happen to aggregate demand? Is it my noble friend's view that the situation will get worse or better? There was much joy in the City over the past few days at the fact that the quarterly rate of growth was 0.8 per cent. However, if I understand it correctly, that was before the cuts. They have not yet had any perceptible effect. I would have thought that the level of aggregate demand would go down. These are extremely difficult calculations. For example, what is the effect on aggregate

[LORD HIGGINS]

demand of large numbers of civil servants becoming unemployed and their spending power being correspondingly reduced? It would be helpful to know the views of the Treasury and the Office for Budget Responsibility on what will happen to aggregate demand.

If aggregate demand is going to decrease, the question whether there should be further stimulus arises. My final point, which I have raised previously, is on quantitative easing. The noble Lord, Lord Myners, seemed to be recanting somewhat in his opening speech. The £200 billion of quantitative easing that he introduced was widely publicised as an increase in the money supply. In reality, following that quantitative easing, the money supply went down. That fact has not registered. We will therefore need to assess carefully what the effect of further quantitative easing would be on the level of demand. Against that background, we have the problem of not knowing what has happened to the country's productive potential as a result of the recession and crisis and whether it is much less than it was at the beginning of that period.

These are complex issues. However, so far, the spending review has not been placed in the overall context of the management of the economy, which is now significantly divided between the Treasury and the Bank of England. We need a much more detailed analysis presented to us, by either the Government or the Office for Budget Responsibility, if we are to assess the true economic impact of this spending review over the next four years.

7.29 pm

Baroness Sherlock: My Lords, I wish to focus on the impact of the spending review on families with children. Having looked through the measures, I have three broad concerns. First, it seems quite clear that the measures taken together have a disproportionate effect on families with children. There are £7 billion cuts in welfare spending in the spending review, on top of the previous £11 billion in the Budget. The charity Family Action, which works with some of the poorest families in this country, has calculated that there are 21 separate welfare cuts affecting working families. The IFS has pointed out that one key effect of the CSR is to refocus benefit spending away from families with children. That cannot be reasonable. Even the proposal to withdraw child benefit from a fairly random selection of higher-rate taxpayers is, in effect, not a redistribution from rich to poor but a movement of resources away from some families with children to society as a whole. Once again, a group of families with children is bearing the cost.

Secondly, the measures appear to add complexity and to get in the way of helping working families, as my noble friend Lady Hollis has so ably pointed out. Some of the cuts affect only families with one or more parents in work, such as the changes to working tax credit. I am particularly concerned about the decision to reduce the amount of childcare help that working families receive. That could cost up to £1,500 a year for a family. I spent some years running a charity that works with single parents. We ran schemes that helped single parents into work and I learnt two things: first, that most single parents want to work if they can find

a job that they can combine with looking after children; and, secondly, that many of them live right on the edge financially. Every single penny is counted. A rise of 50p an hour in the cost of childcare can prove disastrous. Parents, who may find themselves £1,500 a year worse off in relation to childcare, could find that they simply cannot afford to pay the nursery or pay the childminder. If the childcare falls apart, so does the job. If we want lone parents to work, we have to make that possible for them.

This comes on top of the measures in the Budget that include something that sounds very technical, as my noble friend Lady Hollis has pointed out: a disregard of £2,500 in working tax credit for in-year falls in income. As the Minister will realise, this may sound technical but the results can be quite significant. Let us suppose that a mother loses a cleaning job or her husband's hours in his factory are cut and the family loses £2,400 a year in wages. This change will mean that their tax credits cannot be recalculated to take account of that fall in income. They could lose £975 a year from that one measure alone compared with the tax credits that they should be getting. That is not supporting work.

On complexity, there is also the proposal to localise and cut the funding for council tax benefit. The assumption seems to be that council tax benefit will be replaced in April 2013 by grants to local authorities, which can choose the best way of using the money to try to provide rebates for council tax bills. The budget will be £500 million a year less, so clearly poorer families will lose out, but it also means that we will end up with 100-plus local authorities deciding the best way in their authority to rebate council tax. As the IFS has pointed out, that goes directly against the principles behind the Government's universal credit; it goes directly against a single national policy, against clarity and against simplicity. As the IFS points out, it also creates a postcode lottery in which some local authorities may choose to use the money to persuade low-income families to live somewhere else. Therefore, it fails both the fairness test and the complexity test.

Finally, I am concerned about the measures that could hit the very poorest families. Poor families with children will be disproportionately hit by many of the housing measures that the Government have proposed. The measures to cap benefits must surely affect mostly large families who live in high-rent areas, often because that is where the jobs are. Even the flat-rate measures will strike terror into the heart of families more than others. My noble friend Lord Knight of Weymouth referred to the proposal to cut 10 per cent from the housing benefit of people who have been on JSA for more than a year. I truly cannot understand what that measure is designed to achieve. It obviously cannot assume that your rent goes down if you are on the dole for a year; and it cannot presumably be to motivate you to look for a job because the JSA already does that. If you do not look for a job, your benefits can be sanctioned. If you are offered a suitable job and you do not take it, your benefits can be stopped altogether. It cannot be to motivate you to do that. What, then, can it be for? I simply do not understand it. Is it simply a punishment for having failed to find a job? Do the Government believe that it is impossible not to find a

job? If the Minister thinks that, I would be very happy to take him to parts of County Durham where I could demonstrate only too readily that that is not the case.

What would be the effect of that? If you have been out of work for a year, you have probably already exhausted all your savings; you have probably already been round all your friends and family and anyone else in your network who has money, many of whom will be in a similar position in some areas. So what do you do? If, at that point, your housing benefit is cut by 10 per cent, even if that were only £15 a week, that could be an enormous amount of your disposable income. Frankly, it might as well be £1,500 a week for all the difficulty you will have in finding it. What would that do to a family with children? You are out of work, your housing benefit has been cut and your landlord will not randomly reduce the rent for those who happen to have been on JSA for more than 12 months, so you cannot make the rent and at some point your arrears build up and you are likely to be evicted. Then we have a homeless family. How is public policy advanced in any way? Even if we simply wanted to make it likely for them to get back into work, how would they do that? What are the consequences for the children? I simply cannot understand what this policy is designed to achieve.

We all accept that there must be some pain as we try to lift our country out of this global recession, but we all agree that it must be done fairly. I suggest that fairness requires two things, and I hope that the Minister will take careful note of these. First, fairness requires—a phrase I think he likes—that those with the broadest shoulders should bear most of the burden. Sadly, the IFS has already proved that the CSR is clearly regressive and that that is not happening. Fairness also requires that the most vulnerable, those with the least ability to cope, should be protected from the worst effects of the cuts that we must all bear. How could poor families with children be anything other than in that category?

7.36 pm

Lord Allan of Hallam: My Lords, I thank all those officials and Members who have helped our class of 2010 to have such a smooth and warm introduction to the House. I wish the officials in particular well with the class of 2010B, which I understand may soon follow.

In choosing this debate for my maiden speech, I am conscious that I have to work to two constraints: first, to be concise, a quality which I am sure is always appreciated in debates in this place but especially when so many noble Lords wish to speak; and, secondly, to avoid being too contentious on a subject that naturally arouses strong opinions when it is so important to so many citizens of this country, as has been demonstrated by the many interesting and powerful speeches already made today.

Mindful of those constraints, I want to make a few short remarks on the way in which the Government have been opening up their vast store of data about the workings of the public services and how that is having an impact on the spending decisions that we are considering today. First, I declare an interest when speaking on information technology, as my employment

outside this place is with the company Facebook. Although Facebook is not generally directly involved in public sector IT projects, some parts of the company have had commercial relationships with the Government. I hope that that position will equip me with up-to-date knowledge of trends in the information technology sector that will prove valuable to this House, as it informs my contributions to your Lordships' work.

I turn to the agenda of opening up government data in the context of the spending review, which has very much been a cross-party agenda. In the last Government, it had several champions, most notably Tom Watson when he was a Minister in the Cabinet Office, and the noble Lord, Lord Knight of Weymouth, when he was in another place and very much engaged in that agenda. It has been enthusiastically taken forward by this new coalition Government, and has also engaged many experts outside the party political realm, notably Sir Tim Berners-Lee, Professor Nigel Shadbolt, Tom Steinberg and Rufus Pollock. A common objective shared by all those contributors may not necessarily be to support directly the Government's policies; it may be to ensure that this is not an esoteric exercise for those in the technical community but an exercise that realises the potential of information to transform public services more generally.

I believe that that process is impacting the spending review in several important ways. First, the Government decided to release a database from the Treasury called the combined online information system, or COINS, proving that some in the Treasury clearly have a sense of humour, contrary to public perception. The COINS database provides a wealth of data to anyone interested in modelling the country's finances. It means that more people than ever before will have the key data that they need to analyse the Government's spending decisions and performance.

Secondly, decisions have been taken in both local and central government to publish information about individual items of public expenditure. This will dramatically increase the level of scrutiny of purchasing decisions and allow many minds to take a view on whether value for money has been achieved.

Thirdly, there is a significant opportunity for growth in the UK economy—again, something we have heard about in the debate tonight—by building services based on the data provided by government. Rufus Pollock, in a study commissioned by the Treasury during the time of the previous Government, calculated this value at £6 billion per annum.

Fourthly, public services can be enhanced through innovation around these data. For example, anyone who has used a Boris bike to get around London will know that apps for the iPhone and Android phones, which let you see how many bikes are free in any location, are a real and often necessary complement to the bike service itself. This is a small example of how data around public services can both contribute to significantly enhancing economic efficiency and, in the case of transport services, to minimising environmental cost.

Finally, new online channels provide ever greater scope for people to engage in debates on such policy issues as the spending review. This is not a substitute

[LORD ALLAN OF HALLAM]

for the process of policy deliberation in Parliament but, handled correctly, can be a valuable complement to it as a broader range of well informed citizens can bring their perspective directly to our policy debates.

In closing, I refer back to the fact that outside this place I work with many people in their 20s and 30s who are building great technology businesses and creating significant new economic and social value. To me, this is a reminder that while technology projects can and do sometimes go badly wrong and end up costing the taxpayer more than they are supposed to save, we should certainly not turn our backs on the transformative power of technology-led innovation. The question for the public sector should not be whether technology can make its services both more cost effective and better for citizens—it certainly can do this, just as it has transformed many other parts of our lives—but how to realise this potential most effectively. This is a much bigger subject than I can cover today, but it is one to which I have no doubt that I will return during my service in this House.

7.42 pm

Lord Bates: My Lords, it is a privilege to follow my noble friend Lord Allan after his excellent maiden speech, which observed all the conventions that he rightly outlined at the beginning of his speech. As someone who is relatively new to this House and made a similar journey from the other end of the Corridor, I think that the speed with which he has adjusted to the climate of this House bodes well for the future. One of the great joys of following the maiden speech of someone who is so intertwined with the world of information technology is that there is an embarrassment of material that one can refer to. I shall not mention much of it, other than to say that it is highly impressive and worth viewing, especially the noble Lord's weblog. He began his undergraduate studies at Cambridge in anthropology and archaeology. I am not quite sure which of those areas will be of most value in understanding the workings of your Lordships' House, but I am sure that they will both come in very handy. He also had remarkable prescience in giving way in the 2005 general election in his Sheffield Hallam constituency to an unknown politician from across the pond called Nick Clegg, who went on to achieve some rather impressive things, as I am sure the noble Lord will do in his contributions in this House. His contribution this evening has been very much welcomed.

Given the time constraints, I want to add something new to the debate, which I am thoroughly enjoying and have found provocative and interesting, as always. That newness will come from speaking about the region that I come from—the north-east of England, where I am involved in two small and medium-sized enterprises. I have a passion for the region, which is often cited as being one of those that will be most severely hit by the forthcoming public spending constraints. There is a great deal of fear in the region about the consequences of those decisions that are coming down the track. It is not easy. However, I have to preface my remarks by saying that we would not be in this position had the foot been applied gently to the brake two years ago in public expenditure rather than

heavily to the accelerator. This accelerated the level of debt and, therefore, the initiatives that are necessary for this Government to take to correct the national macroeconomy. It is important that that is said, but it has been said many times already this evening and I think that it is generally accepted. I want to focus on what can be done and what the consequences might be.

The north-east of England has a higher dependency on the public sector than any other region in the United Kingdom. The public sector accounts for 56.4 per cent of the north-east economy. A study by PricewaterhouseCoopers—I retrieved it from the UNISON website, so I hope that it is accepted on both sides of the House as a reliable source—estimates that the impact of the public sector cuts on the public and private sectors over the next five years will be around 43,000 jobs or 4.1 per cent of the workforce in the north-east, which currently numbers around 1 million. Every single one of these job losses will be a personal tragedy for those affected, but if handled correctly these changes in our economy can put the north-east economy on a more sustainable and upward path for the future.

As evidence for this, I cite a collection of data that has been produced by the north-east public relations firm Recognition PR, which has tracked the new private sector job announcements in the regional press from September to the end of October. The total number of new jobs announced in the private sector was 4,451 in two months, which is very encouraging. Moreover, the same regional newspapers identified some £271 million of new investment by the private sector in its businesses in the north-east. That is more than the entire annual budget of the regional development agency, so it is a significant sum. It comes not from bureaucrats picking winners but from business owners investing in their own businesses, so the likelihood of its succeeding and leading to further growth is also there.

One of the great strengths of the north-east is that it is one of the few regions that exports more than it imports. Exports from the north-east in the second quarter of 2010 were at their highest level ever, at £2.29 billion. Again, that is a cause for some encouragement to believe that the private sector can, if freed up, fill the gap that will necessarily be created by adjusting the national public finances.

We are not an island in the north-east of England. Therefore, when you talk to businesses about what is necessary, they will tell you first that what we need is macro-stability. Unless there is macro-stability, investors will not invest in the region and customers will shy away. Therefore, it is essential that these actions are taken so that we retain low interest rates.

I am also keen that we create an enterprise economy—one that is very much focused on growth. In that effort, the decisions to reduce corporation tax rates, to do away with the previous Government's proposed increase of 1 per cent in national insurance contributions, which would have ripped another £250 million from the north-east economy, and to freeze business rates will all help, as will freezing interest rates. The sooner we get back to growth, the faster the new jobs will come. If the economy of the north-east grows by 2 or 3 per cent, that is another £1.2 billion of investment in the regional economy. It is like adding a new Sage or

companies the size of Greggs and Northumbrian Water to the regional economy every year. That will create jobs and wealth.

In the two minutes remaining, I will focus on the lessons that we can learn from the past. I was involved in public life in the 1980s when changes were made to the heavy, nationalised industries. I know the heartfelt pain that was caused in many communities, including to many members of my family who were involved in those industries at that time. One thing that I thought was a great mistake that we made as a Government, even though we did what was necessary at that time, was not to reskill and retrain people, allowing them to drift into the benefit culture, from which many of those communities still have not emerged. I think that there are some real opportunities. When people are leaving the public sector, we should provide them with the skills and retraining necessary to contribute to the private sector. As an example of this, the Northern Recruitment Group has set up a course called “Leadership Enterprise Opportunity”—a great title for a course. It takes senior executives who are leaving the public sector and retrains them to apply their skills to the private sector. That is having a hugely beneficial effect. Not only are those individuals securing jobs, but they are realising that a lot of the skills that they have—particularly in the areas of finance and IT—are easily transferable into the commercial sector and can contribute to the growth of that sector.

Finally, I love the imagination that was shown in introducing a cut or a break in national insurance contributions for new businesses that are setting up outside London and the south-east. This is an imaginative approach to providing incentives for businesses and for people to set up enterprises. However, I think that we could go further. I wonder whether the Minister would consider starting a discussion about whether we could recreate some of the attributes of the old enterprise zones, which did so much to bring about the physical regeneration of parts of the north-east of England. We could say that in certain black spots—for example, Middlesbrough, Hartlepool, Easington and Blyth—if you set up a new business, not only will you not pay national insurance contributions on the first 10 employees, but you could also get breaks in corporation tax, business rates or capital allowances. This would use the difficult choices that have to be made at this time in order to build a more sustainable footing for the regional economy going forward.

7.52 pm

Lord Berkeley: My Lords, I congratulate the noble Lord, Lord Allan of Hallam, on his speech. He managed to be non-contentious, as is required, but I can see that his independence of ideas on matters technological will enable him occasionally to challenge the coalition’s thinking. I look forward to hearing him often in this House. I was also interested in the comments of the noble Lord, Lord Bates, about what a great job the regional development agency for the north-east has done. He will be aware that, in Schedule 1 to the Public Bodies Bill, it is down for abolition. I am assuming that he will oppose its inclusion in the Bill and I look forward to joining him in doing so, as I think that the agency has done a fabulous job in the past.

I am going to speak about transport, which features strongly in the CSR documentation. The coalition policy document sets the scene by stating:

“We will support sustainable growth and enterprise balanced across all regions and industries ... giving new incentives for green growth”.

In the same document, in the transport section, there is an interesting mix of projects large and small, capital and revenue-related, long and short term, including a new system of HGV road user charging, no more funding for fixed speed cameras, a new dual carriageway in Norfolk, support for sustainable travel initiatives and the establishment of a high speed rail network, “as part of our ambitions for creating a low carbon economy”.

Finally, there is an emphasis on the “green economy”. That seems to be a sustainable green policy across government. It needs to be, as the Stockholm Environment Institute, which is associated with the University of York, published a report in August saying:

“Transport is a major source of greenhouse gasses, and it is increasing emissions faster than any other sector of the economy. Growing levels of car use, road freight and flying have created difficulties in reducing transport’s greenhouse gas emissions”.

Perhaps we should examine what the Government are going to do about it.

What is good in the CSR is that the funding for many capital projects has largely been retained. We can read about rail projects: the Midland main line and the east coast main line are going to improve, but there is still no news about the Great Western main line electrification or the Thameslink upgrade and new rolling stock. It is interesting that the Chancellor, in his Statement, announced electrification between Manchester, Liverpool, Preston and Blackpool, but the Department for Transport is still failing to confirm that. Perhaps Mr Osborne is going to be the new Secretary of State for Transport as well.

Elsewhere it is cuts, cuts and increasing fares on public transport, while, frankly, the road sector is getting off pretty scot free. The bus subsidy has been drastically reduced, by something like £200 million. Therefore, there will be fewer services, costing more, particularly in country areas, which I would have thought Conservative and Liberal Democrat MPs would oppose. The consequence will be that more people will use their cars. Train fares are due to rocket, with regulated fares to increase by 25 per cent over the next four years and, I think, about 33 per cent over five years. What I find interesting is that, less than two years ago, the current Minister for Railways, Theresa Villiers, who was then shadow Transport Secretary, stated that a fare increase of 3 per cent above inflation would price people off the railways. Norman Baker, who was then the Liberal Democrat transport spokesman, said the same thing:

“We will cut rail fares, changing the rules in contracts with Train Operating Companies so that regulated fares fall behind inflation by 1 per cent each year”.

They both agreed, even before the coalition was formed, that fares were going to be too high, but they have now done a massive joint U-turn. It means that fewer people will travel by rail because they cannot afford it; they will use their cars more. As my noble friend Lord Foulkes said, the housing benefit changes will force people out of London and other major cities, which will mean that they have to pay even higher rail fares

[LORD BERKELEY]

to get into the cities. There is not much alternative to getting into London. Perhaps I can offer the Mayor of London, Boris Johnson, another phrase: transport is getting like Kosovo, too.

Roads are going to become a free-for-all in places where there are no traffic jams; there is no more funding for speed cameras, so more motorists will be speeding. There will be £37 million of cuts in the road safety grants and operating expenditure this year. More people will get killed or injured. There is always the option of increasing charges for road use to match the increases for using bus and rail. There may be road user charges for foreign lorries, if the Department for Transport can find a way of doing that legally, but we have heard of no constraints or charges for cars. The Mayor of London is even scrapping the Kensington congestion charge scheme because motorists do not like it. Well, they wouldn't, would they? However, it would bring up the charges to balance the increase in rail and bus fares. This is the policy of a potential Prime Minister and it epitomises the coalition, which, to me, appears to be allowing motorists to do what they like, with less and less fear of being fined, pricing people off public transport and on to roads and, after less than six months, dumping any policy associated with green initiatives and lower-carbon transport.

Clearly, the coalition accepted in its programme for government that a sustainable growth policy was necessary across all government departments, and transport is one of the worst offenders. However, on the basis of numerous independent reports, as well as evidence in the UK and parts of Europe, we will actually have higher carbon emissions. It is rather depressing that the Liberal Democrats in coalition are not diluting the worst excesses of the Tories in their love of motor cars and belief in the divine right of drivers to do exactly what they like, where and when they like. The Government could have raised revenue from the highest polluters—cars and lorries—which would have reduced emissions, because road transport's emissions are about five times more polluting than rail's per passenger mile or freight mile. It is possible to change behaviour and reduce carbon emissions at the same time, but that needs a consistency of policy that has so far and so quickly eluded the Government.

One project that the Government are praying in aid as important is High Speed 2—the new line that Ministers have been announcing for some time—but the problem is that many in the industry feel that the Government are not really serious about it. Members of Parliament along the whole route are campaigning against it and making the most outrageous statements about high-speed lines. All that they need to do is to go and look at HS1 in Kent to realise that it is a good scheme. The Government need to do a lot more to promote HS2, otherwise they will be just saying that they are doing it and it is not going to happen.

Returning to the coalition document, I believe that on present evidence the Government are not supporting sustainable growth across all regions and industries and are not giving incentives for green growth. They are doing exactly the opposite, taking us back to some of the Tory policies of yesterday.

8.02 pm

Lord Judd: My Lords, we certainly faced a very severe global financial challenge. Corrective action at national and international levels was essential. There can be no argument about that, but, as this debate is well illustrating, the issue is about what action and what timetable.

Adam Smith was a highly ethical man. His first writing was about ethics. He approached economics with ethical commitment as a given. The roots of this crisis lie in an ethical vacuum into which greed relentlessly moved. The heaviest burden of the measures proposed for recovery compounds the lack of principle. It falls on the less affluent and particularly harshly on the poor, on people who struggle to live at a lower or lowest level of society. Those are the innocents who had absolutely nothing to do with generating the crisis, save that they were too often wickedly seduced into grotesque personal debt.

The bankers and self-indulgent rich who live at the top of the pile appear to be escaping with very little real hurt. We live in an age in which wealth and profits are privatised, but in which risk is socialised. This makes a total nonsense of market theory. The self-correcting disciplines are absent. The innocent are crushed and punished to pay for the transgressions of the gamblers.

The Prime Minister likes to talk of broken society and of family, but it is the Government's response to the crisis which is smashing society and crushing families. The greatly respected Institute for Fiscal Studies has underlined that the poorest are to be hardest hit, with families as the biggest losers. All this is compounded by insensitivity and remoteness from the harsh realities of struggle, of the pressures and acute stress that affect life for millions of ordinary people. Listen to Grant Shapps, the Housing Minister, as reported in yesterday's *Observer*. This is what he said:

"I don't deny some people may well need to move. Not tens of thousands. The impact assessment says that there about 17,000 people in London whom the cap would affect".

Seventeen thousand people would be stressed beyond endurance on what matters most for their security and any chance of a constructive life—a home. That is something that all of us, not least those in the Cabinet, take for granted.

The Government have also launched an attack on universalism in benefits. Universalism is about inclusiveness and social cohesion in a healthy community, where people are not stigmatised and institutionally patronised. It is about all belonging with the same rights as citizens. Of course this must mean a convincing system of progressive direct taxation, with all of us paying according to our ability to ensure a society worth living in. For too long, the concept and values of service have been, in effect, denigrated. Service is not seen as being for clever people. Money is their game. But the quality of mutual service is essential for an integrated society. Do any of us really want to be reliant on health provision driven by markets, as distinct from vocational commitment and a culture of service and care? Do any of us really want our children to be at schools and universities driven by markets, not by dedicated teachers and professors in a culture of unyielding

commitment to learning and the generation of enlightened self-confident citizens? Are we really happy at the thought of older years dominated by anxiety and the ruthlessness of market forces, as distinct from a national culture of concern and national care?

The Prime Minister talks of big society, but that was exactly the vision of the so-called welfare state—the dignity of secure citizenship as against the insecurity of a rat race for survival, with volunteers scurrying about to put patches on the wounds. Why have we allowed the word “welfare” to become associated with failure? Welfare is about well-being for us all. No; Galbraith was right when he described the stark grimness of private affluence and public squalor. For social justice, progressive taxation, not cuts, is the route which clearly should be taken.

Save the Children, with all its experience and integrity, is convinced that the eradication of child poverty can be achieved only if the income of the poorest households is increased. Save the Children argues that boosting family incomes is the most effective way to improve children’s health, educational attainment and life chances. Its impressive analysis indicates that the comprehensive spending review measures will hurt families experiencing in-work and out-of-work poverty and are likely to reduce the incomes of families with children living on incomes below the 60 per cent median. I fervently hope that the Minister has had time to study the detailed policy brief prepared by Save the Children. Has he? Have the Government? If not, can the Minister give a firm undertaking to do so and put the considered response to that brief in the Library?

It is very welcome that the Government are standing by their pledge of 0.7 per cent of gross national product for overseas development assistance. This is for the most disadvantaged people of the world, although, as a former director of Oxfam, I would be happier if the pledge were to be fulfilled in the context of a demonstrably greater commitment to a fairer society within the UK itself. Within that pledge there are points still to be clarified. Will all the DfID staff cuts to be imposed affect the effectiveness of front-line staff? How will that effectiveness be guaranteed? How will the Government ensure that there are adequate essential human resources to support front-line workers with the policy analysis, research and international advocacy which are indispensable to the quality of aid spending and the best possible use of taxpayers’ money? If the increase to 0.7 per cent by 2013 is to be back-loaded, as seems to be the intention, there will be a steep increase—perhaps as much as 33 per cent—in spending in 2013, rather than straight-line increases from 2010. This will surely require careful scrutiny. How will this scrutiny be provided?

Andrew Mitchell has indicated that the spike in spending in 2013 will be facilitated in part by delaying the UK’s contribution to the 16th replenishment of the World Bank’s International Development Association. As the United Kingdom is the largest donor to IDA this could mean that the World Bank is unable to maintain current levels of disbursement to low-income countries for the first two years of the next IDA round. What reassurances can the Minister give us on the implications of this and how they are being met? The Government have committed themselves to spend

30 per cent of aid, both bilateral and multilateral, on fragile states by 2014. Some of that reprioritisation will presumably take place in the next two years. This coupled with the IDA payment delay could mean that more stable, but nevertheless poor, nations could lose out as the aid budget does not increase and spending priorities are put elsewhere. Again, can the Minister reassure us on this point?

On the Government’s highly welcome commitment to conflict resolution and security sector reform—here I should declare an interest as a trustee of Saferworld—does the Minister agree that addressing root causes of conflict and security in fragile states is about more than spending money on security interventions, that promoting lasting and sustainable security necessitates a holistic approach to security and development and not siloing them off as separate issues; in other words, that development needs security and security needs development? Is it not vital that any security interventions HMG do support must have practical concern and support for poor marginalised and vulnerable populations at their heart?

Climate change is having a devastating impact in poor countries, keeping vast numbers of people trapped in poverty. It is imperative to move towards a global low-carbon economy. At more than 552 million tonnes, the UK’s CO₂ emissions are the seventh largest globally—more than those of the 112 lowest-emitting countries put together. We have an inescapable responsibility. In doing what we should be doing to fulfil that responsibility, can the Minister assure us that raiding the aid budget will not be the easy option, depriving as this would the poorest? Will the Government press for raising climate finance by alternative measures such as aviation and shipping fuel taxes or a tax on international financial facilities?

As the Government squeeze, if not in part throttle, the BBC, how will they make certain that where the BBC is most needed—in its overseas reach, keeping hope and values alive among tyranny and oppression—it will remain fully committed and effective? And where, in places such as Russia, the BBC can help to keep the struggle for accountable democratic government alive, will the Government make certain that there will be no further cuts? Do the Government agree that it is not just a matter of size of audience—a market matter—but a matter of qualitative significance, where this is crucially required? How will the Government use their influence to ensure that the expertise, analysis and in-depth knowledge, which have won the overseas service its outstanding reputation, are not dumbed-down and diluted as overseas news services are combined with mainstream BBC news services?

There has been a severe global financial crisis—of course there has been—from which we have not been immune. This has been aggravated by the greed and irresponsibility of the banks and others. The tragedy is that we do not seem to have learnt—we are drifting back already to the old ways. The gamblers and opportunists are there again. Just as the Government have rejected an imaginative Keynesian approach, so they have failed so far to call the financial system to account. As they increasingly put the burden of the inevitable consequences on the less rich and the poor, they rub salt in the wounds by talk of our all being in

[LORD JUDD]

it together—of volunteers being mobilised to tend the casualties and victims. One day, the sooner the better, we shall have to rediscover national solidarity and start building a real sense of just community.

8.14 pm

Lord Skidelsky: My Lords, it is a sign of the jittery state we are in that a slower-than-expected slowdown in the rate of growth is hailed as strong evidence of recovery. Of course it is nothing of the sort. It marks the end of a period in which the economy has been supported by fiscal policy, with some help from the depreciation of sterling. The direction of fiscal policy has now been reversed. In their recent comprehensive spending review, the coalition Government confirmed that they will embark on cuts that will withdraw between 1.5 per cent and 2.5 per cent of nominal demand from the economy every year for the next four years.

The Government's own independent watchdog, the Office for Budget Responsibility, has estimated that every 1 per cent decline in current government spending knocks 0.6 per cent off economic growth. I have never been able to understand how cutting the budget deficit in present circumstances is supposed to help employment and growth. The noble Lord, Lord Higgins, asked a very pertinent question: what do the Government consider to be the effect of the cuts on aggregate demand? Well, he did not get an answer. We are never told what the answer is. Instead, we are assured that private spending will miraculously spring to life on a wave of confidence induced by the Government's very announcement of the deficit plan. Well, the most recent data show that in September bank lending posted its largest drop by more than £4 billion since January. If that is an indicator of the private sector's new appetite for spending, I must remain sceptical about the newly fashionable doctrine of contractionary fiscal expansion, as it is known; the idea that if you contract the budget deficit, the economy will expand.

The present policy bears the strong personal imprint of the Chancellor. His rhetoric prepared the ground for it; he implemented it; and his political future depends on its success. Mr Osborne is not a reluctant cutter; he is an enthusiastic cutter; he is a conviction cutter. Normally I applaud conviction politics. It is rare enough for a politician to have convictions. But it is a great shame that the Chancellor's convictions are so little-rooted in theory or in experience.

"Even a modest dose of Keynesian spending—say, increasing it by an additional 1 per cent of GDP—is a cruise missile aimed at the heart of a recovery",

the Chancellor said in October 2008, barely a month after the collapse of Lehman Brothers, with the global economy going into a tailspin. No wonder Vince Cable said at the time:

"George Osborne is clearly way out of his depth".

I wonder what Vince Cable thinks now. Mr Osborne is clearly a man of ability and determination, but I have to say in all seriousness that in his present position he is a menace to the future of the economy.

The Chancellor believes that any stimulus that needs doing should be done by monetary policy. In present circumstances, that means quantitative easing, or printing

money. I do not accept the argument that the last quarter's figures make this less likely. What matters for monetary policy is the state of the economy in six months' time, not six months ago. So I expect that in due course the Bank of England will follow the Federal Reserve Board and probably Japan's central bank down this path. The question is: will it work?

We have the experience of last year to go by. Between March 2009 and February 2010, the Bank of England injected £200 billion of liquidity into the economy. Over the year of quantitative easing, reserve balances at the banks quadrupled but the quantity of bank lending hardly budged. The same story is told by the money supply figures. In the years leading up to the crisis, M4—the Government's preferred measure of broad money, including bank and building society deposits—grew consistently between 6 and 9 per cent year on year. However, in the past 12 months, M4 has grown at only 1 per cent and M4 lending has fallen by 0.7 per cent, the weakest number since records began in 1998. What has happened is that the "money multiplier"—the ratio of money supply to monetary base—has continued to fall as banks absorb the influx of money into their reserves without increasing their lending.

The same story can be told in other areas. Quantitative easing failed to bring down long-term interest rates—the spread between the bank rate and the long rate hardly fell. Nor was there any evidence of the so-called wealth effect—the argument that firms use quantitative easing to buy assets and the rising asset prices enable them to raise money by issuing new shares and bonds. There was indeed a rally in the stock market in 2009 but this was accompanied by a sharp decline in company flotations. Paper wealth went up but there was no effect on corporate issues, investment and activity as in the quantitative easing storyline.

The failure of quantitative easing should come as no surprise to a Keynesian. As Keynes said, if money is the drink which stimulates the system to activity,

"there's many a slip twixt cup and lip".

Quantitative easing is simply the expression of the monetarist view that, if you increase liquidity, money GDP will rise proportionately after a short lag. However, it is not the printing of money that causes GDP to rise but the spending of money, and the spending of money depends not on the quantity of bank reserves but on the willingness of the private sector to borrow and the willingness of banks to lend at rates of interest at which they can borrow. However many trillions of dollars or pounds Governments pump into the economy, this will not stimulate borrowing or lending if consumer demand is not there.

Ministers are constantly exhorting banks to lend. Banks say that there are no borrowers, by which they mean borrowers at the going interest rate. However, here is a suggestion for overcoming this blockage which is consistent with the deficit reduction programme. The Government should set up a national investment bank, which they would capitalise and mandate to spend £X billion a year on investment projects at interest rates low enough to fulfil the investment mandate. We are already promised a tiny prototype of this in the proposed green investment bank. Candidates for such

investment would be infrastructure projects such as the high-speed rail link mentioned by the noble Lord, road building and repairs, house construction by local authorities, or projects to do with carbon emissions—insulating houses, solar panels and so forth. Lending by the investment bank would not affect the deficit and so would not spoil Mr Osborne's austerity story. True enough, subsidised interest rates imply a lower expected return on equity than from current lending, but a lower return is still better than no return, which is what idle capital now earns.

There may be better ways but the goal is clear: to unblock the channel of spending when orthodox fiscal and monetary policy is, for one reason or another, disabled. Unless we succeed in doing that, we will be doomed to years of interminable recession.

8.24 pm

Baroness Billingham: My Lords, let us not beat about the bush but focus our attention on one specific area by considering the impact of the Government's actions. In the spending review, the Government claim that they have been forced into making a series of choices, which they allege are based on seeking "fairness" and "reducing ... wasteful spending". My question for the Minister is how wiping out all the advances made in school sport in the past decade can be seen as either fair or a reduction in wasteful spending.

Yes, it has been hard making those advances. I can recall many Members from all sides in this Chamber taking part in those debates. There have been passionate debates, but we have always had a consensual and positive view about sport. How we fought and railed against the couch potatoes. How furious we were at the selling off of school playing fields. How we moaned about the loss of grass-roots sport and, equally important, the demise of competitive sport in all our schools.

I can name all of you—from the alliance to the Cross Benches and my own side—who challenged the Labour Government to put sport back into the curriculum and into extracurricular activities as well. How we all rejoiced when a minimum of two hours of sport in the curriculum was announced, and how we cheered even louder when we heard of the "Kelly hours", which gave us the prospect—at long last—of an additional five hours of sport in state schools. That was a triumph, of which we could all be justly proud.

How could the Secretary of State, Jeremy Hunt, be so docile when Michael Gove announced that £162 million that was previously earmarked for annual sports funding was to be redirected to general schools funding? The outcome of those changes is inevitable. School heads, desperate to do well in Ofsted inspections and in league tables, will inevitably be led to transfer money from PE into their more academic programmes. Michael Gove will thus be able to hide behind the human shield of heads' self-determination—a cowardly and sneaky way to behave. At the same time, the specialist school system, under which some 400 schools became sport focused and 3,200 sports co-ordinators were introduced—one in every secondary school in the country—was wiped out.

As for the timing of these disastrous cuts, are the Government aware, or do they even care, that the 2012 Games were supposed to set our young people

alight and encourage others to take up new sports? Their legacy was to include thousands of others making a new life for themselves in the sporting framework. In fact, the successful bid stressed the value of sporting heroes time and again. The 25 per cent cuts in total spending will decimate school and grass-roots sport and make a mockery of Seb Coe's promises that the legacy is as important as the Games themselves. That will adversely affect not hundreds or thousands but millions of children. It is carnage and it is grossly unfair.

We will reap the rewards with more obese and disaffected youngsters and the loss of the skills and international sporting success that we are all so proud of and eager to attain. I guarantee that more than 80 per cent of any medals that we win in the London Olympics will be won by competitors from private school backgrounds. The future will be more unfair and divisive. When I hear the head of Eton College announcing the sale of its famous playing fields, I will know that the alliance is indeed playing fair and that school sport will be taken from all youngsters, irrespective of their background and schooling. I await the response to that possibility from the Prime Minister and, indeed, from many of his Cabinet colleagues. At that time, I might be convinced that we are all in it together, but I doubt it.

This weekend we put the clock back an hour for totally misguided reasons and not based on the greater good. The coalition Government have just turned the sporting clock back to the 1980s, to the previous time that the Conservative Government wrecked school sport. They should be ashamed of themselves. They have a chance to think again and reverse this appalling strategy. If not, a whole generation will be lost to sport. That surely is too high a price for any nation to pay.

8.30 pm

Lord Plumb: My Lords, we have had the privilege of listening to some interesting, varied and sometimes provocative speeches today, but I have not yet heard anyone speak of British agriculture, which is the one group that can really help our country's economy. I am proud to be involved in British agriculture—I declare my interest as a farmer—so I will speak on the spending review's implications for agriculture and horticulture as well as for the future role of the Department for Environment, Food and Rural Affairs, which faces substantial cuts. We have to examine where those cuts will come and what effect they may have.

Defra has not always been the flavour of the month with many farmers because the unnecessary complications in the single farm payment and the rural development schemes cause burdensome expense. Every tree, building, rock, hedge, ditch, pole or pond that impinges on grazing or cropping areas has to be identified as a result of the gold-plating of European policies. I hope that, following the spending review and the reduction in bureaucracy and red tape, farmers can get on with their farming and show much more effectively and clearly the economic value of food and energy production to the nation, through growth, efficiency and innovation.

However, it is necessary to look way beyond the farm gate to the food chain as a whole. Collectively, the agrifood sector accounts for 6.7 per cent of the total economy of this country and generates some

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£85 billion in GVA to the United Kingdom economy. Many people are surprised to learn that 3.6 million people are employed in agriculture, which equates to 14 per cent of total employment in this country. The United Kingdom food and drink industry accounts for 5 per cent of total exports, with over £14 billion generated through overseas sales last year.

The credit crunch has awakened food patriotism among consumers and has increased dedicated supply chains, which are a feature of the agrifood sector. We know that farmers are more aware than most of the challenges of limited resources and climate change. Farmers recognise that they can contribute to developing renewable energy markets and emerging technologies. The biofuel market is a classic example. That market is developing very quickly—we should catch up with some other European countries before too long—and is often delayed only by planning consent.

We recognise that Defra has undergone substantial restructuring in recent years, so it is important to determine its future structure as soon as possible. There is obvious uncertainty and speculation among the bodies under review, including the Agriculture and Horticulture Development Board, the Environment Agency and Natural England. Natural England plays an important part in teaching through school visits to farms. I speak from experience, as 34 schools have adopted my son's farm so that children can see what is going on in the countryside. At the same time, it is appropriate for Government to restructure antiquated regimes, such as the Agricultural Wages Board, and to refocus spending priorities and delivery.

I have many questions for the Minister about the details of the spending cuts that I know are under consideration. With a 33 per cent cut in expenditure, am I correct in assuming that £174 million will come from a reduction in running costs? What are the savings in administration? Money is overdue for payment from Brussels for the higher level scheme. Will that be delayed? Farmers are telling me that the scheme has already been delayed for some considerable time. Will the savings on the rural development programme of £66 million apply just to the environment scheme? If the sterling-euro exchange rate is a factor, is there any provision for unexpected movement? What exactly are the department's spending commitments on animal health? One could go on with these questions, which have to be put.

Minister, I do not expect an answer tonight, but please take note of those questions, because they are real and they are being asked. I hope that in doing so, you will know that farming is at the heart of the financial recovery and is willing to play its part in doing everything possible to reduce the deficit. I am confident that it will.

8.36 pm

Lord Clark of Windermere: My Lords, the noble Lord, Lord Plumb, has spent a lifetime in politics very successfully defending and advocating the interests of the farming community. He tempts me to mention another side of the rural community—that of the forestry industry. As a former chairman of the Forestry

Commission, I am going to yield to that temptation. Like every other government department, the Forestry Commission has taken a hit with the comprehensive spending review—a 25 per cent cut. I think about what it has done in recent years in timber production, biodiversity, conservation, access, climate change, health promotion; the list goes on and on. When I consider that the net cost last year to the Exchequer of the Forestry Commission in England—and it is only the Forestry Commission in England that the Treasury can actually touch—was a mere £10 million to deliver all those public benefits, I just wonder what the Treasury is up to.

Having yielded to temptation, I now take up the invitation of the Minister to take note of the spending review. The House will be pleased to hear that I am not going to deliver what I had originally planned because, quite frankly, there have been some brilliant contributions in this House this afternoon. Not all have come from this side, although they mainly have. They have also come from the Cross Benches; the noble Lords, Lord Skidelsky, Lord Low of Dalston and Lord Bilimoria, all made real, pertinent and thoughtful points. If the Minister believes that he can leave this debate with his case accepted he is, I am afraid, going to be disappointed.

We tend to think of the spending review as an economic issue, but it is as much, or perhaps more, to do with politics as it is with economics. I must credit the Government for the way they have managed to swamp the media and persuade them that there was no alternative to these cuts; that they had to be done, and done immediately; and that the Labour Government had left an unwholesome mess. That case has been refuted time and time again, but it needs repeating time and time again that this is an ideological battle. In this respect it divides both sides of the House. It is to do with the power and the size of the state. I know where we on this side stand, and I know where the majority of Members on the Conservative side stand. I am a bit unsure where the Liberals stand or whether they stand anywhere. They seem to be sitting on the fence yet again, and I am sure this causes a great deal of anguish to a number of Members.

Most honest and neutral people were horrified by the Chancellor's announcement in the other House and the reaction of Conservative MPs. The bigger the cuts, the louder the cheers—and yet every one of those cuts will mean that tens of thousands of ordinary, decent citizens are going to lose their jobs. This will apply not only in the public sector but in the private sector because, as we have been reminded constantly today, roughly for every job lost in the public sector the multiplier effect means that a similar job will be lost in the private sector. That has never actually reached the airways or the pages of the newspapers; it has never been spelled out that we are talking about cuts not only in the public sector but in the private sector as well.

I have also noted the letters in the press—obviously co-ordinated—from business leaders saying that they will make up the losses. I should like to write to every one of these business leaders and say, “Tell us how many jobs you are going to create in addition over the

next four years". That is the only way in which can we judge them. We can judge the Government because it is a matter of public record, but they have called in their supporters from industry and they must be challenged.

I take the point greatly that we are risking the economy of this country. There has been talk that the Labour Government did not invest for dark days when it was sunny. What is investment in education and higher education? If this country is to survive and prosper—and I want it to do so—we shall have to get out and win markets. Although we are talking about a recession, the reality is that the economies of the world are bigger now than before the recession. There are opportunities for our exporters in the growth economies—China, Brazil, India and so on—and the pound is at a level at which we should be taking advantage of them. However, we will do that only if we use the skill, the ingenuity and the brains of our young people. I believe that one of the best capital investments that the previous Labour Government made was in the field of education. I could also refer to other fields.

I challenge the point about the level of indebtedness. The key yardstick is the size of the national debt against the size of the GDP; that is the way to judge it. If you read the British press, listen to the British radio or watch the British TV you would think that we were at the top of the league: that we were in the most difficult position. That is not the case. The top country—I think that a Member on the other side of the House referred to this—was Japan, with indebtedness of 225 per cent of GDP. Running down the list you find the United States at 93 per cent and France at 84 per cent. You have to go down to 12th position before you come to the United Kingdom at 77 per cent. That is far too high—I concede that straightaway—but it is only 2 per cent higher than the model that is always held up in Europe: that of Germany.

Of course the problem is difficult and real and the deficit needs to be decreased, but I would argue that to try to decrease the deficit through cutting public spending and reducing demand is not a very propitious way to move forward.

8.44 pm

Lord Stewartby: My Lords, I nearly forgot to get up, I was so interested in what the noble Lord, Lord Clark, had to say. It has been a very vigorous but extremely interesting debate. I have not prepared a speech of any length, which is a good thing, because much of it has already been said by my noble friends Lord Lamont, Lord Tugendhat and Lord Newby, so I just want to pick out some of the main themes of my rather attenuated speech.

There can be no doubt that the figures of deficit and interest charges have been at a dreadfully dangerous level. Interest is now at over £40 billion a year, which is much larger than the whole of the schools budget and the whole of the Ministry of Defence's expenditure. One cannot run the economics of a country on the basis that it can hold those levels of debt. The same is true of the scale of the structural deficit, which is over £100 billion, according to the Budget and CSR papers,

so clearly tough measures were going to be necessary. There is no doubt that in a situation like this, making changes early is always going to be the right course, because if you leave problems to fester, they normally get worse in the process. I think the Chancellor has done right to see that immediate action was taken, and the CSR now sets out a way ahead after a very bruising period. I am afraid I cannot follow the noble Lords, Lord Myners and Lord Peston, in their defence of the state of the British economy that they bequeathed to their successors, but I thought it was a very bold attempt.

I cast my mind back to nearly 30 years ago and the 1981 Budget, because I think it contains some interesting matters that are relevant in any period of tight budgetary squeeze. I used to carry the then Chancellor's bags at that time, so I had to field a lot of representations from individual Back-Benchers who were not happy about the composition of the 1981 Budget, to put it mildly. Because the Chancellor was always so busy, I got fielded to talk to these people and it has made an indelible impression on me because that was a classic case of tax increases in a recession. It is a lesson which we would do well to remember today. One of the great moments in that period was a letter written to the *Times* by 364 academic economists, who said:

"Present policies will deepen the depression, erode the industrial base of our economy, and threaten its social and political stability".

Well, what happened? From the very moment they signed the letter, the economy turned and began a course of recovery. It made me feel that, although sometimes latent, there was a sort of energy in the British economy if it was left to get on with its work and not hindered by too many regulations or unattractive fiscal situations.

I have been concerned in recent weeks about the supposed "double-dip" recession that may be around the corner. I would be the first to say that there are many uncertainties in the economic world at the moment, not only in this country but abroad. The situation in many countries, particularly in Asia and the Far East, is much more serious, but you do not see much comment about it in this country. When I ask people what the case for the supposed double dip is, I do not get an answer. There has been much talk, but no explanation. People just toss in the double dip as if it was some shadowy possible event hanging over us.

This brings me back to my original point; there is a tendency to be pessimistic about our economic performance and potential. Just as the 364 economists gave an extremely pessimistic assessment of what the 1981 Budget would do to people, so there has been a pessimistic slant in the response to the CSR and the public reaction to it. Of course, two or three quarters of better GDP do not guarantee a strong recovery, but they are more likely to point to an improvement than a deterioration, so I was not surprised that the figures were a bit better than people had expected.

When we are asked where growth is coming from, I would give greater emphasis to something that has hardly been mentioned: investment by the corporate sector. The banks may not be lending very much because they cannot find decent borrowers. One of the reasons for that is that many of the people who were

[LORD STEWARTBY]

borrowers have strength in their own balance sheets to the point where the corporate sector has far more resources than are needed for the level of activity that is taking place. It could afford to do a lot more.

It is important in a recovery that companies should have confidence that there is stability and that there are further improvements to look forward to. There has been a reduction in corporate taxes and other measures to help businesses. The latest output figures are encouraging. There are other straws in the wind. Those in business whom I talk to or meet say that there are far more examples of companies looking for opportunities to do things, having sat on their hands for quite a long time. The noble Lord, Lord Knight, spoke about investment. That could be one of the stronger elements of recovery.

However, there is still a long way to go. The Government must hold their nerve in implementing the plans set out in the CSR in the face of the criticism and challenges that will certainly follow. I believe that they have the commitment and determination to do so and that the double-dippers may be disappointed. I have moved in the past few months from being moderately pessimistic to being moderately optimistic. I just hope that it will work out that way.

8.59 pm

Baroness Nye: My Lords, I should like begin by thanking your Lordships for the generous and warm-hearted welcome which I have received from all sides of the House. The staff have done their utmost to help me settle in, and I am very grateful indeed for the kindness that was shown to my family on the day that I was introduced. I should particularly like to thank my sponsors, my noble friends Lady Kinnock and Lady Royall. When I say friends, this is not simply the normal courtesy given to a colleague from my own Benches. I can genuinely say that they have been among my closest friends and mentors for—I am almost afraid to say this—nearly 30 years.

Having spent those three decades working in the precincts of the Palace of Westminster, I was labouring under the misapprehension that I knew my way round. I soon discovered that my knowledge ended as soon as the green carpet gave way to the red. I recognise that I have a very great deal to learn.

In a working life dedicated to the Labour movement, I have had the good fortune to have worked for three leaders of the Opposition, two Prime Ministers and one Chancellor of the Exchequer. I have endured 18 long years of opposition—and, yes, 12 very long years of government. Yet I have only one claim that is, I believe, virtually unique in the world of politics: in all that time, I have never before delivered a public speech. So this really is a maiden speech. Be kind!

The background to this debate on the spending review is the events of 2008 and the financial storm that began in America but then spread to all parts of the world. Prior to the global financial collapse, the UK had by far the lowest ratio of public debt to GDP of any of the G7 economies; in fact, it was about half the G7 average. Our budget deficit, the subject of some subsequent criticism, was actually very close to

the average for the advanced economies. When the storm hit, there were serious choices to be made. The UK played a leading role in ensuring that the choice of the international community was to intervene in the markets on an unprecedented scale. We can now see that this extraordinary action prevented a very major recession from developing into a slump. We can perhaps too easily forget how close the world came to an economic calamity which could have rivalled the 1930s in its severity and social consequences.

The nationalisation of Northern Rock was not a choice that the Government wanted to make, nor was the injection of capital into other UK banks. But this action meant that no British saver lost money, and virtually all other advanced countries followed the UK's lead. It was not action to bail out the bankers; it was action to protect people's savings and, ultimately, to protect their livelihoods as well. There was also direct government action to restore the wider economy to growth; help for small businesses that were in need of credit; targeted tax cuts to help families at the lower end of the income scale; and investment in infrastructure projects to maintain employment. A housing collapse was avoided by special government support to people who were threatened by the repossession of their family home.

In February 2009, the UK had a historic opportunity to lead the way out of recession when the G20 meeting came to London. The co-ordinated global action agreed at that meeting will stand as a landmark when the history of the recession comes to be written. The global financial crisis caused tax receipts to fall and public spending to rise. It is common ground across the political spectrum that action now has to be taken to reduce the government deficit, and everyone recognises that the incoming Government have a difficult task in choosing the right path for deficit reduction. One thing is certain: the deficit will not be reduced without a plan for growth and a focus on maintaining employment.

I am especially worried about the future for our 16 to 19 year-olds. I was born not far from here geographically into a family where the sole provider, through no fault of her own, was my mother. Although she had left school at 14, her father had made her train as a shorthand typist so that she had a skill that would be her means to support herself and her family. I also left school early, at 17, but I was one of the lucky ones. Opportunities came along which I was able to grasp. For many of today's 17 year-olds, that will not be the case. They need our help.

I know that all sides of the House share the aim of raising the educational achievement of all young people, especially for children from low-income households and disadvantaged backgrounds. This is not only critical for social justice; it is also vital for the competitiveness of the British economy. Young people have always borne the brunt of increased unemployment, and it is the same again this time. The IFS recently reported that,

“low skilled, low-educated and young workers are seeing a bigger deterioration in their job prospects than skilled and educated ones”.

That is why the education maintenance allowance was designed to encourage young people from less well-off households to participate in educational training after

the school leaving age. I wish it had been around when I was 17. This allowance is no free lunch. Young people have to turn up, on time and participate fully in their learning agreements. If they do not, then they are penalised by losing their weekly payment. If they do, then a bonus is paid, linked to performance.

The Chancellor has said that the education maintenance allowance is to be replaced by “more targeted support”. I should be grateful if the Minister could provide some detail in his response today. For young people contemplating their future, it is important to know as soon as possible what that more targeted support is likely to mean. This is especially important for students who will find themselves studying in the period between the abolition of EMA in 2011 and the introduction of the raising of the participation age to 18 in 2015. For them, the future starts now, and a great number of them will need our help to achieve their full potential. In an era where some cuts are necessary, this sort of support would be one cut too far.

I should like to end by thanking the noble Lords on both sides of the House who have played formative roles in my political life. One thing I do know about the red carpet is that this is a place where old political foes can become the best of friends. And in that spirit I should like to thank the Minister for his work in the Treasury on financial regulation, when he gave invaluable advice to the then Chancellor of the Exchequer and the Labour Government. I wish him well on his return to the Treasury in his new role.

9.01 pm

Baroness Liddell of Coatdyke: My Lords, it is a real privilege for me to respond to the maiden speech of the noble Baroness, Lady Nye. I do not think that either of us believed that this day would come when we met in the old North British Hotel in Edinburgh in about 1978. The noble Baroness was at that time a civil servant working for the then Prime Minister, Jim Callaghan, and I was the general secretary of the Labour Party in Scotland. We were moving towards one of the most difficult general elections that we have ever experienced. Shortly after that, with a certain Gavyn Davies, I wrote a report for Jim Callaghan on the truck dispute that was then causing chaos. For some reason, that report was never given to Prime Minister and he made the famous “Crisis? What crisis?” speech. However, Gavyn Davies was to go on to do better things and to become the husband of the noble Baroness, Lady Nye.

I can think of no one from this side of the House who would have anything other than the utmost respect and affection for the noble Baroness. She is held in high regard by members of the Labour Party the length and breadth of the country. Always silent, always calm and always good-humoured, in her working life from the 1970s onwards she has worked for four Labour leaders and two Prime Ministers. They were always much better when they took her advice. The noble Baroness has today made what she says is her first public speech. We have heard eloquence and, for the first time in this lengthy debate, we have heard the global financial crisis put into context. Many of us had forgotten the circumstances around it in its detail and it was for the noble Baroness to put it into

context. This House is much enriched by having her among us and those of us who are her friends are delighted to see her here.

Going on to the context that the noble Baroness set out, I watched the global financial crisis develop from the other end of the world. We have perhaps forgotten the extent to which the rest of the world looked to Britain to provide leadership. That initiative, taken with the Prime Minister of Australia at that time, Kevin Rudd, to make the focus not the G7 or the G8 but the G20, was of real significance. It was a moment when the financial architecture of the world changed, because it involved the emerging markets, many of them critical to our long-term well-being in this country.

Like many noble Lords, I am concerned about the lack of attention to growth in the economy, because growth will be much needed to get us out of the situation that we find ourselves in. The noble Lord, Lord Skidelsky, put it in very blunt terms, but I notice that the Chancellor was celebrating the fact that the recovery has proved to be stronger than we had anticipated. Quite frankly, that was as a result of the Labour Government’s policies. I draw to the Minister’s attention the fact that a key part of those growth figures are construction figures. Many of those construction figures came as a consequence of actions taken by the previous Government. While I am not in the league of the noble Lord, Lord Skidelsky, I know that in economics there is a very important law: the law of unintended consequences. When the Minister reflects on Sir Philip Green’s prescription for the Government to get themselves into a new kind of shape, would he reflect that he advocates getting rid of government property? Now, all of us might think, “Yes, get rid of some of the buildings and sell off some of the stuff that we do not need”, but that means £25 billion of commercial property coming to a city centre near you. That is a troubling and disturbing aspect for future economic growth.

I shall move on to an area that is close to my heart: SMEs. I shall talk just a little about tourism. With all respect to the noble Lords, Lord Plumb and Lord Clark, both of whom made very convincing cases for economic regeneration in rural and remote areas through agriculture and forestry, I argue that one thing that can bring rapid economic growth to remote areas is tourism. In this country, tourism is one of our major industries; I should say at this point that I am a member of the board of VisitBritain, the international marketing arm of our tourism industry. Tourism supports 2.6 million jobs. One in 12 jobs in the UK is in tourism and, with over 200,000 small and medium-sized businesses, it already contributes £115 billion, or 8.2 per cent, of the UK’s GDP. It is set to be one of the best-performing sectors over the coming decade, better even than some of our technology-led industries.

One reason why I am concerned about tourism in the future—I am not going to whinge about more than a third of the budget being cut from VisitBritain—is that if we do not give rapid support to our tourism industry we run the risk of losing the opportunity of a lifetime. The depreciation of sterling has meant that Britain is a much more affordable marketplace. Allied to that is the run-up to the Olympics in 2012, the

[BARONESS LIDDELL OF COATDYKE]

Commonwealth Games in 2014 and the Decade of Sport. Tourism can get to those parts of the British economy that other economic instruments cannot reach and I urge the Minister to look carefully at the opportunities that can exist for tourism.

VisitBritain has already taken substantial cuts; its aim is to do better with less. Over the past two days, it has been named as the only public sector organisation to come in the top 30 Twitter sites in the UK, as modern marketing tools are used to market British tourism abroad. While the B&B in Truro, the chocolate factory in Oban and the inn in Glenelg cannot market internationally, VisitBritain can. We need to allow our tourism industry to fill the market gaps that are created. Through no fault of anyone, there is market failure in the international marketing of tourism, because it is an agglomeration of small businesses.

I have one final point, although I do not want to take up too much of the House's time. The noble Lord, Lord Haskel, pointed to the supply-side issues that have not been properly addressed in the comprehensive spending review and spoke about innovation centres. Innovation centres are a great idea. They were a great idea in the 1970s, 1980s, 1990s and 2000s. They are a critical way of taking the genius of our universities and turning it into businesses. However, that is not an easy job for the simple reason that, contrary to what many people believe, the banks are an inhibitor to the development of SMEs. Public sector involvement through innovation centres brings in the public sector and its aversion to risk. Raising money for SMEs and business start-ups in high-tech areas is a nightmare. I know; I have done it. There is the dilemma of risk in the public sector. There is an understandable venture capital gap in this country. It takes more to promote an investment of £1 million than an investment of £100 million. Many people set up high-tech businesses based on personal guarantees to banks and the banks are not lending. In conclusion, I ask the Minister to look closely at how the financing of innovative businesses can be secured when we have this dearth of lending from the banks and at how a framework can be created to allow a more adventurous attitude to risk. Without risk, we will not get innovative companies developing.

9.11 pm

Baroness Browning: My Lords, it is a great pleasure to follow the noble Baroness. I apologise to my noble friend the Minister; I very much regret that I arrived just after he had sat down. However, I was here for the opening speech from the Labour Benches and am pleased to say that I heard it in full.

It was a great pleasure to listen to the maiden speeches today from my noble friend Lord Allan of Hallam and the noble Baroness, Lady Nye. I am looking forward to hearing the speech of the noble Baroness, Lady Healy of Primrose Hill, in due course. This is the first speech that I have made since my introduction and maiden speech to your Lordships' House.

The CSR is extremely radical and wide-reaching. We all appreciate that. I expected there to be challenges and criticism of it on all sides of the House; indeed, I

alert my noble friend the Minister to the fact that I have one or two criticisms myself, on disability, which I will come to in a moment. None the less, I have been surprised by the collective amnesia on the Labour Benches. It is almost as though, after 6 May, the mists of Brigadoon descended over the Labour Party, not just in this House but in another place. I have observed some of its debates on the inheritance—the state of the economy and the state of the country generally as it was left by the outgoing Labour Government. I was in another place for many years. I understand what a bitter pill it is to swallow when you lose office. It takes a little adjustment. Sometimes I think that a period of quiet reflection is not too harmful. However, I have been surprised tonight by the total collective denial that there is a problem of the scale that has required the sort of actions that the coalition Government have needed to make in this CSR.

The thrust of the CSR is absolutely right and the scale of the problem is as outlined. It is not political shenanigans. We have a serious problem. In his opening speech, the noble Lord, Lord Myners, said that the problem with the national economy was sometimes likened to a domestic situation, which he did not feel was appropriate. That may well be the case, but every household in this country understands that, if you borrow and borrow on your credit cards to the extent that you have to take out new credit cards to service the debt on the existing ones, there is a problem that must be addressed. We now need to borrow to service debt that we have already incurred.

The questions—your Lordships have addressed them in this debate—are of the scale, the timing, the measures and the choices. All of them are quite legitimately subject to a debate on how the coalition Government have brought forward their proposals. The main thrust is right, but I will draw to the House's attention some issues about how they are put into practice.

The Government have certain options. They can look at taxation and at cutting expenditure, which, of course, they have done. It is much easier to cancel projects that are already in the pipeline, many of which did not carry a purse of money to fund them, but nationally it is not popular to cut something that has already been announced or of which people have an expectation. However, these are perhaps some of the easier ways to bring down expenditure.

I wish to draw to your Lordships' attention and that of my noble friend the fact that in another place I spent several years on the Public Accounts Committee, where, twice a week, we received well researched and well presented reports from the National Audit Office on matters right across government. The reputation of the National Audit Office, across the parties, was that it was reliable. You paid attention to its findings. I want to talk about the reports on procurement that we received. There is a systemic problem with procurement on larger projects across government departments. It is not just a matter of cutting expenditure, because the Government will still be spending money, as we know; it is a matter of addressing these problems. They go right down to basics. They involve how procurement works, how contracts are issued, how the specifications are drawn up prior to contract, how the project is

managed—sometimes the project management goes on for many years—and how a project is delivered on time and on budget.

In some departments—I have to name the Ministry of Defence as being the worst—there has been the most outrageous waste of public money. We are not just talking about a few beans; we are talking about big sums of money. If we can address this problem, I believe that it will make a huge contribution to the need for the Government to bear down on waste, on the way in which public money is spent and getting value for money. The House will be relieved to hear that I shall not go into all the issues, but that is something that needs to be addressed.

People who come into politics from a business background, whether to your Lordships' House or another place, often find the legislative process frustrating. There is no doubt that what happens in the two Houses is very different from what happens in the business world. I came from a manufacturing background, having worked for a market leader, after which I ran my own business for 10 years. I found it very frustrating. Often people make comparisons with business, saying, "Business does things this way and we need to be more businesslike". We have not even scratched the surface as regards the way in which the Government do business and procurement. Businesses out there would have gone bust years ago if they had followed the procedures that government departments follow in procurement. Everyone has heard of the classics, such as the big IT project. I am glad to have my noble friend here, who I am sure will point us in the right direction. However, it is not just about expenditure, although we are concentrating on that in this take-note debate; it is about the consequences for those who are the end users of those policies and procurements. I urge my noble friend to take some specialised advice to ensure that, in the future, the Government address these problems and get them right.

Taxation is another arrow in the quiver. As someone who believes that tax should be used as much as an incentive as a penalty, I hope that in the next few years the Minister will bear in mind, in the interests of fairness, the need to ensure that taxation and bureaucracy do not overburden particularly the small business sector, on which I believe he will rely quite considerably for the growth that is being talked about in today's debate. This is where the jobs and growth will come from. One of the big problems that we face in this country is with the growth of small businesses into medium-sized enterprises. Other countries have been much better than us in the past at making that leap from small business to medium-sized business. Again, I ask my noble friend to take a look at the microbusinesses that employ fewer than five people. I particularly draw attention to the requirements on them in providing pensions for staff, but there will be other areas as well. If we really want those businesses to grow, we need to ensure that we recognise that point.

My final point is about disability. I thought that the speech of the noble Baroness, Lady Campbell of Surbiton, was very well made. It is a fact that there is no like-for-like comparison between people who are in residential care and people who are hospitalised. When we talk of residential care, all too often we think of

very elderly, infirm people who cannot move and whom it would be difficult to take out. However, there are many people who are able get out to lead lives at some level of independence and maintain family contacts.

In that spirit, on disability, I say to my noble friend that one group of 250,000 people are still on severe disablement allowance, a benefit that was stopped in 2001. They were allocated that benefit at the time because they were deemed to have lifelong disabilities. Many of them—most of them, I would suggest—have never been in work. I declare an interest as a carer for one such adult. When we talk about getting people back into work, it is very worrying to me, as a carer. I am not saying that all of them could not be helped into some sort of work, but the nature of their lifelong disabilities—I am speaking particularly about conditions such as autism and people on the autistic spectrum—means that these are not people to whom we will be doing any service if we suddenly turn up one day and say, "It's time for you to go to work after 38 years". I hope that my noble friend will take that into account.

9.22 pm

Baroness Healy of Primrose Hill: My Lords, it is with great pleasure and equal trepidation that I rise to speak for the first time in this House. I thank the Government for giving time for this debate on such an important issue. The CSR will have a great impact on the future of this country and the kind of society we will become.

First, however, I wish to thank the Labour Party for a long and interesting career in politics, dating back to the 1970s. In opposition I worked for great Labour parliamentarians, some sadly no longer with us, notably John Smith, Robin Cook and Donald Dewar. I have also been fortunate to work in government as an adviser to many extraordinary politicians. I wish to acknowledge two women in particular. First, there is the late Mo Mowlam, Northern Ireland Secretary during the Good Friday agreement; and secondly, Harriet Harman, Leader of the House of Commons in the previous Government and a formidable campaigner on behalf of women.

I will always be indebted to my sponsors: my noble friend Lady Ramsay of Cartvale, whose wisdom and knowledge of international affairs are hard to match; and my noble friend Lord Macdonald of Tradeston, to whom I acted as adviser when he was Minister of Transport and again when he was in the Cabinet Office. He is a man of immense talent and wide-ranging experience. To both I am profoundly grateful for their support and guidance on the mysteries and magnificence of this House. I am also delighted to be reunited with many other friends who I have worked for in the past, most notably my noble friend Lord Cunningham of Felling. I am thankful to have been warmly welcomed by the staff and officers of this House. Their reputation for kindness, patience and general helpfulness goes before them. It is well deserved. My family still talk of the day of my introduction. Not about me, I hasten to add, but about the amusing stories our Doorkeepers regaled them with.

My family came from the west of Ireland—from the villages of Barnatra in Mayo and Mountbellew in Galway. They arrived here in London in the 1950s.

[BARONESS HEALY OF PRIMROSE HILL]

They settled in Primrose Hill in the borough of Camden, where I was born. The welfare state was already making an impact on people's lives and Britain was the beacon of hope for many migrants, just as the USA had been for earlier generations. My grandparents had left Galway to make a new life in America, arriving at Ellis Island, New York, in 1910. They returned to Ireland before the great depression.

I grew up in London. I benefited from the welfare state, free education and the National Health Service. I believe in the importance of maintaining these for future generations. Today we debate what kind of future Britain can look forward to following the global economic crisis. I believe that the previous Labour Government had to incur the deficit to help keep as many people in their jobs and homes as possible. All parties acknowledge the need to tackle that deficit and it is in the debate on how best to do that where opinion varies. Noble Lords have so ably demonstrated that today. There are different views as to how far, how fast and how deep these cuts must go. We on these Benches suggest a different balance between cuts and tax rises to bring down the deficit, boost growth and protect the recovery.

Today, however, I wish to raise some concerns about the possible unintended consequences of the CSR. When I worked for the MP John Cruddas—and here I should declare an interest: he is my husband—I was continuously struck by the absolute determination of many struggling families to do what was best for their children. But the harsh realities of life, like ill-health or loss of work, could trigger a series of events that could lead to family break-up and loss of a home. This is what concerns me with the CSR. For example, housing benefit changes might mean that families have to leave their homes, removing children from schools and away from support networks of extended families, friends and churches. The CSR also announced that the percentage of child care costs covered by tax credits will be reduced from 80 per cent to 70 per cent. This could cost a low-paid worker with two children up to £30 a week, and, after one year, some people will lose their entitlement to employment and support allowance. A family where one adult is in paid work and the other receives ESA could lose up to £91.40 a week. Even if they then claim jobseeker's allowance, they will still lose more than £30 a week.

I am also concerned about the effects of the CSR on carers. A report just published by the charity Grandparents Plus states that welfare reform and spending cuts could penalise the forgotten army of grandparent carers. According to this report, there are 200,000 family and friend carers—mostly grandparents—raising some 300,000 children. They save the Government some £12 billion a year. Over half these carers had to give up work or reduce their paid hours because of their caring duties. A third are dependent on benefits for their income and one in three is on discretionary local authority allowances. Many families could really struggle over the next few years.

I want the welfare state to remain the beacon of social progress and the foundation of a good society—the society that was so admired from the west coast of

Ireland. One generation on, I am proud to stand in this place on behalf of the party I love. In this House, I will seek to speak up on behalf of those who have most to lose if society's safety net is weakened.

9.28 pm

Baroness Gould of Potternewton: My Lords, it gives me enormous pleasure to congratulate the noble Baroness, Lady Healy of Primrose Hill, on her very thoughtful and excellent maiden speech. I should also like to add my congratulations to the noble Baroness, Lady Nye, for it must be a unique occasion to be able to welcome two such good friends—both of whom I have known for more than 30 years.

I first met the noble Baroness, Lady Healy, when she joined the staff of the Labour Party in the press department in 1978. I think her boss at that time must have been the noble Lord, Lord Mandelson. I worked with her as a colleague for the following 10 years, until she moved over to work here in Westminster—first for the Parliamentary Labour Party, and then as a special adviser to shadow Ministers and Ministers. The noble Baroness has many friends on these Benches because of the long service she has given to the Labour movement, service that we have all appreciated over the years. Very often, though, she has been behind the scenes, but we have known that Anna has always been there giving good advice and support and we all appreciate that enormously. Your Lordships will, without doubt, benefit from the knowledge that she has gained over those years. Although she has a calm and dignified demeanour, do not be fooled. She is very determined and positive of views, which I know will come across in the significant contribution that she will make to your Lordships' House. I congratulate her again and welcome her enormously to our Benches.

Fairness, we were told earlier today, runs through the heart of the Government's decision-making. I make no apology for repeating that there is certainly no fairness to poor families, pensioners, women or the disabled in either the emergency Budget in June or in the comprehensive spending review. It is difficult to comprehend how, using the Treasury's own figures, it can admit that the poorest 10 per cent of the population will bear the brunt of the cuts, and then have the audacity to say that that is fair.

There is another element to the package—the increase in VAT. I need to refer to the Prime Minister. He said—I paraphrase—that an increase in VAT is very regressive; it hits the poorest the hardest. It is a great pity that he has forgotten those words. Nor is it fair that direct support for children is being cut by £66 billion—three times more than the banks. Is it fair that almost half a million low-income families are to be affected by cuts in childcare support and lose up to £30 a week? That may seem to be a small amount to some, but, as my noble friend Lady Sherlock said, for families on low incomes it is an enormous amount of money, which they certainly cannot afford to lose. It is the difference perhaps between being able or not to put something decent on the table to eat. The loss will also make it harder for parents to be better off in work. We have been told about the ladder of opportunity, but where is the ladder of opportunity for those parents? Perhaps the Minister can tell us.

We have been told that the spending review provides compensating measures and that child poverty will not increase for the next two years. That was an extraordinary statement; we do not want child poverty to increase at all. I do not understand what will happen when the two years is up. Many of the cuts in welfare spending will come into effect after 2012 and reduce the income of families in poverty unless compensatory measures are announced in the interim. Will they be announced?

The analysis by the End Child Poverty campaign makes it clear that,

“these compensating measures don’t go nearly far enough to stop this being a dark day for any family struggling to stay out of poverty”.

A consequence of the lowering of standards of living will be that such families will need greater support from health and social services. We also find that for the health service, which we are told is to be protected, the baseline has been changed, and money switched from health into social care, and the personal social services budget moved from the Department of Health to councils, which are to be strapped for cash. What guarantees will there be that the social services budget will survive?

We are told that work pays—and that is right—but it pays only if you have a job to go to. Not only will there be job losses in the private sector, as we have heard, but the Government forecast half a million job losses in the public sector. We have heard that the job losses, on any analysis, will impact more heavily on women, who make up 65 per cent of public sector workers, 77 per cent of the NHS workforce—many thousands of whom will be affected by the cuts in public health front-line services and the abolition of primary care trusts and SHAs—and 75 per cent of local government employees. The Local Government Association predicts that the cuts will mean the loss of many dedicated women workers in local government. These measures are already taking effect. In September, 79 per cent of those newly signed on for unemployment benefit were women. We need to ask why. However, it does not stop there. That loss of income will go on to affect future pensions. Will these women be joining the older women who are currently facing cuts in pension credit, public sector pensions, attendance allowances and carers’ allowances?

Many other noble Lords have referred to the effect of cuts in public services. But it is the poorer households and women who need public services the most—because of pregnancy, longer life-expectancy, lower earnings and assets, and assistance in managing caring responsibilities. There are already signs of crucial services under threat, including children’s services, support for teenage parents and midwifery support. Similarly, because of women’s relative inequality and poverty, women are the main recipients of benefits and tax credits—they receive 70 per cent of tax credits, 60 per cent of housing benefit, and 94 per cent of child benefit. In spite of the importance to women of receiving those benefits, it is proposed that there be a universal benefit to be paid to the main earner in the family, which is almost certainly, in the vast majority of cases, going to be a man. This move will put women’s access to an independent income under threat and reverses at a

stroke all the redistribution from wallet to purse—mostly in recent years, but it was a redistribution that was started with the introduction of child benefit in 1977. That date is fixed in my mind, because myself and other colleagues on these Benches fought very hard with the then Labour Government to ensure that child benefit—which had previously been the family allowance—went from the father to the mother. How important that has been over the years. That independent income has been crucial to so many women and has on many occasions enabled a mother and her children to escape an abusive relationship. That is going to be impossible for her in the future—a very backward step.

The Government insist that it is impossible to say that women will be disproportionately affected by the cuts, because they have conducted an equality assessment of the measures in the comprehensive spending review. The impact assessment on gender that was carried out covered only two of the nine departments. The Government have avoided looking at the gender impact on tax and benefits because they said they could not determine how income is shared within a household. It sounds more like an excuse than an actual fact. Clearly there has been no in-depth analysis, in spite of the law requiring that all public authorities, including the Government, have to assess the impact of their current and proposed policies and practices on gender equality to ensure that neither sex is disadvantaged. The proposals fail to take into account the different barriers to employment faced by women, their particular reliance on benefits and tax credits as social protection, and the value to society of women’s employment. If they had done a proper analysis, perhaps they might have been convinced to distribute the burden a little more fairly, to focus a little more on tax cuts as opposed to spending cuts, but somehow I doubt it because, as my noble friend Lady Turner said, it is all about ideology—it is certainly not about fairness.

9.38 pm

Lord Greaves: My Lords, this very great debate has concentrated on four aspects of the spending reductions: the timing, the speed, the size and the distribution. Along with other noble Lords, I want to concentrate particularly on the last of those—the distribution. In doing so, I follow some excellent contributions from the right reverend Prelate, the Bishop of Leicester, and the noble Baronesses, Lady Campbell and Lady Hollis, among others. I want specifically to talk about the situation in local government, and in doing so I declare an interest as a member of Pendle Borough Council in Lancashire.

If there are to be cuts, no one in local government believes that local government should not carry its fair share; the question is what the fair share is. There is an increasing concern and realisation within local government that the sector is perhaps being hit rather worse than others. The figure of 28 per cent over four years has been given as the reduction in the government grants. The problem with local government finance is that it so is complicated that, as the Government have not yet made any crucial announcements about the distribution of the cuts, it is difficult to be certain what will happen. However, there seem to be at least three major problems.

[LORD GREAVES]

The first is that the cut to the main grant to local authorities—the formula grant—is to be front-loaded. That will put local authorities in an immediate difficulty because, of the four years of cuts that are to come, the highest cuts are to be in the first year. The treasurer of my council suggests that the cuts will be 10.7 per cent in the first year, then 6.4 per cent in the second year, 0.9 per cent in the third year—which is a curiosity that I do not understand—and 5.6 per cent in the fourth year. My view is that, as the fourth year will be a general election year, that 5.6 per cent cut will probably not happen, but the first two certainly will and they will cause real difficulties.

The second general problem is that, for the very best of reasons, specific grants are being abolished and “rolled up” into the formula grant. The way in which that will impact on individual authorities is problematical, to put it mildly. Many of the specific grants—area-based grants and others, such as the working neighbourhoods fund—have been specifically allocated to authorities on the basis of indices of disadvantage. There is a real danger that, if those grants are wrapped up in the general grant, the authorities that have been defined as being in the most need will miss out the most.

The third problem is that the proportion of council budgets that is accounted for in formula grant and revenue grants varies enormously from council to council. The figures that I was given in a Written Answer just before the summer suggest that the proportion varies from 10 per cent to two-thirds of a council's budget. Most of the councils that you would think of as being in disadvantaged areas—if I may use that phrase—are clearly those that receive a higher proportion of grant. That is for very good reasons: namely, their needs are greater and their local resource base is smaller. However, there is a real risk that, in rolling everything up into the formula grant, the councils that will be hit hardest will be those most in need of support. In other words, the changes in local authority grant will result in a redistribution from poor areas to rich areas, to put it in fairly basic but accurate terms.

For my council and neighbouring councils such as Burnley and Blackburn, which are in the top 50 in the country under the indices of disadvantage, it is suggested that the revenue grant reduction, taken as a whole, may well be over 20 per cent. Similar-sized councils in leafier areas—not all but many of them in the south of England—may get by with significantly lower reductions. This is, I believe, a major test for the coalition Government. If the fears turn out to be true, the coalition will be wide open to accusations of favouring rich Tory areas against perhaps less rich Labour and Liberal Democrat areas. That is not what I am saying, but that is the accusation that will be made and it will be very difficult for people like me to defend it. In fact, I shall be standing up and saying it myself if that happens.

I want to give the House one example of the difficulties caused by the move from specific grants to rolled-up general grants. The example relates to the position of the Lancashire Police Authority—which covers the area in which I live—on police community support officers, or PCSOs. There are 427 full-time

equivalent PCSO posts, of which 409 PCSOs are in post at the moment. The police authority has started a formal 90-day consultation process with a view to disestablishing all 427 PCSO posts from 31 March 2011. In other words, there is the potential for all the PCSOs to lose their jobs and for the work that they do in the county to be closed down.

The basic problem is that the PCSOs are all funded by specific grants to the police authority rather than from the police authority's general budget. If that grant was taken away and the police authority general budget was secure and not being reduced, the authority might be able to cope, but at a time when the grant towards its core budget is being reduced, the police authority will find it impossible to fund the £10.5 million a year that the PCSOs cost. Some £8.2 million comes from direct PCSO grant from the Government and the rest—£2.3 million—comes from other contributions, many from district councils and unitary authorities within the police authority area that will obviously be under very severe pressure in respect of their own services. Therefore, the relationship between the specific grant and core funding—and whether the new system in which all the grants are rolled up takes account of the existing provision provided by those specific grants—is crucial. We will wait to see what happens.

Why do PCSOs matter? They are the basis of an extraordinarily successful community policing system in Lancashire, which was a pioneer of modern community policing about seven years ago. That system has been rolled out throughout the county and is a fantastic success. Every ward in the county has a small community policing team consisting of a constable called a community beat manager and a community support officer—a PCSO. They act as friends and support for residents. They do an enormous amount of useful work in the community among traders, schools and wherever there are problems. They act as the eyes and ears of the police in the community. There are residents meetings called PACTs—police and communities together—as well as a community safety partnership involving councillors, residents, traders and voluntary groups. It is incredibly successful. It works. I have received two pages written by a local PCSO that have been provided to me by the county's UNISON branch.

What PCSOs do is fantastic. They are involved in everything from keeping a friendly eye on well-known local criminals, and making sure that they know what those people are up to, through to road safety for kids. It works. The levels of local crime—burglaries, drug offences, vehicle crime, criminal damage, less serious assaults and, in particular, anti-social behaviour—in my part of the county and throughout the county have plummeted. PCSOs are there on the ground doing what everybody wants them to do when we talk about bobbies on the beat. They are a modern form of bobbies on the beat. They do not just walk up and down every street in a regulated way; they are part of and work with the community. As somebody who attends the PACT meetings in my ward and works with the local community police, I can say that it really works. The detection rate in Colne at least, which is the highest in the county, is about 40 per cent. That is incredibly high. In the case of serious and organised crime, the PCSOs are the people on the

ground who have the basic information when something important happens, so we do not have to start from scratch.

Community policing has been a Liberal Democrat talisman policy for many years; the Conservatives have always stood as the party of law and order. These are front-line services—the front line of the thin blue line, if you like—and they are the big society, because the whole community is involved in what goes on. I do not believe that a Government consisting of Liberal Democrats and a majority of Conservatives can possibly tolerate a situation in which the incredibly successful scheme that has been created throughout Lancashire in the past few years is done away with. Building things up takes time; doing away with them can be achieved overnight. I do not expect the Minister to give me detailed answers on this, but I hope that he will bring my remarks to the attention of his colleagues in DCLG and the Home Office.

9.50 pm

Lord Watson of Invergowrie: My Lords, this view has been expressed on numerous occasions in the six or so hours over which we have debated the spending review, but I believe that it bears repeating. Contrary to what we have heard from coalition Ministers—including the noble Lord, Lord Sassoon, in his opening remarks—the measures announced in the spending review on 20 October were not inevitable. In point of fact, the economic crisis is the opportunity that many Conservatives—although I can see just three Conservatives opposite, apart from those on the Front Bench—have been waiting for. That was demonstrated by the crass and vulgar waving of Order Papers at the end of the Chancellor's speech almost two weeks ago.

The coalition has seized the chance to reshape the economy by announcing an £83 billion shrinkage of the state. In the *Financial Times* on the day after the Chancellor's Statement, Martin Wolf, who is widely considered to be one of the world's most influential writers on economics, dismissed the Chancellor's claim that cutting the fiscal deficit and reducing the share of public spending in GDP was unavoidable. Martin Wolf said:

"This is not so. It was a choice to concentrate so much of the fiscal adjustment on spending. Similarly, the UK government was never Greece or Ireland ... The chancellor presents the hypothesis of looming national 'bankruptcy'. If so, the UK must have been bankrupt for much of the past two centuries".

I am not suggesting that reducing the fiscal deficit could be avoided, but the choice of how and how quickly it should be done is a matter of political judgment—or, perhaps, of ideology. The coalition has adopted the maxim that a good crisis should not be allowed to go to waste. That view is propounded by the Chicago school's spiritual leader, Milton Friedman, who is on record as saying,

"Only a crisis ... produces real change".

He also wrote that, after a crisis has struck,

"a new Administration has some six to nine months in which to achieve major changes; if it does not act decisively during that period, it will not have another such opportunity".

That helps to explain why the coalition is forcing through a raft of cuts for which it has no mandate.

The coalition is doing so not because the economy is on the verge of collapse—it is not—but, as the Nobel Prize-winning economist Paul Krugman has said, because, "the Tories are using the deficit as an excuse to downsize the welfare state".

That point has been made by many noble friends on these Benches today.

Not only does the spending review herald the harshest public spending cuts since the 1920s, but the coalition is using the economic crisis to reign in the state and to reorganise society. I can understand the Conservatives doing that, but my main point is that, to their shame, the Liberal Democrats are allowing themselves to be used in this iniquitous process, which is nothing less than social engineering. Neither party has a mandate to embark on this course or for the string of decisions that have been announced in blatant violation of pre-election pledges, from the abolition of universal child benefit to the privatising transformation of the NHS. That is what most people voted against in May.

Following the months of leaks about cuts that were used to soften up the public with the fatuous theme of "We are all in this together", I would like the Minister to say how exactly the Cabinet and their families—with their trust funds and prep schools for their children—will suffer. We should be told just what sacrifices they feel they will have to make. I will not be holding my breath.

When the Labour Government proposed any policy perceived as affecting the well-off disproportionately, the usual media suspects would characterise it as a class war, but the silence from those same mouthpieces over the past two weeks has been deafening. Just what is different about the coalition attacking the poor? Millions of people really will suffer as a result of these cuts. Over the next four years, Government departments face average cuts of 19 per cent in real terms, of which the heaviest—of at least some £18 billion—will be to welfare, which is targeted at the most vulnerable.

Much has been said and written since the spending review was announced about its distributional impact, but the bottom line is that the Institute for Fiscal Studies—which, incidentally, is described even by the *Daily Telegraph* as the country's most respected economic forecaster—states:

"Our analysis ... shows that ... with the notable exception of the richest 2% ... the tax and benefit components of the fiscal consolidation are, overall, being implemented in a regressive way".

The IFS is an independent body, whose former director, we should not allow it to be forgotten, is now the head of the coalition's Office for Budget Responsibility.

There are to be deep cuts to public services that are disproportionately used by the poorest households, such as social housing and social care. The Chancellor's insistence that those with the broadest shoulders would bear the greatest burden and that his cuts would hit the richest hardest would be laughable if it were not so serious. His own figures show that the poorest 10 per cent will bear the largest share of the spending review announcements. Even when all tax and spending measures are taken into account, the poorest 10 per cent end up second worst off of all income groups—and that is only because the Government's calculation

[LORD WATSON OF INVERGOWRIE]

boosts the impact on the top 10 per cent by including the 50 per cent tax rate announced by the previous Government.

The coalition appears to be relying on the private sector to ride to its rescue by hoping for public acceptance of the endlessly repeated falsehood that Labour profligacy created the deficit that the coalition now faces. The facts tell a rather different tale. Britain's budget deficit has mirrored the average deficit rise across the 33 most developed countries. The deficit increased from 1 per cent of GDP in 2007 to 9 per cent in 2009 as tax receipts plunged and benefit payments increased due to the crisis of 2008.

There are many other areas that could be highlighted, were there the time. For instance, why should universities be expected to face deep cuts when we need to maintain the expansion of higher education to help grow the economy? Why should the Government continue to pay to schools and academies a greater amount of money to educate each 16 to 19 year-old than it does to FE and sixth form colleges, despite evidence that colleges recruit a more disadvantaged group of students?

One area that I must highlight—as many have already done, not least my noble friends, Lady Turner of Camden and Lady Gould of Potternewton—is the effects of the spending review on women and, by extension, on families. The coalition's cuts will fall disproportionately on women, who are more likely to work in the public sector. According to research by the House of Commons Library, measures announced in the spending review will hit women twice as hard as men. That seems hard to believe, but it is because benefits typically make up one-fifth of women's income as opposed to only one-tenth of men's. For instance, 1 million more women than men claim housing benefit and many of those will be lone parents who now face poverty as a result of the cuts and restrictions about to be imposed. Of the £8.5 billion that will be raised by cutting direct payments to individuals, two-thirds will come from women—again that is revealed by the House of Commons Library. In June's emergency Budget, £5.8 billion was raised from women and £2.2 billion from men. Of the £16 billion in total that is being clawed back through direct tax benefit changes, £11 billion will come from women. Yet we are told the spending review is fair.

Tories and Lib Dems do not seem to understand the way that many poorer families live. Clearly, they believe that supporting families makes them dependent, whereas the reality is that such support helps working parents to become more independent. Everyone knows that women in general live on lower incomes, yet the coalition has chosen to force them to bear a greater share of the burden.

In finishing, I will say a brief word on the effects of the cuts in housing benefit, which has also been referred to by many noble Lords. I just wish that Ministers would admit that housing benefit is not just for the unemployed. Some 300,000 people in employment receive housing benefit. The issue is about much more than a few well-off areas of London—although you would be hard-pushed to know that given the media coverage of the past two weeks—and more than 750,000

claimants could be affected by the changes to the way local housing allowance levels are calculated. That will involve families in many communities across the UK. Indeed, Department for Works and Pensions figures show that Scotland will be hard hit. Around 40,000 people in Scotland will have their housing benefit cut from next year and will lose £7 a week—over £350 a year on average—because of the changes, even before the 10 per cent reduction for the long-term unemployed is taken into consideration.

On that issue, the coalition has been forced to think again, and rightly so if it genuinely intends that the effect of the spending review should be fair. I have to say that that claim has already been revealed to be a hollow one, as millions of people will, I fear, discover to their cost in the years ahead.

9.58 pm

Baroness Hughes of Stretford: My Lords, it is with great pleasure that I have listened to the maiden speeches tonight. They were all excellent, particularly those of my noble friends Lady Nye and Lady Healy. There were also a number of other very notable speeches on this subject. In the short time that I have, I wish to address the four spurious claims that the Government are making to justify the plans that they have produced in their comprehensive spending review.

The first is that the current crisis is the legacy of the Labour Government's handling of the economy. When the credit crunch started in 2008, as we have heard in great detail from the noble Baroness, Lady Nye, and the noble Lord, Lord Low, Great Britain had one of the lowest debt-to-expenditure ratios among comparable countries. It also had lower debt as a proportion of GDP than the debt which the Conservative Government left us in 1997. It was a time of low interest rates, low inflation and low unemployment. It is quite clear that public spending did not cause the scale of the credit deficit. That was caused by a global financial crisis in relation to which the Labour Government took decisive action, not to shore up the banks as an objective in itself but to protect people's savings, people's jobs, people's homes and livelihoods and to protect businesses. As a result, unemployment rose by only half as much as in previous recessions, and there was a more rapid return to growth, the momentum of which is still with us, just about, in the quarter 3 figures published this week, although it is clearly dwindling because of the lack of a growth strategy from the Government and their slashing of capital projects. Construction is still the main contributor to the growth that we have seen so far.

My noble friend has just touched eloquently on the second claim: that the scale and pace of these cuts are avoidable. In his opening remarks the Minister said that it was about striking the right balance. He is right, but implicit in that acknowledgement is that choices are being made. I have been in government for 12 years and I know that in meeting and solving a problem you always have choices. Generally speaking, you try to make the choices that most fit with your value set, ideological position and political objectives. As several of my noble friends and others have commented today, the Government have chosen to make the cuts

deeper and faster than necessary. This is a political agenda, not an economic objective, which will have serious long-term consequences for this country and our citizens.

The third claim is that in the midst of these proposals the Government are protecting key public services. This is, frankly, incredible. We need only look back at what happened under the previous Tory Government—this is, of course, a Tory Government despite the fact that it is called a coalition—when Margaret Thatcher's cuts, which pale into insignificance when compared with what is being proposed in this spending review, led to long-term damage for our country. The noble Baroness, Lady Browning, who is not in her place, referred to amnesia. There is amnesia on that side of the Chamber, too, because Members there seem to have forgotten the dilapidated state of schools and hospitals, the leaking roofs, school standards that had flatlined, people waiting 18 months to two years for elective surgery and outpatient appointments, unemployment rising dramatically, youth unemployment hitting record highs, pension poverty doubling during the 1980s and 1990s and child poverty more than doubling. It is inconceivable that the impact of the cuts now proposed will not be even worse than the ones that we saw in the 1980s and 1990s.

The damage the country sustained then was long term and, despite all the improvements and investment that the Labour Government made to redress that damage, we are still left with that legacy in part. Key public services will not be protected; they will be decimated by these cuts. People do not yet understand the depth of the damage that will be done.

The fourth and final claim that the Government are making—again already referred to by many Members—is that the cuts are fair and will fall on the broadest shoulders. I wish to draw attention to their impact on those least able to speak for and protect themselves against the Government—that is, children and young people. Cuts from a variety of different sources will impact negatively on children and young people, and on the most vulnerable children and young people the worst. First, there will be an impact on schools. We have heard about the pupil premium for schools with disadvantaged children. We were told by the Prime Minister and the Deputy Prime Minister that this would be paid for by money outside of and additional to the Department for Education's budget. We now know that the Secretary of State has had to admit that that is not true. He also admitted that the settlement for schools will mean real-terms cuts because there is no element in the settlement for schools to cover the rise in pupil numbers over this period. The IFS has estimated that 60 per cent of primary school children and 87 per cent of secondary school children will experience cuts in their school's budgets.

Secondly, there is the non-school budget, because in order to sustain the settlement for schools, such as it is, the Department for Education will experience a 12 per cent cut in its non-school budgeting, achieved by, and I quote from the Government's document here,

"rationalising and ending centrally directed programmes for children and young people and families".

This means that some of the things that we have not yet heard about, because we have not seen the Department for Education's budget plan, have gone. Support for the strategy to reduce the rates of teenage pregnancy across the country has gone; support for the strategy to reduce the number of young people not in education, training or employment has gone; the Youth Taskforce, working to help some of the most vulnerable young people to reduce antisocial behaviour, has gone; and the City Challenge in Greater Manchester, the Black Country and London to raise aspirations and standards among some of the most disadvantaged children has just been scrapped. Young people's services, support for parents, and support for disabled children and their families have simply all been stopped, and I think we will see a severe impact from the cessation of those programmes.

Thirdly, there is the reduction in local government spending of 7.1 per cent in each of the four years covered by the spending review. I have been talking to a number of chief executives and directors of children's services over the past few weeks who tell me that such is the level of cuts they are facing that their councils cannot protect children's services, that they will be able to preserve only the minimum level of statutory provision, and that a lot of the progress we have seen in local children's services over recent years, with a focus on early intervention and prevention to stop some of those problems escalating, will simply go.

Last but not least, it is families with children, as my noble friend Lady Sherlock mentioned earlier, who will be the biggest losers from the array of tax and benefit changes that are proposed. Page 98 of the document published by the Government says that the negative impact of freezing child benefit and withdrawing it from those who pay higher-rate tax will be offset by the indexation of child tax credit and ensure,

"no measurable impact on child poverty".

That is simply risible.

What we do not have in the documents produced by the Government is any comprehensive assessment of the cumulative impact of all these cuts from different sources on children and young people. It is not simply about child benefit; it is about the cumulative impact of the four housing benefit changes and the changes to working tax credit, to childcare tax credits and to parents losing their jobs and going on to time-limited benefits, as well as the service issues that I have outlined. It is inconceivable, frankly, that child poverty will not rise as the Joseph Rowntree Foundation predicts. I know that there are Members on the Benches opposite who are also concerned about children, and I hope when the time comes that they will scrutinise all these proposals for their cumulative impact on children and young people.

I also ask the Minister if he will commit in his summing-up to producing a comprehensive impact assessment of all these changes together on children and young people. These cuts will not fall equally across the income distribution but will be concentrated on some families rather than others, so some children and young people will be very severely damaged.

10.04 pm

The Earl of Listowel: My Lords, I shall endeavour to be brief, as the hour is late. I thank the Minister for his opening remarks and particularly for the emphasis that he put on protecting the vulnerable in society, especially children, in this very difficult time. It is an honour to follow the noble Baroness, Lady Hughes, who championed children, particularly children in care, during her term in government. I acknowledge the support that she gave to support workers and the introduction of newly qualified social worker status, which is so important. I share her concerns.

I understand and applaud the Government's general emphasis on devolving decision-making to those who are nearest the front line, whether they be doctors, social workers or local authorities. I applaud the principle of that. But every principle needs a balance; there is an exception to every rule. I recall particularly the role of Louise Casey, employed by the previous Government to tackle the problem of rough sleeping. During her three years as the homelessness tsar—I followed her progress from the very beginning—she managed to reduce the level of rough sleepers on our streets by a third. She could do this because she was able to knock heads together; she could act strategically. Although charities had been doing a good job for many years, they were not succeeding in getting adults and young people off the streets. They were pushed to work together and achieve their goal. Some issues require a strong central focus if they are to be addressed.

I also share the noble Baroness's concerns about councils not being able to protect the most vulnerable children. Each year, inspections show the difficulty surrounding thresholds for access to services. Those thresholds will inevitably be pushed up if those services are not funded adequately.

I ask the Minister to consider the impact of budget cuts particularly on child and family social work. I know that it goes against the grain of all current policy, but will he consider ring-fenced funding to support such work? I ask him to monitor closely the impact of cuts on child and family social work numbers and on child and family social work caseloads. Will he examine the early intervention guidance—I welcome the early intervention fund that the Government have introduced—to examine how that might benefit child and family social workers?

History tells us what happens when child and family social workers are neglected. It is arguable that the whole profession has been demoralised after decades of neglect. In evidence to the inquiry led by my noble friend Lord Laming into the death of Victoria Climbié, Haringey Council was described as being overwhelmed by the demands on its child protection service. The principal social worker involved was young and inexperienced, and had above the recommended caseload.

The right honourable Ed Balls, the Secretary of State for Children and Families in the previous Government, said shortly before the last election that if he had one regret, it was that he had not done more for social work earlier. Tim Loughton MP, when shadow Minister for Children, published a report for the Conservatives, assisted by the noble Baroness, Lady Morris of Bolton, entitled *No More Blame Game*,

considering how the profession of child and family social work could be given the status it deserves. Many have welcomed the measures that the previous Government and the new coalition have taken to raise the status of child and family social work, to address its variable quality and to recruit and retain sufficient good social workers.

In the past week, the chief executive of the Children and Family Court Advisory and Support Service, Anthony Douglas, has told me that, every month so far this year apart from June, there has been a rise in the number of children being taken into public care. Paul Ennals, chief executive of the National Children's Bureau, has told me that the number of children classed as at risk, the number of children for whom care orders are being sought and the number of children for whom a court order is secured are all rising. In a time of recession, and following the Baby Peter case, the burden on child and family social work increases. At the same time, local authorities will see a cut of 28 per cent in their budgets—7.1 per cent per annum.

I welcome what the Minister said about the £2 billion additional funds for social care. However, that is somewhat of a small amount compared with the amount being cut. I am sure that local authorities will not wish to touch child protection and wish to support children in care. However, many may feel obliged to, as the noble Baroness, Lady Hughes, said. One risk will be the decline once again in the quality of child and family social work.

Indicative of the success of past investment is the rise in the number of children leaving care to enter university. About 10 years ago, Professor Sonia Jackson put this at 1 per cent of care leavers—a shocking figure. Recent research from the Institute of Education has pointed to a rise to 9 per cent of care leavers now attending university. That is well below the 40 per cent national average, but still a 900 per cent improvement on 10 years ago. I hope noble Lords will agree that that is very significant and good progress.

One of the many highlights of my short career in the Lords was becoming acquainted with a young woman who was in her final year at Oxford University. She had left care with no qualifications, but she had been befriended by the head teacher of an independent sixth-form college, who supported and encouraged her. She kindly corresponded with me and wrote to me when she successfully graduated. It is so marvellous to think that there are possibilities for more young people to have that sort of achievement. A significant section of those young people might have done so much better in their education and careers. I am afraid that we have let them down; we have not met the challenge of supporting them to achieve their goals. Many of them are very intelligent but they have not had the support to have a go at it.

If the quality of child and family social work is compromised, fewer young people in care are likely to make it to university. We are also likely to have more cases similar to that of Baby Peter. The reputations of local authorities will once again be besmirched. Some of the stain may also stretch to the Government, undoing the work that the right honourable Iain Duncan

Smith and others have done to show that this Government serve all and have a particular interest in vulnerable children.

What can the Minister do? First, I ask him to consider ring-fencing some funds and offering them to local authorities for investment in their child and family social workers. Every rule should have an exception; child and family social workers provide a service almost exclusively to the vulnerable. There are no confident, eloquent, well educated middle-class parents to take up their cause. Savings in social work could be made in several ways; the noble Lord, Lord Newby, alluded to some in adult social care. He may wish to know of the work of Paul Fallon when he was director of services at Barnet, where he reduced the vacancy rate of social workers from 30 per cent to 3 per cent in three years. By taking money in advance, he could take so many social workers employed on a temporary basis and turn it into a permanent basis, thereby saving a great deal of money for the buyer. There is also the model at Hackney, which has been employed for the past two or three years and has produced a saving of 5 per cent and turned around cases much more quickly, so saving money in that fashion. So there are means to save money, but even with these, a service starting from such a low base must be at grave risk in the face of such severe cuts. I urge the Minister to consider a ring-fenced fund for child and family social work for the next three years to help social work to survive the transition to the new funding climate.

The Options for Excellence ring-fenced funding for children in care provided 10 years ago for a three-year period has contributed to the dividends that I have described, and was very much welcomed at the time.

I ask the Minister to consider the guidance on the early intervention fund. I welcome Her Majesty's Government's introduction of such a fund to protect early intervention with families. I ask them to consider whether guidance on this fund might encourage local authorities to apply it to child and family social work, to child protection and to supporting children in care.

If child and family social workers are not replaced as they move on, if vacancies and caseloads rise, we will have more Victoria Climbiés and Baby Peters. I ask the Minister to consider how he will work with local authorities to prevent this happening. Also at stake are the reputations of local authorities and this Government.

10.20 pm

Lord Graham of Edmonton: My Lords, at the end of such a long debate, one tends to hear phrases such as, "Everything that can be said, has been said". However, if you listen carefully, you hear a small voice, which is mine, saying, "Yes, but not by everybody". I intend to make a contribution not relying remotely on the forensic way in which my colleagues have dealt with the case put forward by the Minister. They were brilliant. When I heard the noble Lords, Lord Myners, Lord Peston, Lord Haskel and Lord Watson, and the noble Baronesses, Lady Hollis and Lady Hughes, among others, quite frankly I thought that they had done my job for me. They have all collectively made this old man very happy. We have on the Labour Benches

now—we have had this before, but it has been renewed since the election—a bevy of politicians who I can sense are going to make a great impression here.

The main point that I want to deal with is that the case that the Minister and other colleagues on his side of the House have made is based on an untruth. That untruth is that the situation economically rests wholly at the door of the Labour Government. In my view, that cannot be sustained. The case that was made devastatingly in a wonderful maiden speech by the noble Baroness, Lady Nye, and supported by the noble Baroness, Lady Hughes, indicated quite clearly the genesis of the matter. Having been in both Houses for more than 30 years, I can read very well the tactics of the Government. A noble Baroness said to us that there has been a bout of amnesia on this side of the Chamber. Well, I think that I know where we got it from; it came wafting from the Benches over there. It does not do the House any good when we are seen to be so one-sided and so tardy in recognising the past that it is completely ignored. What has been said is not true.

When we look at the economic situation that was inherited by this Government, or left by the last Government, we are led to believe that the stewardship of this economy was unique. What about Ireland, Greece, Spain, Portugal, Germany, France and Italy—all European countries and all victims of the global collapse in financial support? If one is going to point to anyone in this country who had a share in the demolition of financial support in this country due to the subprime mortgage fiasco, one should not point at the people whom I represented, or my family, or the community that I work in. It was the financial sector, especially the banks. They were greedy, all right? Lax regulations might have allowed them to act as they did and no doubt we will hear ever more that it is the intention of this Government to tackle the greed of the banks. I will believe that when I see it. I will believe it when the banks squeal—not the pips—that they are being unfairly treated. If any one sector in our community carries responsibility for landing us in this trouble, it was the banks. Completely forgotten by the other side are the activities of Gordon Brown and Alistair Darling in persuading the rest of Europe to get behind economic policies to such an extent, as the noble Baroness, Lady Hughes, said, that they rescued not just the banks but the people whose money was in them. They were saved then, so the Government have a difficult job in trying to persuade us that they are on the right lines.

The Labour Party admits, as I certainly do, that we did not win the election. The Conservatives did not win the election and the Liberal Democrats did not win it. We are where we are with this situation. Quite frankly, it is not my job to thrash about and try to pick points in that way. When a professor was asked what he thought the effects of the French Revolution would be, he said, "Well, it's too soon to say". That is my comment on the coalition. I wish it well, sincerely, in solving the economic problems of the country because I have as big a stake in it under this Government as I did under the last, but it will have to go some in order to get out of this. The phrase was used earlier, "We have to keep our fingers crossed". That is right. I believe that the Government, with the best of intentions, are going about this in the wrong way.

[LORD GRAHAM OF EDMONTON]

I do not have the time to deal with or duplicate the arguments that have been made, but I make the point that people are looking forward—not with relish—to the economic situation of the country. Because of my age, I can remember back to the 1920s and 1930s. For nine years—most of the 1930s—my dad was on the dole and in 1937 my mum and dad had 37 shillings a week to feed seven of us. Children at that time were worth two shillings a week; there were five of us, so 10 shillings came into the house. When I left school at the age of 14, I was the head boy and had passed my secondary exams but could not go on because, like many children, although I had the ability and had earned it, my circumstances were such that the cost of having to buy boots, shoes, PT kit and other things was beyond us. I had to wait until 50 later for the Open University. I am not looking at him now but I know that the noble Lord, Lord Shipley, will be pleased at the reference: I got my degree from the Open University and an honorary degree thereafter. When Harold Wilson was asked, “What would you like to be remembered by?” he said, “The Open University”—that was the one thing. If I was looking at the one thing out of many from the Labour Government that I would be proud to be associated with, it could be equality, the minimum wage or a number of things. It is a canard to say that all we are concerned about now is the economic situation that we inherited.

Yesterday was a red letter day for me, because Newcastle beat Sunderland 5-1. I sang, as I always do. My boys think that it is not on, but whenever Newcastle is on I join in with the crowd and sing the “Blydon Races”:

“Gannin’ along the Scotswood Road”.

I was born on Scotswood Road. The Geordies will be as resilient as other communities throughout the country. They will be able to survive, come what may. All I say to the Minister and his colleagues is: I give you a fair offer. If you stop telling lies about us, we will stop telling the truth about you.

10.29 pm

Viscount Eccles: My Lords, it is complicated to follow the noble Lord, Lord Graham of Edmonton. I will not even compete on the subjects of the Scotswood Road and the Geordies, although I have a daughter who lives in Newcastle.

Listening to this debate, what can one conclude? Certainly that the Government have made a big call, sometimes described as a gamble. They have made a call to reduce and reform public expenditure, most notably welfare expenditure, to end the structural deficit within the Parliament and to set a date for peak national debt. In doing so, they have predicted that economic growth will continue and will provide the necessary returns. Of course, nothing is certain. Unfortunately, Governments of any complexion do not command economic growth; they only set the scene. To expect supply-side policies, however elegant, to do the trick, as the noble Lord, Lord Myners told us, is to deny all our post-war experience.

Is there an alternative big call on offer? Yes, possibly. It seems to be unreconstructed Keynesianism—basically, a call to leave well alone. “The deficit is not too big,

the debt is sustainable. Protect aggregate demand and all will work itself out. There is no need for reform or change”.

This is not the time for a detailed analysis, but I have three points. No two recessions have ever been the same. Therefore, we cannot rely on past experience alone. Our economic circumstances are so different from those of the 1930s that we must be cautious before reading too much into a Keynesian solution. Then, the world was not global. Then, manufacturing was a much larger proportion of our economy. Who will march from Jarrow today? Then, the real incomes were a quarter of those of today. Then, we believed in high interest rates and a strong pound, no matter what.

The timing of the coalition coming into power demanded decision. People expected firm action and they were right to do so. The Government have made their call. They are right to have done so and need our full support. If they get that support, the economy can continue to grow. Science and technology have seen to that. There are plenty of opportunities. Confidence will ensure that they are seized.

10.33 pm

Baroness Farrington of Ribbleton: My Lords, as other noble Lords have said, this stage of the debate is quite difficult. However, I refute what the noble Viscount, Lord Eccles, said, when he said that others say that nothing should be done. I cite the noble Lord, Lord Bilimoria, who said that it is a question of timing, severity and pace, and the current Government have got it wrong.

The noble Lord, Lord Stewartby, who is currently not in his place, spoke about people talking about gloom and doom in 1981 which did not happen. When I was on the Lancashire County Council with the noble Lord, Lord Greaves—now a member of a government party—Lancashire was knocked for six by government policies in 1981. Some of the Conservatives down in London never noticed it happen. Lancashire County Council’s response concerned the discretionary element of local government—educational maintenance awards—particularly for young people in areas such as Skelmersdale. It is pretty horrific to see that progress being withdrawn.

The reduction referred to in local authority budgets is approximately 27 per cent over four years. The noble Lord, Lord Greaves, referred to the community and officers in Lancashire. All around the House, noble Lords know about the various local initiatives that have come from the flexibility of that part of local authority budgets where they can choose what to do. We are about to see the decimation of that across the country.

I have news for the noble Viscount—he may have missed it yesterday—but the Minister for children in another place suggested that local authorities could save money by recruiting volunteers to complement the work of social workers. I listened very carefully to the right reverend Prelate the Bishop of Leicester and others in the Chamber. I am a passionate supporter of and I declare a non-pecuniary interest in the Scouts and the youth service in Lancashire and I have local

government experience. If we look to the big society to replace social workers, to replace all the services currently undertaken at local authority level, things will go wrong.

The day the Prime Minister was expanding on the big society, I happened to be in the garden at Dolphin Square speaking to a Republican Presbyterian minister from a small town in Texas. He said to me, "It's very funny in this country. Ronald Reagan had that idea. He came to visit our community in Texas and we worked it out that, to replace the publicly funded services, a church with the population of 200 regular communicants would have to raise \$600,000". That is the issue.

The issue is not that those of us who argue with the concept of the big society are opposed to voluntarism. Like people across this Chamber, we have all been involved in the voluntary sector, worked with it and supported it. The right reverend Prelate the Bishop of Leicester was quite right to say that there is a lot going on out of there, but there is a great deal that can be damaged out there. The history of the charitable sector and true localism—by "true localism" I mean not cutting the discretionary budgets of local authorities—is innovation, initiative and meeting demand, which has then been taken over as a general universal right. My heavens, this Government's budget, with its crippling timing, pace and severity, is about to destroy what centuries of people have put right. My heart goes out to the right reverend Prelate the Bishop of Leicester on the issue of family and community stability. I represented part of Preston called Ribblesdale for years. Terrible actions cause damage to the whole community and a whole generation of workers was wiped out because Courtauld moved in to get a grant and then moved out when the grant stopped and it was cheaper to go somewhere else. In that community we have some severe problems. The majority of people are stable, local people. They go to local churches. They will work with voluntary organisations. They help each other out. They visit the elderly down the street. However, if you start smashing their right to live in their social housing, all that will happen is that you will take the guts out of what is good in that community. That will be replicated up and down the country.

I did not think I would ever criticise the noble Lord, Lord Newby, for this in this Chamber but today the noble Lords, Lord Plumb and Lord Newby, raised the issue of public sector funding. The noble Lord, Lord Plumb, was probably the most honest; he got very close to saying, "What about more money for agriculture?". The noble Lord, Lord Newby, said that the previous Government were spending too much money. My heavens, I look around this Chamber, where people have said, "Why can we not have more money for cleaning up the sea? Why can we not spend more on footpaths? Why can we not spend more on roads? Why can we not spend more on trains? Schools want more". This has come from all around the Chamber. When we were in government the Conservatives and Liberal Democrats never once stood up and said, "When will this Government stop spending money on the things we think are important?".

I accept that growth is critical. I accept that reform is necessary—not reform imposed by Whitehall but reform through innovation at local level. Yes, there

should be fairness. But, please, as we go through what will be a very grim experience—not for me or, I suspect, for many people in this Chamber—can we add the qualities of honesty and transparency?

10.42 pm

Lord James of Blackheath: My Lords, I do not know what you have done to deserve me this late in the evening but I am afraid that is where it is. It has been a fascinating day. I particularly enjoyed the comments of the noble Baroness, Lady Browning, on the subject of "Brigadoon", which was the first play I ever saw in the West End. I do not think she delivered the punchline. The whole point about "Brigadoon" was that it came out of the mist for only day in every 100 years. That is a lovely idea for the Opposition.

We have heard today a great many tales of woe and dismay about the future, and some of optimism from this side. I am concerned about where the common ground is in that. One of the lessons of what is now quite a long life is that nothing is ever quite as bad or quite as good as you expect. It is probable that there will be a little more common ground between us than we might foresee at the moment. We might assist that process because growth will be what brings the two sides together. The more growth we can achieve, the more scope there will be to deal with some of the greater calamities that might occur unforeseen—since everything is unforeseen in politics.

I will talk a little about some of the growth opportunities that we might be able to harness and what we can do. As I have mentioned before, one of my great messages is a lesson from Sir Kenneth Cork, who taught me most of what I know about corporate rescue. It is that you cannot rescue a business that does not have a successful past. Anything that does not have a successful past is a failed start-up. Get rid of it and concentrate on the businesses that have a successful past. Where, today, are the businesses with a successful past? They are languishing in the intensive care units of the banks. They cannot get out because most of them have been the victims of expanding their capacity beyond the demands of the marketplace. That is a very expensive situation to get out of once you are in it. It was done with some dexterity and considerable success in the early 1970s through the initiatives that were forthcoming from three Is: investment in industry. One of the great tragedies of our economy at present is that we do not have three Is functioning in that form today. Boy, do we need them.

I am very much a believer in the principle of the collective collapse of generic groups of businesses as entities. Let me give some examples. At the present moment this year, we have probably lost half a million cars in our British export market. They would have been a very big additional factor to the economy, both in production—the wages that would have gone to the people who built them—and in the export value they would have had. Why? It is because the banks played their usual dirty trick a year or two ago: they saw that there were big markets outside—big back-orders—so they let the businesses have the money that they needed to fund the delivery of the order books that they had. The orders came in; they took the cash, reduced the facilities and the automotive component industry did

[LORD JAMES OF BLACKHEATH]

not have the working capital to gear up for the massive turn to the diesel engines, which were demanded, and the British export market could not maintain the export requirement necessary to maintain its position on the international scene.

That has largely been corrected now but a similar problem may well happen. The next big crisis is going to come in the second week of February next year when the huge crisis that comes cyclically every year afflicts the retail sector worse than ever. It is already bereft on the high street—with shuttered shops and redundant staff, and a very dismal sight it is. What happens in the banking industry is that it knows that in the first two weeks of February every year, all the credit cards that have been used to buy goods going into Christmas pay, and the retail industry has the lowest borrowings of the year. The banks lie in wait and they grab them. Remember Woolworths? Who is coming next?

So we need someone who can take a grip on a general strategy to save the retail industry from another calamity. One of the great regrets I have at the moment is that the person who would best be able to do that is Sir Philip Green, and he is doing something else. I hope that the Government will hold on to him, and once he has actually finished his present task, he will be told to go and cherry pick the entire retail industry languishing in the hands of the banks, and put together the next version of British Home Stores as a government subsidiary which needs funding and which can be imposed on the banking industry by grabbing each bit, despite the fact that there will be minority bank interests that will not want to sell out for the benefit of the major bank interest, which will get the cream of the equity conversion. That is what three Is should exist to do, and what it did so brilliantly before, and that is why we need it back now.

Another element of the world out there at the moment which is potentially waiting for the pratfall of a massive collective bankruptcy is the food processing industry. The more the accent is moved from the small corner shop to the big grocers, the more production has been stepped up by the food producers to satisfy the ever-increasing demands of cheap food coming through the grocery chains. Of course, they have fallen into the trap again of funding themselves to too high a capacity for the market demand with the result that the grocers can rub their hands with glee and say, “We can screw the margins down so tight you won’t be able to breathe” and the suppliers are going to go collectively “pop” at some point in the next few months, because they will not be able to keep up and there is a big social factor coming. We will have the present dependence on cheap food to keep some sort of society structure fed, but we will actually end up being forced up on prices as the industry goes out of business in terms of its ability to keep supply going and prices are forced up in the grocery chains. This is going to be another calamity coming, and we need to have a top-down view as to what to do with it.

I have given your Lordships three examples of why I think we need something, but the creation of the three Is along the lines that I have been talking about would be of the order of a £5 billion cheque required

to do it. However, we do not have £5 billion; we do not have half of £5 billion to put in to the creation of this at the moment, so what do we do about it? At this point, I am going to have to make a very big apology to my noble friend Lord Sassoon, because I am about to raise a subject that I should not raise and which is going to be one which I think is now time to put on a higher awareness, and to explain to the House as a whole, as I do not think your Lordships have any knowledge of it. I am sorry my noble friend Lord Strathclyde is not with us at the moment, because this deeply concerns him also.

For the past 20 weeks I have been engaged in a very strange dialogue with the two noble Lords, in the course of which I have been trying to bring to their attention the willing availability of a strange organisation which wishes to make a great deal of money available to assist the recovery of the economy in this country. For want of a better name, I shall call it foundation X. That is not its real name, but it will do for the moment. Foundation X was introduced to me 20 weeks ago last week by an eminent City firm, which is FSA controlled. Its chairman came to me and said, “We have this extraordinary request to assist in a major financial reconstruction. It is megabucks, but we need your help to assist us in understanding whether this business is legitimate”. I had the biggest put down of my life from my noble friend Lord Strathclyde when I told him this story. He said, “Why you? You’re not important enough to have the answer to a question like that”. He is quite right, I am not important enough, but the answer to the next question was, “You haven’t got the experience for it”. Yes I do. I have had one of the biggest experiences in the laundering of terrorist money and funny money that anyone has had in the City. I have handled billions of pounds of terrorist money.

Baroness Hollis of Heigham: Where did it go to?

Lord James of Blackheath: Not into my pocket. My biggest terrorist client was the IRA and I am pleased to say that I managed to write off more than £1 billion of its money. I have also had extensive connections with north African terrorists, but that was of a far nastier nature, and I do not want to talk about that because it is still a security issue. I hasten to add that it is no good getting the police in, because I shall immediately call the Bank of England as my defence witness, given that it put me in to deal with these problems.

The point is that when I was in the course of doing this strange activity, I had an interesting set of phone numbers and references that I could go to for help when I needed it. So people in the City have known that if they want to check out anything that looks at all odd, they can come to me and I can press a few phone numbers to obtain a reference. The City firm came to me and asked whether I could get a reference and a clearance on foundation X. For 20 weeks, I have been endeavouring to do that. I have come to the absolute conclusion that foundation X is completely genuine and sincere and that it directly wishes to make the United Kingdom one of the principal points that it will use to disseminate its extraordinarily great wealth into the world at this present moment, as part of an attempt to seek the recovery of the global economy.

I made the phone call to my noble friend Lord Strathclyde on a Sunday afternoon—I think he was sitting on his lawn, poor man—and he did the quickest ball pass that I have ever witnessed. If England can do anything like it at Twickenham on Saturday, we will have a chance against the All Blacks. The next think I knew, I had my noble friend Lord Sassoon on the phone. From the outset, he took the proper defensive attitude of total scepticism, and said, “This cannot possibly be right”. During the following weeks, my noble friend said, “Go and talk to the Bank of England”. So I phoned the governor and asked whether he could check this out for me. After about three days, he came back and said, “You can get lost. I’m not touching this with a bargepole; it is far too difficult. Take it back to the Treasury”. So I did. Within another day, my noble friend Lord Sassoon had come back and said, “This is rubbish. It can’t possibly be right”. I said, “I am going to work more on it”. Then I brought one of the senior executives from foundation X to meet my noble friend Lord Strathclyde. I have to say that, as first dates go, it was not a great success. Neither of them ended up by inviting the other out for a coffee or drink at the end of the evening, and they did not exchange telephone numbers in order to follow up the meeting.

I found myself between a rock and a hard place that were totally paranoid about each other, because the foundation X people have an amazing obsession with their own security. They expect to be contacted only by someone equal to head of state status or someone with an international security rating equal to the top six people in the world. This is a strange situation. My noble friends Lord Sassoon and Lord Strathclyde both came up with what should have been an absolute killer argument as to why this could not be true and that we should forget it. My noble friend Lord Sassoon’s argument was that these people claimed to have evidence that last year they had lodged £5 billion with British banks. They gave transfer dates and the details of these transfers. As my noble friend Lord Sassoon, said, if that were true it would stick out like a sore thumb. You could not have £5 billion popping out of a bank account without it disrupting the balance sheet completely. But I remember that at about the same time as those transfers were being made the noble Lord, Lord Myners, was indulging in his game of rearranging the deckchairs on the Titanic of the British banking community. If he had three banks at that time, which had had, say, a deficiency of £1.5 million each, then you would pretty well have absorbed the entire £5 billion, and you would not have had the sore thumb stick out at that time; you would have taken £1.5 billion into each of three banks and you would have absorbed the lot. That would be a logical explanation—I do not know.

My noble friend Lord Strathclyde came up with a very different argument. He said that this cannot be right because these people said at the meeting with him that they were still effectively on the gold standard from back in the 1920s and that their entire currency holdings throughout the world, which were very large, were backed by bullion. My noble friend Lord Strathclyde came back and said to me that he had an analyst working on it and that this had to be stuff and nonsense. He said that they had come up with a figure

for the amount of bullion that would be needed to cover their currency reserves, as claimed, which would be more than the entire value of bullion that had ever been mined in the history of the world. I am sorry but my noble friend Lord Strathclyde is wrong; his analysts are wrong. He had tapped into the sources that are available and there is only one definitive source for the amount of bullion that has ever been taken from the earth’s crust. That was a *National Geographic* magazine article 12 years ago. Whatever figure it was that was quoted was then quoted again on six other sites on the internet—on Google. Everyone is quoting one original source; there is no other confirming authority. But if you tap into the Vatican accounts—of the Vatican bank—you come up with a claim of total bullion—

Lord De Mauley: The noble Lord is into his fifteenth minute. I wonder whether he can draw his remarks to a conclusion.

Lord James of Blackheath: The total value of the Vatican bank reserves would claim to be more than the entire value of gold ever mined in the history of the world. My point on all of this is that we have not proven any of this. Foundation X is saying at this moment that it is prepared to put up the entire £5 billion for the funding of the three Is recreation; the British Government can have the entire independent management and control of it—foundation X does not want anything to do with it; there will be no interest charged; and, by the way, if the British Government would like it as well, if it will help, it will be prepared to put up money for funding hospitals, schools, the building of Crossrail immediately with £17 billion transfer by Christmas, if requested, and all these other things. These things can be done, if wished, but a senior member of the Government has to accept the invitation to a phone call to the chairman of foundation X—and then we can get into business. This is too big an issue. I am just an ageing, obsessive old Peer and I am easily dispensable, but getting to the truth is not. We need to know what really is happening here. We must find out the truth of this situation.

10.54 pm

Lord Shipley: My Lords, back to the spending review, which is understandably a tough settlement for the public sector. The reasons for cutting the overall deficit are clear in the face of the largest budget deficit in peacetime history. Cuts, however, need to be fair and deliverable.

I declare my interest as a member of Newcastle City Council and a vice-president of the Local Government Association. This is because I wish to concentrate on the impact of the spending review on local government: the overall cut, its front-loading to the first year, 2011-12, the distribution of the cuts through the spending formula and, finally, place-based budgeting, which I believe must now be speeded up.

Councils in England will have an average loss of grant of 7.25 per cent in real terms for each of the next four years. This will be accompanied by new financial freedoms and flexibilities as part of a decentralisation and localism agenda. Those new powers will be welcome. However, the level of savings required for local government is higher than had been anticipated and the front-loading

[LORD SHIPLEY]

of the savings into 2011-12 makes the settlement extremely challenging. There is a real cut of 28 per cent over the four-year period, despite growth in funding for a council tax freeze and £1 billion extra for social care. The formula funding in the CSR also includes further grants which have been rolled up into the baseline. Put simply, comparing the existing formula grant with that in 2014-15 without those transfers or the new adult social care and council tax support funding shows a real cut of 36 per cent in the formula grant.

Of particular concern is what appears to be a very large reduction in the existing formula grant in 2011-12—the first year of the settlement. It is reduced by £3.5 billion, or 14 per cent in cash terms and approximately 16 per cent in real terms. This is approximately double the average cut of 7.25 per cent quoted as part of the spending review by the Secretary of State.

My concern is compounded by the abolition of the working neighbourhoods fund. The ending of this grant was not, so far as I can see, included in the Chancellor's Statement on the spending review, in the Treasury's executive summary, in the Secretary of State for CLG's letter on the spending review or in any of the regional analyses of the spending review. I am unclear whether it has been included in the impact assessment included in the spending review document. The only certain reference appears to be on page 48, paragraph 2.35, of the main spending review document:

"As a result of this settlement, programmes including the Working Neighbourhoods Fund, Growth Area Funding and the Thames Gateway programme will end, in order to rationalise funding streams, make savings and take a more disciplined approach to Government spending".

It is unclear which of these three reasons relates to the working neighbourhoods fund grant.

The fund has been used across the country to tackle worklessness by investing in voluntary sector partnerships, thus securing additional leverage and ERDF matched funding. It has helped to address community health and community safety issues. It has tackled economic deprivation and has targeted resources to those young people not in education, employment or training. The fund, worth £0.5 billion, has vanished. With substantial funds now flowing through to the voluntary and community sectors, the loss of the grant could have a serious impact on the viability of some of these organisations, which appears contrary to the desire to support and promote the big society and the third sector. As examples of the scale of this loss, Birmingham will lose £37.1 million, Manchester £27.7 million, Bradford £12.5 million and Leicester £8.3 million. There are also significant losses for London councils—Hackney at £12.2 million and Newham at £11.9 million. The north-east of England will lose £73 million, including £9.2 million from my own council. In total, 65 councils in England stand to lose. In the absence of the working neighbourhoods fund, we need to be much clearer about how the needs of areas of high deprivation will be addressed.

We have heard quite a bit recently about the need to do more with less. There is no doubt that we can, so long as we define carefully what we mean. For example, I doubt that we would do more adult social care if we had less money to spend on it. That we could do more

with the same or the same with less is certainly true, but more with less in adult social care? I doubt it. As more money has been found for it—£2 billion by 2014-15—because of pressures on the service, it seems that these doubts are more generally shared.

Nevertheless, doing more for less would most certainly apply across the public sector as a whole in terms of place-based budgeting. The Local Government Association has concluded that £100 billion could be saved over five years if councils, and thus local people, were put in charge of spending on all front-line local services, overseeing economic regeneration, planning, housing and regeneration, home energy efficiency, managing flood and climate risks, adult skills, local transport, primary healthcare, policing and probation and support into employment for the long-term unemployed and workless, most of which currently lie outside local government's immediate responsibilities.

England has become too centralised and I welcome plans for the localism Bill later this month and for the first-phase pilots in 16 areas of England from April next year in community budgeting in some service areas. However, in my view, these pilots in localism are insufficient in scope and will prove too slow at meeting the challenge of budget reductions. We should never confuse localism with the atomisation of England, where central government continues to control local decisions by controlling the budgets directly through spending departments rather than handing the power and responsibility to local government. Silo central management with silo central cuts is not localism, but it is what will happen unless councils get additional powers more quickly.

There are three issues that I hope my noble friend will consider. First, there is a need to protect areas and people more deprived than others through the revenue support allocation, but how will that be done? Secondly, there is a need for real devolution to local councils to empower them to deliver more for less. How soon might this be addressed? Thirdly, why has the cut in formula grant been front-loaded in year one, well above the average of 7.25 per cent each year for four years? Is that front-loading wise?

Overall, councils will continue to have some of their income from council tax, fees and charges, which are not being cut. However, the rising costs for local councils, not least because of pension costs, general inflation and future workforce remodelling, require understanding and support to ensure that they do not compound the problems of cutting the grant and front-loading that cut into 2011-12.

11.07 pm

Baroness O'Loan: My Lords, we have heard much about the seriousness of the position in which the United Kingdom finds itself and the hard decisions that have to be made. Equally, there is no doubt that savings can be made, although often with some pain. It is important that the pain be managed.

First, I associate myself with the compelling and robust remarks of the noble Baroness, Lady Campbell, on the proposed removal of the disability allowance for those in care. She is right.

There are three further issues to which I want to refer. The first is the situation in Northern Ireland. At this juncture I refer to the effect of the Troubles on the people of Northern Ireland. In 2009, living standards were around 80 per cent of the UK average, while 22 per cent of those of working age have no qualifications, compared with 12 per cent in the rest of the UK. The Troubles had the greatest effect in disadvantaged areas. According to the latest figures, the largest inequality gaps between disadvantaged areas and the Northern Ireland average were evident in alcohol and drug-related deaths, which were 121 per cent higher, in admissions for self-harm, which were 94 per cent higher, in teenage births, which were 80 per cent higher, and in suicide, which was 73 per cent higher. This comes as no surprise, for the suffering of these areas was and continues to be extreme. It is in that context and in the context of the employment situation, as in so many other contexts, such as the ongoing and increasing dissident republican violence, that Northern Ireland will face the proposed cuts.

The current situation is that some 28.5 per cent of our population is economically inactive for a variety of reasons, as opposed to the UK average of 23.2 per cent. Some 32.3 per cent of all employees are in public sector employment—a figure that is significantly higher than the 21.1 per cent in public sector employment in the rest of the United Kingdom. That situation, as noble Lords know, has arisen in part from the Troubles and the understandable reluctance of private sector investors to invest in territory in which there was a risk of Troubles-related violence, such as bombings, shootings, kidnapping and extortion. The consequence is that we have a significantly larger reliance on public sector employment than the rest of the United Kingdom. PwC, in research commissioned for the Northern Ireland Assembly, predicts a reduction in public sector employment of 41,200. The local private sector has continued to be slow to grow. Growth, such as we have had, has been largely in low-value jobs, such as in call centres. PwC estimates that Northern Ireland, with its existing high unemployment levels, could be facing potential job losses in the private sector of 5 per cent. There has been discussion of the possibility of a reduction in corporation tax, which would significantly improve the situation.

However, the consequence of the current situation associated with the 40 per cent reduction in capital spend over the next four years is that Northern Ireland will be particularly vulnerable by comparison with the rest of the United Kingdom. Given the vulnerability of so many people and given that the decisions as to how the cuts will be applied will rest with the devolved Government, it will none the less be profoundly important that the Government adhere to their commitment to fairness in relation to the reduction in spending on welfare. The impact of some of the proposed cuts on those who suffer from higher levels of physical and mental illness and disability and who are so much more likely to commit suicide will be very hard. It seems that across the United Kingdom there is an element that from those who have so little, much is to be taken.

Over the years of the Troubles, during direct rule, there was a consistent underspend on infrastructure in

Northern Ireland. Our water and sewerage system was neglected for years and now requires massive investment to maintain levels of health and safety consistent with the first world. Our roads and transport system are significantly underdeveloped. Parts of our schools and hospital estate are in very poor condition. The cuts in capital spending will impact massively on the ability to sustain the infrastructure that is critical to society. I ask the Government to review the effects and extent of the proposed massive cuts in capital spending, with a view to alleviating some of the hardship imposed, consequential on the combined effects of the revenue and capital cuts on a part of the United Kingdom that has suffered so much.

There is one final issue to which I wish to refer and I crave noble Lords' indulgence. It involves relatively little cost, but it is profoundly important. Today, digging is beginning on a beach in Waterfoot in County Antrim as the Independent Commission for the Location of Victims' Remains seeks the body of 21 year-old Peter Wilson, who disappeared from his home in Belfast in 1973. The commission was established by Acts of Parliament here and in Ireland and is highly respected by the community and the families of the disappeared. It has achieved some remarkable results in profoundly difficult circumstances. On Friday night, in pouring rain and high winds, Peter Wilson's family and friends and a group of local people gathered to pray for the return of his body for Christian burial.

Of the 16 missing people, seven have been recovered and buried. One more body was found two weeks ago and is thought to be that of 24 year-old Gerard Evans, who disappeared while hitchhiking in 1979. Eight bodies are still missing. Two bodies have been found this year, but there are concerns that funding will cease this year as a consequence of the cuts. This is historic business relating to the time when Northern Ireland was governed in its entirety from Westminster. I ask the Government to ensure that, despite all the current fiscal difficulties, if further information is received about the location of the remains of any more of the disappeared, funding will be made available to enable the necessary searches. In UK terms, it will not involve huge spending, but the expenditure will further enhance confidence in the commitment of the United Kingdom to the often forgotten victims of the Troubles.

11.13 pm

Lord Eatwell: My Lords, this has been a remarkable debate. There have been some very fine speeches, mostly from these Benches, but also from the Benches opposite. We heard three remarkable maiden speeches from the noble Lord, Lord Allan of Hallam, my noble friend Lady Healy of Primrose Hill and my dear and noble friend Lady Nye.

Two questions have been central to the whole debate. The first is whether this policy is necessary and the second is whether it will work. Is it necessary? That depends on an assessment of the economic state of the nation and, in particular, the Government's inheritance from the previous Labour Government. Let us reflect on that inheritance for a moment. In 2007, before the recession struck, the economy was growing steadily at a little under 2.5 per cent a year and maintaining the continuing steady growth that characterised Labour's

[LORD EATWELL]

decade in office. Interest rates were lower than in the US and the cyclically adjusted fiscal deficit—as chart C6 of the Government’s Budget Report shows—was less than a quarter of 1 per cent of GDP. Crucially, the ratio of public debt to GDP was, at 36 per cent, the lowest in the G7 and well below the 42 per cent that Labour had inherited from the previous Conservative Government. This was a time, as many noble Lords have reminded the Minister, when the main plank of the Conservative Party’s economic policy was a commitment to match Labour’s spending plans.

In response to the recession, the Labour Government acted decisively, devising the much copied model for rescuing the banks, cutting taxes and accelerating expenditure, particularly on construction. There were two main results. First, in the very depths of the recession, which, given the size of our financial services industry, hit Britain particularly badly, unemployment was the lowest in the G7 countries other than Japan. Secondly, as a result of the anti-recession policies, the deficit grew rapidly, faster than in any other country, although, because we started from such a strong point, even today it is still the lowest of the large G7 economies.

The strength of the British economy going into the recession meant that even in the face of a severe fall in tax revenues the Labour Government could afford to stabilise the financial sector to save jobs and to save businesses. When the Minister sums up, perhaps he will say what he would have done differently. Would he have spent less and taxed more? How much deeper would he have wanted the recession to be?

In his Budget of March this year, my right honourable friend Alistair Darling put in place a plan for growth and deficit reduction. The OBR Pre-Budget Report states that,

“cyclically adjusted borrowing falls from 8.8 per cent of GDP in 2009-10 to 2.8 per cent in 2014-15”,

and in that fiscal year public sector debt reaches 74.4 per cent of GDP—still lower than any other major G7 country today.

The noble Lord, Lord Sassoon—he was echoed by the noble Lord, Lord Newby—is fond of telling your Lordships’ House that Labour has no recovery plan, yet in the CSR Statement Mr Osborne cited the impact of Labour’s plans and even costed them. He said:

“I have examined this proposal carefully and I have consulted the published documents of my predecessor”.—[*Official Report*, Commons, 26/10/10; col. 965.]

Was the Chancellor making it up? No, he was not. It is the noble Lord who has been making up this fairy tale.

What has happened as a result of my right honourable friend’s March Budget? Everything has turned out better than expected. Debt is lower than predicted and growth is higher. This Government’s inheritance was an economy on the path to recovery. This year to date, as a result of Labour policies, the economy is growing at an annual rate of 3.25 per cent and is set to beat the target of halving the deficit in four years.

What was the new Government’s balanced assessment of their inheritance? The new Ministers declared Britain “bankrupt” and “shattered”—that was a Liberal

Democrat, by the way—and even, as a Tory Treasury Minister said, a “basket case”. This hysterical nonsense became the considered foundation of economic policy. The party opposite seems to have entered the most dangerous realm of all—they believe their own propaganda. The hysteria has produced the policy before us today. At its core is the attempt to eliminate the deficit in four years, even at the immediate cost of lower growth and higher unemployment—hence 25 per cent cuts in total expenditure, heavily weighted towards cuts in welfare. Yet by 2014, the Budget Report states that there is a 50 per cent chance that growth will be at the level that Labour’s plans would have achieved. How is that possible with the size of these cuts?

The predicted performance, the very core of the Government’s policy, depends crucially on a fast and sustained recovery by the private sector to fill the gap left by the fall in public sector spending, and not of course on growth in private consumption; that is cut by higher taxes and unemployment. Instead, private sector investment and house building are forecast to contribute more to the growth of the economy than they did even in the good times before the recession.

Will it work? A little history may help us. As we all know, Tories love cutting the public sector. That is what they came into politics to do and that is what the noble and learned Lord, Lord Howe, did in his Budget of 1981, as the noble Lord, Lord Stewartby, reminded us. As he also reminded us, in response, 364 economists issued a statement that,

“present policies will deepen the depression”—

and—

“erode the industrial base of our economy”.

That statement has been much derided because, as we all know, the economy grew after 1981. However, what is not noticed is that “present policies” were not continued; they were radically altered. The next five years witnessed the most dramatic change in monetary policy since the war, resulting in an extraordinary explosion of consumer borrowing. Consumer demand filled the gap left by government cuts.

Can history repeat itself? It cannot in the liberalisation of credit—that has been done; nor in lower interest rates—they cannot go any lower; nor, of course, in growing consumer demand. As my noble friend Lord Myners pointed out, there is only one monetary policy weapon left: quantitative easing. I have severe reservations about the strategy of maintaining demand by quantitative easing. It may keep interest rates down at the short end, but the lack of long-term bonds is seriously increasing the riskiness of insurance companies and pension funds. It may mean that there is more cash in corporate hands, but will they spend it on investment when expectations of growing demand are so depressed? Is quantitative easing simply pushing on a string? In truth, no one knows.

The other leg of the Government’s policy is their claim to have increased confidence. Confidence in the commitment to cuts, yes; confidence in the loss of jobs, yes. I know that the noble Lord is fond of fairytales but will the confidence fairy really wave her magic wand over a growing Britain? In truth, no one

knows. That is why this policy is a huge gamble. For the sake of Britain we pray that it works, but there must be a high probability that it will not; as Mr Osborne says, there is no plan B.

We have the answers to our questions. Is the misery and destruction of this policy necessary? No, it is not; Labour had set Britain on a growth path to recovery. Will it work? No one knows, least of all the party opposite. What we do know is that vital political and economic debate in this country is debased by the Government's hysterical fantasies of bankruptcy and financial collapse and by their failure to recognise the strength of the policies put in place by Alistair Darling. Labour dealt with the recession and laid the foundations for recovery. It is the responsibility of this Government not to squander that inheritance.

11.23 pm

The Commercial Secretary to the Treasury (Lord Sassoon): My Lords, today we have had an important debate on the Government's spending review and I thank everyone for their contributions. I add my congratulations on the three notable maiden speeches. The hour is late and I will pick up on only a few of the points raised today. I have listened carefully and I will write in response to many of the detailed points.

Two weeks ago my right honourable friend the Chancellor of the Exchequer stood in another place and set out a clear plan to deal with our debts and to put the nation's finances back on a sustainable path. When we came to power we inherited an economy that was in turmoil, with no clear strategy for recovery, no ideas for reform and not a single penny of savings having been identified. That was at a time when we were borrowing £1 for every £4 we were spending. I do not know who runs the household budget for the party opposite, but it is not sustainable. We were, and are still, running the highest deficit in our peacetime history, the highest in Europe and the highest in the G20. We can wrap this up in all sorts of statistics and economic theory, but the simple fact is that Britain was not living within her means and the world knew it. That is why last year the IMF warned that we needed to accelerate the deficit reduction, and the World Bank, the OECD, and the Governor of the Bank of England all agreed. So in May we announced immediate reductions to in-year spending, avoiding the sovereign debt crisis that was engulfing the eurozone; in June we set out our emergency Budget, returning credibility to the nation's finances; and this October we have had the spending review, bringing years of irresponsible borrowing to an end. We have had to tackle the deficit and it has been unavoidable, but the decisions behind the reduction in the deficit have not been unavoidable.

We have made choices and we have chosen to spend our money on the areas that matter most to Britain: the education of our children, the healthcare of our people, and the infrastructure that sustains a prosperous economy. As I mentioned at the start of today's debate, underpinning all our decisions have been three guiding principles. The first of those principles is the need to support growth, and I am struck by the contrast today between the optimism—

Lord Foulkes of Cumnock: We have sat through nearly eight hours of debate to which a large number of Members have contributed. Would it not be courteous to this House if the Minister actually replied to the debate instead of repeating the speech he gave earlier?

Lord Sassoon: I am struck by the contrast of the optimism that we have heard today from businessmen in this House and those who are not businessmen but have clearly been talking to business people on the one hand, and the pessimism on the other hand of the academic economists and others who, even though we have had three quarters of strong growth, want to see disaster coming round every corner. I do not make any judgment about who is responsible for the growth, but I think we can agree that we have had three quarters of strong growth. Yes, the recovery will be choppy, but we have heard from my noble friend Lord Bates just how business in the north-east of England is looking forward and generating jobs for the future. We have heard similarly from my noble friend Lord Plumb about how agriculture will play its part. My noble friend Lord Allan of Hallam has explained how the use of data and technology will assist the recovery. These are the pointers that show us how the economy is going to generate sustained growth. The noble Lord, Lord Eatwell, keeps saying that nobody knows. It is the businessmen of this country who write letters to the papers, urging us on with the deficit reduction we are set on, who know how the recovery is going to be sustained for the future.

While I do not agree with the doubts of noble Lords opposite about the overall judgments made by the Government, I do agree with some of the noble Lords opposite in a lot of what they said—the noble Lords, Lord Myners and Lord Haskel, for example, on the need for better infrastructure. That is precisely why we added nearly £9 billion of expenditure on infrastructure in this spending review. I agree with them on the need for investment in innovation, which is why we are investing £220 million in innovation centres and why we are investing £1 billion in the critical new technology of carbon capture and storage. Similarly, my noble friend Lord Newby identified science and apprenticeships as critical to growth. That is why we are protecting science spending in cash terms and why we are significantly gearing up on the number of apprenticeships compared with the plans of the previous Government.

Overall on growth, I was particularly struck by the contributions of my noble friends Lord Lamont of Lerwick and Lord Stewartby. They remind us that Conservative Governments have been here before, that Conservative Governments have taken us out of recession and rebalanced the economy, and we will do it again. For example, in the early 1990s, the public sector was reduced not by 490,000 but by 690,000 employees. At the same time, in the 1992 to 1996-7 period, the private sector generated 1.7 million jobs. I have every expectation—Members opposite may not—that the private sector again will rise to the challenge.

The second principle that I set out at the beginning is that our choices should be fair. We have heard some powerful speeches today, particularly from the noble Baronesses, Lady Hollis of Heigham and Lady Campbell

[LORD SASSOON]

of Surbiton, reminding us just how difficult it is to reshape the welfare system in the radical way that we intend at a time of considerable retrenchment in the public finances. I shall take away the points that they and others have made. In particular, I note carefully the concerns of the noble Baroness, Lady Campbell, about the mobility component of disability living allowance.

The spending review focuses support on those who need it most. It shifts the focus from welfare payments to services that improve social mobility in the longer term and to work incentives. The Government have sought to protect the most vulnerable. Working-age women, for example, tend to benefit disproportionately from health spending, which we have protected, and older women also benefit from additional resources for social care.

The universal credit will clarify and increase work incentives. Work will pay and will be seen to pay, but we must not rush the universal credit. As the noble Baroness said, it will take us two Parliaments to do that, because it is a difficult project and we must get it right.

We have also heard a lot on how young people will progress from care to university—points were made in different ways by the noble Earl, Lord Listowel, and the noble Baroness, Lady Nye. The Government are concerned to make sure that young people from the most disadvantaged homes get every opportunity. We are encouraging social mobility through maintaining Sure Start and extending early-years care. From 2012-13, we will introduce for all disadvantaged two year-olds substantial school premiums. The Government are also protecting the ability of those on lower incomes to go into higher education, including through a scholarship fund of £150 million by 2014-15.

Baroness Farrington of Ribbleton: My Lords, will the Minister care to fill in a little gap concerning the 16 to 19 year-olds?

Lord Sassoon: As I have said, we are coming forward with a £150 million fund that, by 2014, will enable those on lower incomes in that 16-to-19 age group to transfer into higher education.

Lord Knight of Weymouth: I have no wish to delay the House, but the Minister cannot be allowed to get away with that. The noble Baroness's question was about 16-to-19 year-olds in schools, but he gave an answer about access to higher education, which is the next phase. The concerns expressed during this debate by the noble Baroness, Lady Nye, were about the abolition of the education maintenance allowance. What is his response?

Lord Sassoon: My Lords, one of the responses is that if we give children who would not otherwise have the opportunity to go to the best universities the ability to look forward to a fund that will enable them to do so, that is one way in which we will help disadvantaged children, right through the chain, from the start, through higher education and beyond. In that context, the £2.5 billion pupil premium will be another critical component.

Baroness Farrington of Ribbleton: Will the pupil premium be taken from funding for those young people aged 16 to 19 in schools?

Lord Sassoon: The pupil premium will be used to ensure that those schools that have a particular proportion of disadvantaged children will get a premium to ensure that there is an appropriate rebalancing.

Lord Knight of Weymouth: My Lords—

Baroness Anelay of St Johns: My Lords, I remind the House that it is a courtesy for a Minister to give way during the debate to answer questions. It is not a courtesy then to interrupt repeatedly. The House has had a long and testing debate and I am sure that we will return to these issues in detail in departmental debates.

Noble Lords: Oh!

Baroness Anelay of St Johns: I do not need to protect my Minister. My Minister is here to protect the economy of this country.

Lord Sassoon: My Lords, I have got all night. I am very grateful to my noble friend. It is late, and we will have an opportunity to come back to these matters again. Specific funding for 16 to 19 year-old learning will be announced in the statement of priorities for the Department for Education later this year, so we will have opportunities to come back to that.

I move on briefly to one or two further points on reforms to our public services. We will leave no stone unturned in our search for waste, while we devolve power and funding away from Whitehall. I was very struck by the contributions by my noble friends Lady Browning and Lord Newby, who reminded us just how much more we can get from Government by better procurement and cutting waste. It is in those ways that we will be able to target expenditure going forward on those who need it—whether that is for 16 to 19 year-old education or those with disabilities. We have to remember at all times that the attack on waste continues to be a high priority.

Rightly, concerns have been expressed about the transitional effects of the job losses from the public sector. The Government are also very concerned about easing the transition, which is why we have announced the initiative such as the £1.4 billion regional growth fund.

I conclude today's debate by saying that the decisions that we have taken have restored credibility to our public finances and stability to our economy. When we came to power, this coalition Government did face the worse economic inheritance in modern history. We have had to make tough choices—

Baroness Royall of Blaisdon: My Lords, the House will forgive me for delaying the Minister once more, but I thought that the noble Lord, Lord Shipley, and others raised incredibly important issues to do with local government funding in the forthcoming year. Would the Minister care to reflect or answer those questions?

Lord Sassoon: A lot of points were raised today, and I said at the outset that I cannot address them properly today. On local government, one critical issue is that we have removed almost 5,000 targets. Of course local government will live within lower spending settlements, as the great majority of central government departments have to do, but we are balancing that by lifting a huge burden of ring-fencing of their decision making, which will enable them, within what is of course a lower settlement, to have much more power to decide where the money goes, without the heavy hand of Whitehall bureaucracy on them.

We are investing in growth, in schools and in the health of our people. We have cut welfare, we are cutting waste, we have made sure that everyone pays their fair share—

Lord Myners: My Lords, the Minister is getting close to the point where he will not answer any further questions. He quite correctly said that there are some issues that he will have to go away and reflect on and reply to in writing. However, there was one contribution from the government Benches that was targeted specifically at the Minister, which alleged incompetence and lassitude on the part of the Minister, and those were the comments from the noble Lord, Lord James. They were very specific and I think the House deserves a response on the issue that the noble Lord raised. Clearly, the noble Lord has access to the solution that, with one leap, will take all the Government's problems of financing to a better place. The Minister has clearly been remarkably bad at responding to the noble Lord and we look forward to the Minister's explanation now.

Lord Sassoon: I am very grateful to the noble Lord, Lord Myners. He had great trouble keeping a straight face. I have to say that I took extremely seriously my noble friend Lord James of Blackheath's suggestions

that there were people who could help us out with our financial difficulty. The noble Lord, Lord Myners, thinks it is all a joke. I have been in detailed discussions over the past number of weeks with the noble Lord, Lord James of Blackheath, and of course we take seriously anyone who wants to invest in our economy. I know many people believe that there will be great opportunities in our infrastructure programme to invest in rebuilding our networks to underpin growth.

Baroness Farrington of Ribbleton: On a minor point of information, were any of the Minister's Liberal Democrat noble friends present at any of these meetings?

Lord Sassoon: My Lords, if we start getting into who was present at which meetings at this hour of the night, we will never get home. I do not start counting off who is a member of which party in coalition Government meetings. That seems to be an obsession of the opposition party.

I will conclude briefly. It has been a very difficult and challenging spending round but we have made sure, as far as we possibly can, that everyone pays their fair share. We have taken the country back from what was—I am happy to say it—the brink of bankruptcy.

Noble Lords: Oh!

Lord Sassoon: My Lords, our plan will help drive growth in this country. Our plan will create the jobs of the future and it will build the more dynamic, more prosperous and more sustainable economy that Britain deserves. I beg to move.

Motion agreed.

House adjourned at 11.43 pm.

Grand Committee

Monday, 1 November 2010.

Identity Documents Bill

Committee (1st Day)

3.30 pm

The Deputy Chairman of Committees (Baroness Fookes): My Lords, if there is a Division in the Chamber, the Grand Committee will immediately adjourn, and resume after 10 minutes. Further, at a convenient moment after 4.15 pm, the Committee will adjourn to hear the Statement. It will resume five minutes after the Statement has been concluded.

Clause 1 agreed.

Clause 2: Cancellation of ID cards etc

Amendment 1

Moved by Lord Brett

1: Clause 2, page 1, line 17, leave out from “day” to end of line 12 on page 2 and insert “will remain valid as a travel document in Europe until their expiry date”

Lord Brett: My Lords, this amendment seeks to retain one part that is enshrined in the law of the 2006 Act; that is, the use of the identity card as a travel document. Identity cards are not a unique phenomena known only in the UK, although you might have thought that from some of the external non-parliamentary criticism some time ago. Across the whole of the European Union, they are the norm rather than the exception. All countries in the EU except Ireland and Denmark have them. Ironically, Denmark, although it does not have ID cards, maintains a national identity register. However, this amendment is solely about travel. This is an issue that caused no controversy whatever before the Bill was introduced, while it was being discussed or after it was passed.

Amendment 2 is simply a mechanism for achieving the aims of Amendment 1; namely, the right of the holders of ID cards to use them as travel documents for the duration of their validity. Given the lack of controversy over this aspect of the Identity Cards Act, there can be no ideological argument against retaining them. The case put forward in the other place for not retaining them was based on technical issues and, in particular, cost issues which, given the Government’s refusal even to offer refunds, must be the most relevant and pressing matter for them.

More than 13,000 ID cards were issued in the UK. However, these are not the only cards containing a UK emblem. The many British residents in Gibraltar are issued with ID cards which are accepted as valid travel documents throughout the EU and the EEA, which includes countries such as Switzerland. I understand that these are issued and maintained at relatively minimal cost. I should like to ask the Minister particularly whether the Government, through the Home Office or the IPS, have consulted the Government of Gibraltar

on their experience of ID cards, the processes they use and the costs in this regard. In Europe, the use of ID cards as travel documents is not limited to Gibraltar. Germany, Sweden and a number of other countries, both EU member states and candidate member states, already use ID cards as travel documents.

Among the aggrieved citizens who have approached me and other Members of your Lordships’ House with concerns about being unable to use the ID card as a travel document are, in particular, elderly people who restrict their travel to Europe because of age and insurance issues and business people who frequently travel to Europe. For example, a gentleman from Kent has travelled to mainland Europe—as we used to call it—some 30 times since getting his ID card earlier this year. He values it very highly and does not like the idea of having to carry a passport, which will inevitably get damaged by constant use, while he can have an ID card that fits in his wallet.

For those reasons, and setting aside all the other arguments for or against ID cards, I believe that they should be retained for those who bought them as a valid, legal document. The issue is not one of ideology, and I do not believe that it can be one of cost. I hope the Government will look at the issue again with a view to extending the use of this part of the ID card as a travel document for those who bought them in the honest belief—without a particular view for or against ID cards as a security document—that they could be used as a travel document. I beg to move.

The Earl of Erroll: My Lords, I have added my name to Amendments 1 and 4 because, as I said on Second Reading, when we discussed this matter at length, it seemed a shame to throw out the one good bit of the scheme along with the bad bit. The bad bit comprises the national identity register, whereas having another bit of plastic with which to identify yourself is not a huge concern. As I said then—I may as well put this on record again—I should be very happy to see us have a plastic passport, as you might call it, comprising the photograph page of the passport with an identical chip in it. We are told that retaining this provision temporarily as a travel document for use in Europe would give rise to huge expense as whole sections of the national identity register would have to be preserved. I do not believe that that would be the case; I think the pudding is being over-egged here in order to make the case all one way.

I support Amendment 4 in preference to Amendment 2 because the latter seems to be rather all-embracing whereas Amendment 4 is concerned merely with the information that is relevant to a passport. That information would have to be retained for a passport anyway and would probably be sufficient to prove the authenticity of the card. I have not checked with my expert but I imagine that the card is very secure and that if you are in possession of the Government’s public key you can authenticate the card without having to have any of this background information off a database, and you can tell whether the card has been cloned or tampered with in any way. Therefore, I think we should do exactly as the noble Lord, Lord Brett, suggested and retain the card as a travel document. Perhaps in due course we could also have a convenient

[THE EARL OF ERROLL]

European travel card to go along with it, but we should retain the minimum of information that is required, if any.

Lord Rosser: My Lords, I support both the amendments in my noble friend's name in this group and the related Amendment 4, to which I am one of the signatories. I thank the noble Earl, Lord Erroll, for also being a signatory to Amendment 4. On Second Reading, we heard the noble Earl's views on the sense and convenience of continuing to use ID cards as travel documents in Europe, and he has re-emphasised those points today. We on these Benches share that view and the annoyance and frustration of those cardholders who, under the Bill, would be prevented from continuing to use their cards in this way. The amendments before us would enable existing ID cards to continue to be used as travel documents in Europe.

On Second Reading, having asserted that maintaining full-life validity of the existing ID cards would probably cost an extra £60 million to £80 million, which she considered to be unacceptably high, the Minister inferred that the alternative proposition of a refund of £30 to existing holders of the ID cards was unacceptable not because it was too much but because it was so trifling, since it was,

"rather less than probably most people pay for a monthly subscription to Sky".—[*Official Report*, 18/10/2010; col. 742.]

That was an interesting phrase from the Minister, suggesting that Rupert Murdoch and his interests are never far from this Government's thoughts.

ID cards were sold as documents that, among other things, would be valid as travel documents in Europe for 10 years. Those who bought the cards, planning to rely on them for future travel, will now have to spend additional money on obtaining a passport, or renewing it when it expires. Of the 12,000 to 13,000 individuals who bought ID cards, some did so because they only travel in Europe and never further afield, others because their passports were about to expire. Some bought ID cards because they were far more affordable than a full British passport. All these individuals have a right to feel cheated. They were sold a product—in this case, an identity card and its associated benefits—only to find, not that the terms of use are likely to be changed by the Government, but that the value and purpose of the document will be completely nullified without compensation. On the point of fairness, the Government's stance cannot be right. As the Minister, Mr Damian Green, eloquently put it in his impact assessment, there would be a reputational issue for the Government, "in dealing with people who purchased a now-useless card in good faith".

The Government's argument appears to be that because they said prior to the general election that they would scrap the ID card system, everyone should have known that, and it is their own fault if they bought one. However, the individuals concerned bought one from the Government.

Lord Phillips of Sudbury: I am grateful to the noble Lord for giving way. Are we not now getting on to Amendment 3? The noble Lord seems to be talking entirely about compensation.

Lord Rosser: I am not talking entirely about compensation: I am talking about the issue of scrapping the card and not continuing at all. The amendment deals with it continuing as a travel document in Europe. The individuals concerned bought a card from the Government: not from a Labour Government or a Conservative Government, but from the Government. To those individuals, it is still the Government who are now withdrawing them. Until now, we have not had a culture in which it is acceptable for an arrangement entered into with the Government by an individual for a service in return for a payment to be totally withdrawn shortly afterwards, but for the payment made by the individual to be retained on the grounds that it is rather less than most people pay for a monthly subscription to Sky.

The Minister said at Second Reading that we must have a sense of proportion about this. She should address that comment to herself. Accepting these amendments would be one way for the Government to show a sense of proportion. Perhaps the Minister will tell us whether the same approach as that being shown to individuals with ID cards is being adopted for contractors who have been working for the Government on developing and running the ID card scheme. Have they, too, been told that they should have known that the scheme would no longer continue if there was a change in the political colour of the Government at the election and that, knowing this, they should not have entered into any contracts; and accordingly that no further payments are being made to them and the terms of any contracts are null and void, with no compensation payable? I do not think so. For this Government, there appears to be one rule for their dealings with those who can fight their corner, such as the large contractors and their owners and shareholders, and another rule for their dealings with individual citizens who do not have the resources or muscle to stand up to what some would regard as sharp practice.

The impact assessment refers to the cost of termination of contracts with contractors, and the cost of the refund process. If there are to be no refunds—which is why we are tabling an amendment suggesting that the cards should continue as travel documents in Europe—what refund process is being referred to in the impact assessment? How much would it cost? How much compensation has been paid for termination of contracts?

Using an ID card as a form of travel document is not an unfamiliar phenomenon in Europe, as my noble friend Lord Brett explained. The identity cards of Germany, the Czech Republic, Estonia, Romania, Greece, Slovakia and Sweden are all recognised by all EU members as valid for intra-EU travel. The argument that border agencies would be flummoxed by individuals using our ID cards for travel is not very convincing. Neither, incidentally, do there appear to have been problems with recognition of the limited number of identity cards issued here so far. As my noble friend Lord Brett explained, this is a facilitating amendment to enable the continued use of ID cards for travel purposes. We support the amendment. It is sensible—as is Amendment 4, to which the noble Earl, Lord Erroll, is a signatory. If the national identity register is to be destroyed, it makes sense to transfer data relevant to passports and international travel to the passport database

and to the Identity and Passport Service. After all, the IPS is used to handling such information. Practically, such a transfer would not be hard to achieve. Transfer would require the permission of those individuals whose data are held, but these would not be difficult to obtain where, as is likely in most cases, the individual is willing to agree. That is because, on data transfer, the appropriate section of the Data Protection Act 1998 states:

“Personal data shall be obtained for only one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes”.

We do not see that what we are suggesting with this amendment falls foul of that criterion.

3.45 pm

We would argue that there are wider merits in such a transfer with regard to the future development of the British passport. Destroying all the data on the national identity register adversely affects the UK's progress towards biometric passports of a standard comparable to the rest of the EU, America and an increasing number of countries around the world. Will the Government's decision to scrap the NIR and halt the development of the British passport leave British citizens out of step with the rest of the world? We fear that the answer is yes. The British passport is one of the most respected documents in the world, but the Government's policy looks like it will put this at risk.

At Second Reading the noble Baroness expressed the Government's view that it is not necessary for the security of the British passport to progress to second-generation biometric data in these documents, a view that stands in contrast—

The Earl of Erroll: The biometric data held on identity cards are different from those held on passports, so that is not quite right.

Lord Rosser: If that is the case, I take the point made by the noble Earl, Lord Erroll. I think what he is saying is that he does not think it is relevant to the particular issue of the ID card continuing as a travel document, rather than that it is not relevant at all. If so, I accept what the noble Earl says.

The Government are clearly not too sure of the wisdom of their position, as the Minister implied at Second Reading when she said that she did not consider that there was a need to do this “as things stand”. But I hope that, in the light of that, the Minister will reflect hard on the amendment, which seeks to ensure that the identity card can continue to be used as a document for travel in Europe. The disregard now being shown for those who bought ID cards on the basis that they would be valid for a range of purposes, including travel in Europe, for 10 years, is unworthy of any democratic government. This group of amendments seeks to redress the situation by providing that the existing ID cards should remain valid as travel documents in Europe for 10 years and that existing ID card data should, subject to the agreement of the individual, be transferred to the passport database if the information on the national identity register is to be destroyed. The Government ought to be prepared to agree to these amendments and I hope that, on reflection, the Minister will indicate that that is now her position.

Baroness Neville-Jones: My Lords, the noble Lord, Lord Rosser, has just raised a series of issues that are not covered by the amendments in this group, which I will cover when we come to the appropriate amendment. It is important to start our debate in Committee with this group of amendments because they go to the heart of the issues we have to deal with, and we need a debate on the underlying implications of what the opposition Benches are proposing. I owe it to the Committee to explain why, far from being simple, these amendments present a real difficulty.

Amendment 1 would remove the current status of the identity card as an identity document and instead it would become a simple plastic version of a passport. I have to say that if that had been the original intention of the identity card, matters might have been a great deal simpler. Instead, the previous Government indicated that ID cards were essential for security, necessary to prevent terrorism and crucial in detecting fraud. At Second Reading during the passage of the Bill in the other place, we were told that cancelling the ID card scheme would cause the end of civilisation as we know it. The current shadow Chancellor and then Home Secretary said at Second Reading of the Bill in the other place:

“All that we want to do is make it easier for banks, GPs and employers to verify someone's identity and thereby make it much more difficult for people to create multiple identities and commit identity fraud. That crime costs our economy £1.2 billion every year and has increased by 20% in the first quarter of this year alone. Combating identity fraud protects the security not just of individuals but of all of us collectively. Drug dealers, people traffickers and terrorists depend on access to false documents”.—
[*Official Report*, Commons, 9/6/10; col. 358.]

We agree with a lot of the sentiments there; the issue is whether ID cards have performed any of those functions.

The amendment clearly recognises that the ID card was not that panacea. It is unfortunate that, after spending millions of pounds on a scheme which the public did not want, we now have, in effect, a credit-card-sized version of the passport for travel in Europe. That would be the effect.

I want to come back to that in a minute, but I want first to comment on the amendments to transfer the records of ID cardholders from the national identity register to the passport database. There are some problems. Those amendments depend on Amendment 1 being accepted, but the practical issues are these. The passport application and issuing process is governed by a fee structure which provides that the income generated from the fee can be spent only on passports. There is no provision which would allow the passport structure to expend resources, no matter how small, on other areas than passports. The Identity and Passport Service does not hold any other database, so unless the amendments are intended to suggest that a new one be established, it is not clear to me how the transfer of information could occur.

The Earl of Erroll: Is the passport defined as a paper document containing X number of pages, or could the general word passport include a bit of plastic?

Baroness Neville-Jones: It is defined as a travel document. The issue is what the passport database contains. It is able to hold early biographical information

[**BARONESS NEVILLE-JONES**]

and a facial biometric. The NIR, the other database, is going to be destroyed. I can only assume that noble Lords are suggesting that a new database be set up, because the passport database cannot take this stuff. That would require a separate provision—statutory enactment—and resources.

Furthermore, the information held on ID cardholders includes fingerprints. Fingerprints are not held for passports, and the IPS does not have the capacity to store fingerprints, nor any intention to start taking fingerprints for passports, as we have indicated. The amendment fails to consider how the fingerprints would be stored. Perhaps it is not envisaged that fingerprints would be retained, but in that event, it is not clear whether that is an omission or whether it represents a change of policy on the part of noble Lords opposite concerning the need to take fingerprints.

The Earl of Erroll: I am sorry to interrupt yet again, but paragraph (a) in Amendment 4 states, “which is relevant to an application by a person (“P”) for a passport”.

In other words, it would not include fingerprints or anything which is extraneous to a passport application. I have to admit that I did not draft the amendment, but, on reading it carefully, the reason that I backed it but not Amendment 2 was that Amendment 2 seemed to be a blanket provision for transfer, but Amendment 4 seems to provide for only those things, which would be very few things. It would be a minimal data transfer merely to facilitate the issuing of a passport.

Baroness Neville-Jones: Yes, but the fingerprint process is an integral part of the ID card process. The noble Earl is saying that we should now somehow start tweaking the data as we go through.

The Earl of Erroll: I envisaged that the amendment meant that the fingerprints go, everything on the NIR is scrapped and one or two things—which might be literally just the facial biometric—are transferred to the passport to save time. That is all.

Lord Brett: I seem to have caused part of this confusion with my amendment. As I understood during that brief period when I was the Minister responsible for identity cards, you have the information that is on the passport database and additional points that are on the national identity register. We are scrapping the national identity register, but we are told that virtually everyone who has an ID card is on the national passport database. So, on the national passport database we need to have an indication that some individuals have an ID card as well, as a travel document. To me, that seems to be the only information that needs to be transferred from the national identity register to the database for passports. That does not sound very resource-intensive or difficult in terms of legal base. I cannot see why any other information is required to be transferred if we are getting away from a register and back to just having a passport, albeit a plastic one.

Baroness Neville-Jones: My Lords, the amendment does not contain all that accompanying detail. It is not easy, therefore, to interpret what the noble Lord actually

thinks should be transferred. If he wants to make that clearer, perhaps that might help, but, as things stand, these amendments have not been thought through. That is a pity because there is the germ of a good idea here. The idea of a passport card is not new, and Members of this House may be aware that—

Lord Rosser: I have a question in the light of what the Minister has said. If it were possible to produce something with which she agreed that achieved the objective to, as Amendment 1 said,

“remain valid as a travel document in Europe until their expiry date”,

by the moving of data on to the passport database, is that something that she would agree to?

Baroness Neville-Jones: I cannot give advance assent to a proposition that I have not seen in writing, so I cannot concede that point to the noble Lord.

Might I continue? It is the case that transport cards are issued by a number of countries for use with other countries where there is a bilateral or multilateral agreement, and there is a set of standards issued by ICAO that were adopted under a non-binding conclusion by the EU in 2005. It may be that the previous Administration chose not to invest in passport cards; they could have done so then. That might have been because of the work and the level of investment on ID cards themselves.

Another possibility at that stage would have been consideration of the use of vignettes. The ability to store the equivalent of a vignette in the passport card is under development, and we will wait to see how that progresses. At this stage, though, given that none of that base was laid by the previous Administration, we do not think it is possible or cost-effective to invest in passport cards as a priority.

My final point is again on costs. I appreciate that the amendments aim in effect to pass the data currently on the NIR to the passport database. As I have indicated, there is no existing provision, nor is it appropriate, for the IPS to establish a new database. The amendment also fails to recognise that it will be necessary to deal with lost or stolen cards that would have to be replaced. Once this thing is working, you cannot just say, “Well, if you lose your card, that’s too bad”; it has to be a living system.

Issuing replacement cards would require an infrastructure to be in place. Given what was said at Second Reading, I asked the IPS to estimate how much that would cost each year. The results are as follows: to maintain the infrastructure and pay service charges to the contractors would cost about £4 million; to replace lost or stolen cards would cost an estimated £500,000; and to maintain basic customer support facilities and appropriate levels of staffing would be another £500,000. Those are all per annum figures. About £5 million over one year—which, in the lifetime of these cards, means 10 years—gives a total of £50 million. I have tried to cover the issues raised by the Opposition. There are others—such as transgendered people having only one card, as they currently do with the passport, and the question, which we will come to, of refunds and consumer protection—which I shall go

into in due course. However, even with the amendment, there is a catalogue of problems. Instead, I recommend that the amendment be withdrawn.

4 pm

Lord Brett: I am more confused now than I was when we started. I cannot even recognise the replacement costs. But I return to the issue of database transfer. It takes only an asterisk or other symbol on the passport database to indicate that a person is using the same information on the database on a new plastic card which is valid in Europe. If the person loses the card, the cost of replacement will be the cost of the plastic card. Banks do it thousands of times a day. If the cost were remotely as much as is mentioned here then banks would be charging us very substantial sums for card transfers. We are not maintaining a database, so I do not know where the £4 million figure comes from. The passport database, which is well regarded and will continue, will indicate that this small number of people also have a plastic card which will expire on a given date.

I have another question for the noble Baroness. If she does not have the answer to hand, I would be happy to accept it in a letter. How many ID cards does the United Kingdom—the UKBA—accept, and from which countries, as travel documents? If we accept many dozens of them—I think that we are talking a score or more—and if a score or more are used internally in Europe, would it not be a good idea to use this limited number of people as a pilot or experiment to see whether there is a value in a longer-term policy of issuing a travel card in Europe?

Those are my questions. I will of course withdraw the amendment, but one can expect the discussion to continue on Report. I beg leave to withdraw the amendment.

Amendment 1 withdrawn.

Amendment 2 not moved.

Clause 2 agreed.

Amendment 3

Moved by Lord Hunt of Kings Heath

3: After Clause 2, insert the following new Clause—

“Compensation

The Secretary of State shall, by order, provide for a compensation payment of £30 to persons who have purchased an ID card under the terms of the Identity Cards Act 2006.”

Lord Hunt of Kings Heath: In speaking to Amendment 3 I shall speak also to the other amendments in this group, Amendments 8 and 20. We come to a very important matter of principle—the Government’s decision to refuse to compensate cardholders for the scrapping of the scheme. My noble friend Lord Rosser already picked up some of the points when he spoke to the first group of amendments. I ask the Minister what the Government have to say to the thousands of individuals who have spent money buying cards in good faith. These cards were sold on the basis, and the

purchasers were given the impression, that they would be valid for a wide range of purposes for 10 years. However, there has been a change of government, a change of policy, and seemingly no care for those left inconvenienced and out of pocket as a result. I wonder what the Government now have to say to those people. Why do the Government seem happy to penalise them?

We have been told that the cost of £360,000 to compensate all those who will be eligible for a refund under the terms of Amendment 3 is too much. However, that is the maximum figure. It is quite plausible that a certain percentage of those eligible to claim will choose not to do so. It would be possible to entertain a time limit, a date after which claims could no longer be made, which might lower the total compensation figure. However, the important factor is that compensation had been offered.

On Second Reading, the Minister said:

“We realise that some people who spent £30 for a card with a 10-year life expectancy will be disappointed that it will be cancelled later this year without any refund, but those who chose to buy a card”—

this is a remarkable statement—

“did so in the full knowledge of the unambiguous statements by the coalition parties that the scheme would be scrapped if we came to office. They cannot now expect taxpayers to bail them out”.—[*Official Report*, 18/10/10; col. 715.]

That is, to say the least, unsympathetic. To rely on the public having an in-depth knowledge of party manifestos or coalition agreements—documents that in most cases were published long after most cardholders had spent £30—is a touch unrealistic. The Government’s continued reliance on their insistence that people knew well before the election what would happen if a Conservative Government were elected is an extraordinary decision.

I received an e-mail this morning from Mr Nicholas Hodder, who informed me that, since obtaining his ID card in May this year, he had presented it 30 times in order to enter or leave the Schengen area. I ask the Minister why someone like Mr Hodder, who in good faith purchased the ID card and has used it effectively, should suddenly be told, despite the fact that he bought it for a 10-year period, that it will be taken out of use very shortly and that he is not to receive compensation?

I pray in aid the impact assessment produced by the noble Minister’s department. The IA looked at five options. Under option 3, the return of cards is not required, but there will be a return of fees to current cardholders. The benefit of that option over the do-nothing option 1 is said to be:

“Reputational benefits for the government, in dealing with people who purchased a now-useless card in good faith”.

Is the Minister not concerned about the reputation of the Government? Does she not see that in not agreeing to refund £30, the Government are developing a new principle, which can only reduce trust in governments generally? Why is it acceptable to compensate companies for termination of contracts? I refer her to the preferred option of the Government. As far as concerns funding, the cost of £22 million is contained in the summary of policy option 1 in the impact assessment. I will come on to whether it should be policy option 1. Option 1 refers to the costs of,

“termination of contracts with contractors”.

[LORD HUNT OF KINGS HEATH]

Why is it reasonable to pay the costs of terminating contracts with contractors, but not with members of the public?

I refer again to the impact assessment. The preferred policy option—that of cancelling ID cards without refunds and with no requirement to return the cards—states that the £22 million includes the cost of the refund process. Clearly, at one point, the Government considered including refunds in the policy option that was being preferred; but presumably at some point they decided to drop this. None the less, it would appear that the £22 million must include the cost of refunding fees. Perhaps the Minister can clarify this point.

My confusion about the impact assessment of 26 May 2010 is that it refers to five options. Option 1, do nothing. Option 2, scrap ID cards, return of cards not required, no return of fees. Option 3, scrap ID cards, return of cards not required, return fees. Option 4, scrap ID cards, return of cards mandatory, no return of fees. Option 5, scrap ID cards, return of cards mandatory, return fees. On page 1 of the impact assessment, signed by the Minister, Damian Green, on 29 May 2010, it states:

“Option 2 is the preferred option”.

But when I turn to the analysis on page 2, this option is described in the heading as “Policy Option 1”. Can the Minister clarify exactly which option we are talking about?

That brings me to Amendment 8. This is a straightforward and, I believe, much needed addition to the Bill. Conservative Party Ministers, when in opposition, made claims about the current cost of the ID card scheme that ranged wildly from nearly £1 billion to up to £20 billion. However, the national identity service cost report of October 2009 stated that the projected forward cost of providing ID cards until 2019 was £835 million. Crucially, this figure does not equate to the savings to be made from scrapping the scheme. We know this because the impact assessment which accompanies the Bill states at the bottom of page 4 that:

“The October 2009 cost report indicated that cancellation of ID cards would avoid future costs of £835m up to October 2019. However, these costs were planned to have been recovered through future fees to ID card purchases. Therefore, there are no benefits to the taxpayer from Year 3 onwards”.

The tables set out in the impact assessment reveal that total savings from scrapping the scheme are £180 million, and the total cost of cancelling ID cards and the NIR are stated as £22 million.

What is clear from the apparent muddle is that the Government have been using rather dubious figures to claim savings on the scale that they would have liked to see. I believe that a definitive and preferably independent audited costs and savings report is urgently required to clarify this matter for all concerned. It would be useful if it were part of the duty of the Government to provide clarity in this area. Amendment 20 is consequential on Amendment 3. I beg to move.

Lord Phillips of Sudbury: My Lords, I have added my name to the amendment moved by the noble Lord, Lord Hunt. To be honest, I am disappointed that we

have to spend time on this issue. That is because on any normal sense of simple fairness, we would not hesitate to repay the £30 that individual citizens have laid out for one of these cards. I have also to express disappointment at the reasoning advanced for the refusal to do so. The noble Lord, Lord Hunt, has already gone over this, and indeed it was referred to at length at Second Reading. I cannot resist quoting from the Statement on this made by the Home Secretary in June:

“We made it clear that we were opposed to identity cards ... The Liberal Democrat party made it absolutely clear that it was opposed to identity cards. People knew well before the election what would happen if a Conservative Government were elected”.—*[Official Report, Commons, 9/6/10; col. 346.]*

Frankly, it demonstrates an astonishing lack of reality vis-à-vis the great British public to believe that they read party manifestos. If I am allowed to do so, I would like to ask anyone in the Committee to raise their hand if they read all three party manifestos. I think we can say that the noble Lord, Lord Brett, was the sole person to have paid such attention to the detail.

Lord Hunt of Kings Heath: My Lords, I did, too, but surely the point is that we are not really ordinary people in this context.

4.15 pm

Lord Phillips of Sudbury: No, but even if we are not, I am still fascinated to know how many of us did. I will be quite frank—I did not even read my own party’s manifesto. It was 115 pages long, for a start. However, even if we assume that people had read the party manifesto and knew that we were committed to a repeal of the scheme, there was nothing in any manifesto about repayment of the fee. Anybody reading it would, I suspect, have assumed that if the Government were going to do that, they would return the £30 that was laid out for the purchase. That is my first point.

Secondly, in the statement of the deputy director of policy of the Identity and Passport Service, which is annexed to the report of the Joint Committee on the Bill—it was a pre-scrutiny report published in the middle of October—it was made clear that although all cardholders had been warned that the cards would be made null and void by the passage of the Bill, there was no reference to non-repayment of the fee. It is very simple: if you knew about all of this—and the vast majority of the public did not—there was still nothing about repayment of the fee.

Then we come to the argument which is to be found at page 20 of the Joint Committee report:

“Comment has been raised that the absence of a refund provision in the Bill is denying cardholders access to safeguards set out in consumer protection legislation. However, an ID card would not be considered as a consumer good. That is because the issue and the holding of an ID card are not considered to be in the nature of a consumer transaction and a sale of goods”.

That, again, comes from the deputy director of policy at the Identity and Passport Service. That is his view. As a lawyer, I am extremely dubious about the reasoning. It seems to me that there was a sale and purchase of goods, namely a card; I do not see any reason why this should be taken out of the normal consumer protection

legislation. Even if it is, surely it is bizarre for this Government, who are committed to fairness—and I am passionately committed to fairness—to resile from the general standard that prevails by law between consumers and suppliers, between purchasers and sellers, on the basis that there is no strictly narrow legal requirement under legislation to do so. Surely we should be a model and satisfy the spirit of all that consumer protection legislation.

I am sorry to have gone on, but it strikes me that this is an own goal. It may be small in financial terms—£360,000 is scarcely a blink of the Treasury eyelid these days—but not in terms of the message that it sends out. I want this coalition Government to walk their talk and to act fair as well as talk fair.

Lord Brett: My previous confession about having read all three manifestos was somewhat of a wasted investment, given that after the weekend following the election, we had a coalition agreement. However, I recognised at Second Reading that one of the few things that appears in both the Liberal Democrat and the Conservative manifestos was the decision to scrap ID cards. I saw in neither manifesto a reference to a refund or non-refund. When I was, briefly, the Minister responsible for the launch of the scheme, I debated this with Mr Huhne of the Liberal Democrats on the radio, and while he talked about scrapping them, he was silent about the travel document. I was asked what would be the advantage of having one of these documents if the scheme were to be scrapped by the incoming party, and I said that at least they would have value for 10 years as a travel document. Mr Huhne chose not to contradict that and he certainly made no reference to refunds.

As the noble Lord, Lord Phillips, said, it is a question of fairness. In the other place, the Minister of State accepted that there were people who, in these straitened times, would have the hardship of having spent the £30. He did not go on to follow his logic, which is that, if you believe in fairness, you should restore that £30 to the individual.

Leaving aside all aspects of ideology, policy and security, I believe that the reputation of this Government—and the reputation of any democratic Government of this country, irrespective of party—is worth a lot more than £360,000. I hope that the Minister will take that on board.

The Earl of Erroll: My Lords, I did not add my name to the amendment because there was not room, but I spoke about this on Second Reading. It is absolute lunacy not to offer a refund. It could be optional, in which case, as I said, a lot of people might well then decide to keep the cards as a collector's item and an investment for the future. The concept that we would have to spend £22 million refunding the money is, to my mind, dotty. The Government have clearly fallen into the hands of the large systems integrators again, who are siphoning off our taxpayers' money to America. I would suggest that they deal with some British SMEs for a change, but unfortunately government procurement rules do not let us do that at the moment. That is just a quick side swipe.

Thinking about the statements of the noble Lord, Lord Phillips, about consumer protection, I thought that there was also provision under the ECHR whereby Governments could not expropriate private property without compensation. I suppose that the ID card is not people's property, but presumably there is an issue because they paid for it and were expecting something in return. If it is expropriated without compensation, I should have thought that that might be an interesting case to go further up the line—there is nothing like stirring things up a bit.

I find amusing the concept that the general public are better than the weather forecasters, all the pundits and all the experts, and can predict the outcome of the next general election several months ahead. That is wonderful. I would love to know who those members of the public are. Then there is the idea that they could also predict the coalition, the way round that it ended up, which was not expected by many people at all. For a while it was largely thought that Labour and the Liberals would end up together. Then there is each of the parties having the arrogance to say that they will have sufficient control over the next Parliament to get what they want through. This is still a democracy. Opposition parties are still supposed to have some say. I know that after a few unfortunate years under first Margaret Thatcher and then Tony Blair, when majorities were excessive, Governments behaved in that way. Perhaps it is good that we return to the situation where Governments do not have control over Parliament and these things have to be agreed among other people, including Cross-Benchers—who are sometimes very cross.

Baroness Neville-Jones: I appreciate the importance that the noble Lords who have spoken place on the matter of refunds, but it is not at all clear that their anxiety on this matter is widely shared elsewhere. Following Second Reading, I asked the Identity and Passport Service to inquire into exactly how much correspondence it had had about refunds. I would expect that to be the place where letters were sent on that subject. From May to September, it received a total of 297 letters about ID cards, of which 122 included complaints about refunds. We do not know if all of those 122 letter writers were cardholders, among the 12,000 who have paid for the card, but I do not think that that is a significant indicator of widespread indignation on the part of the public.

Lord Phillips of Sudbury: Does the Minister agree that in September it was not clear that there would be no refund—no one had told them? Does she further agree that if the service were to write round now to tell everyone that there will be no refunds, the response to that is likely to be very different?

Baroness Neville-Jones: My Lords, I have just said that this survey of correspondence went on after the statement was made in the summer. These figures apply right up to the end of September. If there had been widespread anxiety about whether people would get their money back, we would have heard more from the holders.

Lord Hunt of Kings Heath: My Lords, I am grateful to the noble Baroness for giving way, but will she answer the point made by the noble Lord, Lord Phillips? Is she saying that all holders were written to and told that no refunds would be given, or are they expected to read the statements that appear in the media?

Baroness Neville-Jones: People have been written to. I will come to that in a moment.

Lord Phillips of Sudbury: With respect, I checked this; they have not yet been written to to say that they will not get refunds.

Baroness Neville-Jones: They have, however, been written to to say that the scheme will be cancelled. The key issue is not that of a refund to the individual but how much the taxpayer is expected to pay to end this wanton scheme. We have already seen that the previous Labour Government spent £292 million on the ID scheme and the associated biometric work. That is a staggering amount for a scheme that was predicted to be self-financing through the fees, and given that only 15,000 cards are in circulation in the first year of issue, 3,000 of which were given away free anyway. The amendment's effect is that the 12,000 cards should be given away free of charge. We cannot go on spending taxpayers' money in this fashion, particularly when the public have shown overwhelmingly—there is no ambiguity about this—that they do not want ID cards. At the previous election, they showed their unwillingness—

Lord Brett: Will the noble Baroness provide the evidence to back up her conviction that the public do not want ID cards, as all the opinion polls taken by this and the previous Government do not indicate that that is the case? However, more importantly, is she saying that some people are rich enough to write off the £30 without worrying and complaining, while the people who are being punished are the poor people for whom £30 is more than they can afford, even if they can afford Sky Television? That is the logic of it.

Baroness Neville-Jones: My Lords, we do not have a socioeconomic profile of those who bought cards. We have other profiles but not that one as we did not inquire about people's incomes. However, I do not think that the public are very interested in the Government spending a further £400,000 on refunds. Unfortunately, the sum is not £360,000 as an administrative overhead is incurred in refunding the £30 fees, which themselves amount to £360,000. You might say that £400,000 is not a significant sum in the previous Government's overall scheme of spending on ID cards. Indeed, I hear noble Lords present saying that. However, I am afraid that the Government maintain the contrary view. It is a significant amount and, frankly, noble Lords opposite have not provided a good reason why a refund should be given. Instead they accuse the coalition of being mean-spirited. If mean-spirited means extricating ourselves from an expensive failure at the least possible cost to the taxpayer, I think that we are doing the right thing. We do not accept that yet more money has to be spent on ID cards.

I am happy to ensure that the details of how we extricate ourselves from the ID card mess are placed in the public domain. As the Immigration Minister made clear on Report in the other place—I again confirm this—a Written Ministerial Statement will be made to the House on completion of the destruction process. I will place a copy of the planned destruction process referred to in the amendment in the Library.

4.30 pm

The appropriate place for reporting costs and savings associated with scrapping the ID card scheme is in the annual report published by the chief executive of the Identity and Passport Service. We will do that. It will also provide details of the cancellation scheme and the figures provided will be subject to independent auditing. It has been mentioned that there is a contractual relationship with the suppliers of the cards, which we inherited and, under law, we cannot get out of. We will have to honour that. I fear that that is a different issue from the question of the £30.

The coalition made clear its position on refunds at the time of the 2006 Act—we did not support it—and during the election campaign. It is simply not true to say that this was tucked away in manifestos to be seen only by Westminster anoraks. It was widely reported and commented on. It was widely known that the coalition would scrap the cards. The approach to refunds was also covered in the newspapers. It was not a secret. It was referred to in television and radio programmes. It was an ongoing story.

Lord Maxton: Will the noble Baroness tell us exactly when this information was made public vis-à-vis those who had bought their cards? Was it before or after they had bought their cards? If it was during the election campaign, many people had already bought their cards before the election campaign had started.

Baroness Neville-Jones: The question of the cards and whether they would be valid after the election, and everything associated with it, was a continuous process. Certainly, a large number of people bought their cards fully aware of the fact that there was controversy about them. As the noble Lord, Lord Bach, indicated at Second Reading, the House has always taken account of the content of manifestos, which is true today of the Opposition Benches.

The noble Lord, Lord Hunt, asked about the impact assessment.

Lord Bach: The noble Baroness quotes me correctly. Obviously, the House does take notice of manifestos, but there is nothing in the manifesto that says that those who had bought cards when they are abolished will not be paid anything. If the manifesto had said that, this might be a different argument. When I said that the House, of course, took note of what is in the manifesto, that is only stating the obvious. But it does not do anything to answer the point so well made by noble Lords in this Committee.

Baroness Neville-Jones: I quite appreciate what the noble Lord has just said. The noble Lord, Lord Hunt, asked about the impact assessment, which simply set

out the possibilities in a straight catalogue of options, which ranged from doing nothing through to the option chosen. Today, we are debating the option chosen by the Government.

Lord Hunt of Kings Heath: I am sorry to disagree with the noble Baroness, but, with the greatest respect, first, clearly, this impact assessment was produced in a hurry, because it is such a mess. Clearly, on page 2 of the impact assessment, it is shown as option 1. Yet, on the front page, option 1 is the “do nothing” option, whereas option 1 on page 2 is the option to cancel ID cards without refunds and no requirement to return cards. But when I look at the first section of policy option 1 on page 2, under the cost figures of £22 million, the costs include the cost of the refund process. I rest my case.

Baroness Neville-Jones: I do not think that this Chamber or the House is under any illusion as to which of these options we are debating today. If there has been confusion over—

Lord Hunt of Kings Heath: With the greatest of respect to the noble Baroness, the preferred option says that it includes the cost of the refund process.

Baroness Neville-Jones: Option 2 was the preferred option, as I have made clear. That is the option that we are discussing. I am afraid that there is an error simply on page 2. The figure of £22 million was also queried. That is the cost of decommissioning in the first year.

The Government take the view that it is not a sensible use of public money to throw further costs behind this scheme, and that the right thing to do with taxpayers’ money is to cancel this scheme but not to pay refunds. Accordingly, I invite the noble Lord to withdraw the amendment.

The Countess of Mar: My Lords, I might have got this wrong, but the Minister said every cardholder had been written to and told that the scheme will be withdrawn. Were they told “will be” or “may be”?

Baroness Neville-Jones: Every cardholder has been written to and told that the scheme will be cancelled, yes.

The Countess of Mar: In that case, is that not contempt of Parliament? Parliament has not yet decided that the scheme will be cancelled.

Baroness Neville-Jones: My Lords, it is certainly the Government’s intention to cancel it, assuming that Parliament gives its assent.

Lord Brett: My Lords, would it be helpful if a copy of that letter were placed in the Library of the House so that we could all examine it before Report?

Baroness Neville-Jones: My Lords, we will so do.

Lord Brooke of Sutton Mandeville: My Lords, the Minister has invited the mover of the amendment to withdraw it, but that still leaves the opportunity to make a brief intervention. I did not speak at Second Reading—indeed, I was not present—but I have had the considerable privilege of listening to the whole of the debate today, except the very first words that the noble Lord, Lord Brett, uttered.

I am a mildly interested party, for quite irrelevant reasons, in the way that the noble Lord, Lord Mandelson, introduced the car scrappage scheme. My car became relevant to it precisely 24 hours after the scheme ended, and I have behaved impeccably towards the noble Lord and indeed all members of the previous Government by not alluding to that fact until this very moment. I am also perhaps the only member of the Committee to be over the age of 75 and therefore entitled no longer to pay a television licence. I have always regarded that as a generous concession by the state—although you do not realise, until you have to do so, that securing it is a little like proving that you are not a money launderer.

The jury must be out on the country’s enthusiasm for the ID project. There was some reaction that the Government were wrong to suggest that it was wholly unpopular, but the fact that only 12,000 people had bought these ID cards since 2006 did not suggest an overwhelming popularity and that they would do well as a loss leader in a supermarket. I think that we can say that there is something to be said on either side of that argument.

Lord Brett: First, it was a phased rollout, starting in 2009 and ending in 2012-13. It was restricted to Manchester Airport, London City Airport and the area of Manchester. It would have been rolled out across the rest of the country over the period. There is also a register of applications for people in other areas who had to wait because the cards were not available, so to say that there was a take-up of only 12,000 is actually to pretend that the whole country could have applied when in fact it was very restricted.

Lord Brooke of Sutton Mandeville: That is an entirely fair point, which I am happy to take. The fact remains, though, that even under the provisions that the noble Lord issues, I still stand by my statement: the figure of 12,000 does not indicate overwhelming popularity for the scheme. People were not fighting in order to get their own cards.

On the fact that compensation is available for contracts but not in different languages with regard to ID cards, presumably that occurred because the original contracts allowed for what would happen in the event of the scheme in any way being interrupted. That is the way in which contracts are usually written. I have heard everything that has been said about what this Government have not done but I notice that the previous Government, in selling the ID cards, did not appear to have built in a provision in relation to compensation calculations, perhaps for the good reason that they did not want the thought to enter the public mind that they might not be returned at the next general election and that therefore the ID scheme would be interrupted.

[LORD BROOKE OF SUTTON MANDEVILLE]

On the same point, I have to say quietly that although, in their rush towards modernisation, the Government were keen to remove Latin entirely from public life in this country, the phrase “caveat emptor” is presumably one that still rested in their mind when they brought in the scheme in the way that they did.

Lord Hunt of Kings Heath: My Lords, this has been an interesting debate. There is some risk that we will return to debating the broad principle of ID cards. I will desist from doing so, save to say to the noble Baroness that, on the question of popularity, my noble friend Lord Brett was right when he spoke about rollout and the expectation that the number of people purchasing ID cards would increase over time. Secondly, there is no doubt that opinion polls have shown consistently that the public support ID cards. However, we are not here to debate that. The Opposition have accepted that this policy was contained in the manifestos of both coalition parties. That is why we do not seek to obstruct the progress of the Bill. However, as the noble Countess, Lady Mar, suggested, it is important that due process is observed before statements are issued by the Government, and the noble Baroness has graciously accepted that point.

The second point about manifestos concerns their relation to Salisbury-Addison and the Salisbury Convention. We are not quite into that territory. However, I am certain, from my reading, that no statement was made by either party that no compensation would be given to cardholders who will lose many years’ use of their ID cards. The noble Baroness is resisting coming back to the point of principle here. As far as concerns the reputation of any government, to say to the public, “It is your fault, you were silly enough to buy an ID card when some opposition parties said that they would scrap them if they got into power”, is to expect the public to take a punt on the election result. Who could have forecast that we would now have a coalition Government? It is treating ordinary people with a lack of respect.

I say to the noble Baroness, whom all noble Lords respect enormously, that she is digging a hole for herself here. If my party were still in government, the possibility of us getting some proposal like this through the House of Lords would be nil. Obviously, the circumstances of the coalition are different, but I suggest that the Minister should think very seriously between Committee and Report, because the view of the House of Lords will be that this is not the right approach, and that compensation should be offered.

I will not bore away at the issue of the impact assessment. I hope that, between Committee and Report, there will be a clarification of which option we are talking about. Secondly, the preferred option set out in the impact assessment says that the £22 million includes the cost of the refund process. I would be grateful if the Minister will write to me to confirm whether the £22 million includes the cost of refunds. With that, I beg leave to withdraw the amendment.

Amendment 3 withdrawn.

Amendment 4 not moved.

Earl Attlee: My Lords, as my noble friend Lady Neville-Jones will shortly repeat a Statement in the Chamber on aviation security, I beg to move that the Committee do adjourn until five minutes after the proceedings on the Statement are completed.

4.44 pm

Sitting suspended for a Statement in the House.

5.51 pm

Amendment 5

Moved by Lord Bach

5: After Clause 2, insert the following new Clause—

“ID card trial for airside workers

(1) The Secretary of State shall lay before both Houses of Parliament a report on—

- (a) the outcome of the trial use of ID cards for airside workers; and
- (b) the measures the Secretary of State proposes to implement arising from it.

(2) Any ID card issued to an airside worker under the critical workers scheme, which is valid immediately before the day on which this Act is passed, shall continue to be valid until the report referred to in subsection (1) has been laid before Parliament.”

Lord Bach: My Lords, we turn to a new aspect of the Bill, perhaps an appropriate one at a time when security, particularly aviation security, is at the forefront of our minds. I declare a past interest: for a few months in 2007 I was chairman of the AOA, the Airport Operators Association, before returning to government. I am delighted to be able to move this probing amendment, and I will be interested to hear what the Government’s view is of the points that are made during the debate.

Airside workers fall into the category of those employed in sensitive roles and locations where identity is important to public protection. Effective identity assurance acts as the cornerstone of a good personnel security regime at airports and elsewhere. As part of the introduction of identity cards, as the Committee will know, an 18-month trial was developed at Manchester Airport and London City Airport whereby ID cards would be used in place of existing identity verification processes and documentation. We recognised that the ID card had a capacity, first, to provide a single means of identity assurance across airports and, secondly, to facilitate quicker and more efficient pre-employment checking, with obvious benefits to both employers and employees.

The ID card would have cut the frequency of the need to renew airside passes from every three years to every 10—thus, we argue, cutting bureaucracy and cost. The added identity certainty provided by the ID card offered benefits, we argue, including improving the portability of reference checks between employers and airports, creating greater flexibility for employers and staff; speeding up pre-employment clearances for cardholders moving from one airside job to another or between airports; kick-starting joint work to explore opportunities for streamlining airside pass regimes; and helping to ensure that everyone using airports was confident about their safety while there.

As we learn from reading the Public Bill Committee proceedings held in another place on 29 June, the process of getting an airport ID card used to take eight to 12 weeks from beginning to end. The introduction of the ID card scheme at Manchester Airport reduced this time to just one day for workers renewing their airport passes. The response from workers at Manchester Airport to the scheme was, not surprisingly, pretty positive. I draw the Committee's attention to Question 66, asked by the honourable Mrs Hillier MP to Mr Mike Fazackerley, the customer services director at Manchester Airport. Mrs Hillier asked:

"You have gone through some of the evaluation. The Bill proposes repealing the scheme, but whether or not the card continues to exist in its current form, can you see the longer term benefits that there would have been, including security improvements, time and cost-saving, and greater convenience, had the pilot scheme been rolled out more widely and made available to others?"

Mr Fazackerley, an expert witness, replied:

"I think that the principal benefits to airport workers are exactly as we have outlined: there is the ability to streamline and speed up, and to make the process of getting an airport pass easier. There were some marginal benefits; for example, we dramatically reduced the amount of data that we were holding on individuals, because we felt that we did not need data that the Government had, but I guess that that is fairly marginal".—[*Official Report*, Commons, Identity Documents Bill Committee, 29/06/2010; col. 28.]

My honourable friend Mrs Hillier contradicted Mr Fazackerley to say that she did not think that was a marginal point—I agree with her—as regards reducing the amount of data held on individuals.

In addition to benefits in time saved and convenience, the Public Bill Committee heard from Mr Fazackerley of the ability to reduce the volume of data held on individuals on account of the introduction of the ID card scheme. The biometric material contained in the card could be relied upon, and much of the other information collected previously on those who applied for security passes could simply be disposed of.

The background to the pilot scheme was carefully worked out by the Department for Transport and developed with airports, the air industry and other interested bodies. They are all rightly eager to discover the benefits and lessons to be learnt from the trial in areas of good practice, cost and time saving, and improved security. In the six months that the scheme was allowed to run, we did see benefits, so why stop the scheme in its tracks now? Even if the Government are determined to scrap the card itself—that is obviously the case—the Minister and her colleagues could apply the lessons that would continue to be learnt from this trial to another identity document—possibly the passport—or simply use them to streamline the onerous and time-consuming security checking processes at airports. They could share the information with other airports and perhaps other industries, such as the nuclear industry where such protection is vital and speed of checking is important.

At Question 74, Mrs Hillier said to Mr Fazackerley that,

"you mentioned that you would like to see some of the benefits of the evaluation continue, although the evaluation only got to a certain point. Would you like to keep that going and see the full benefits, perhaps in an attempt to reignite such uses, even with another document?"

He replied:

"Very much so. If we could leave with the same benefits, perhaps through use of the passport, that would be a very positive move".—[*Official Report*, Commons, Identity Documents Bill Committee, 29/06/2010; col. 30.]

If the Minister decides not to accept what we think is a sound amendment, will she help us with the plans that the Government have to reform security processes with regard to airside personnel at UK airports? As recent events have shown, the issue of airport security is far from going away. In many ways, it has been a central issue of the past few days. As the noble Baroness has just said in the Chamber, the Government will be addressing it with great concern.

The trial was a good idea. From this side of the Committee, we argue that it should be allowed to continue in order to allow all the lessons that can be learnt enough time to reveal themselves for the benefit and safety of all.

6 pm

Finally, I remind myself of the exchanges at the end of the Public Bill Committee in another place where some brand new, energetic Conservative MPs, attempting no doubt and quite properly to win favour with their Whips, asked question after question trying to get poor Mr Fazackerley to say that the whole thing was a complete disaster. Unfortunately for them, he pointedly and repeatedly told them that it was not. It all ended rather sadly for the honourable Member for Amber Valley who, at question 80, asked:

"Have you experienced many passengers flying from Manchester airport using the ID card, rather than a passport?"

I suspect that the reply was supposed to be, "Oh no, I have not". But Mr Fazackerley said:

"I honestly could not put numbers on it, but I know from personal experience, and the experience of other people who have had them, that people have used them successfully when flying out of Manchester, yes".—[*Official Report*, Commons, Public Bill Committee, 29/6/10; col. 31.]

I look forward to the Minister's response to this debate. I beg to move.

The Countess of Mar: The noble Lord, Lord Bach, kept saying that the airside ID cards would help to prevent what has happened in the past few days. Is he really suggesting that? It was not people who were involved; it was parcels. Does every parcel have to have an ID card? I cannot see how having an ID card would have prevented what has been happening in the past few days with parcels.

Lord Bach: I am grateful to the noble Countess for asking that question. I have tried to be extremely careful. Of course, I am absolutely not saying that. But security at airports—airside and the other side—is obviously a crucial issue. In this limited scheme of six months, it seemed as though the airside part of it was convenient for employers and employees from various companies who worked that side. I would also argue that there were some security conveniences as well. But, of course, recent events—as far as we know today, which I accept—are nothing at all to do with ID cards.

Baroness Hamwee: It is important to mention that the noble Lord has just used the word “convenient”. I am sure that he would like to confirm to the Grand Committee that he is not suggesting that there would be any detriment to security by losing this scheme.

Lord Bach: I think that there might be some advantages for security in this scheme, and I would like to know the Government’s view on that. From the exchanges I have been reading from, it seems that there may well have been some advantages so far as security is concerned. Indeed, I am reminded that Mr Fazackerley was asked a question by the honourable David Simpson:

“On a point of clarification, Mr Green asked Mike—

I presume that is Mr Fazackerley. I do not think that we would call an expert witness by their Christian name in this House, but perhaps I am being old-fashioned—

“a question about the fact that it takes eight to 12 weeks to carry out the security side of the process, but if a card is lost or misplaced, it can be replaced within 24 hours. Did you say that no further security checks were carried out?”.

Mr Fazackerley answered by saying:

“At that point. The benefit that we got from the system was that you were absolutely sure that the person who was standing in the pass office was the right person”.—[*Official Report, Commons Public Bill Committee, 29/6/10; col. 28.*]

Whether what he said about the issue goes to the question of security or not is a matter for the Committee to decide.

Lord Brett: My Lords, when I was involved in this, it seemed potentially to be a win-win situation. We have heard from my noble friend about the impact on airports and their ability to clear people airside for security purposes in a much shorter period. We know also that there was initial resistance from the staff, not to the detail but to the fact that the system was being made compulsory. It was only when the potential of what the system was about that the hesitation, to put it mildly, expressed by the staff turned into at least into an enthusiasm to investigate without necessarily committing to the results.

The third area is that of the airlines. The experiment was being carried out at Manchester and at London City airports, although any two airports could have been chosen. Carriers flying in and out of those airports do not have resident senior technical staff. They may have a contractor with airside passes who provides the general maintenance of an aircraft, perhaps unblocking a sensor or putting right a temperature gauge. If a more serious technical problem arises, engineers have to be brought in either from a repair facility or the headquarters of the airline involved. Those people will arrive at the airport with no airside security clearance whatever, but they cannot be allowed just to wander in and repair the aircraft. Therefore, another period of delay is built into the clearance of those individuals. However, with the provision of an identity card and the security it offered, this was another area in which a considerable advantage would have been gained for the airline industry, for passengers who could be

delayed, and by making a saving in costs to airports themselves. Aircraft sitting like parked vehicles is not an advantage. At the start of the experiment, these were things that were seen to be potential advantages, so in a sense it is sad that we will not see the outcome unless the costs are exorbitant.

Let us look at the costs of aviation. A 747-400 airliner costs well in advance of £100 million, and even more modest aircraft cost tremendous sums. The daily cost of keeping an aircraft inactive is also very high. At the moment, the airline industry feels slightly battered by the costs that have been imposed by government, and this is an area where we could have formed a degree of coalition, if I may use the word, between the interests of airports, staff, passengers—we are the victims when aircraft are delayed—and the airlines themselves. I am sorry if the experiment will not be completed because there are powerful arguments for why it should be done. If not, how are we going to provide an equivalent over the coming period because, as sadly we have heard today, the problems associated with airport security are not going to go away?

The Earl of Erroll: My Lords, I had not intended to intervene on this amendment, but I will say two things. First, I suspect that a report before Parliament might be an unnecessary expense, but I hope that people will look at the experiences from it and incorporate them into future policies. Having heard what noble Lords have said, there seems to be confusion between nailing down a particular name or body to an identity card, and security. The trouble is that one does not know when someone goes bad. There can be a complete dissociation between issuing a pass to someone and them committing a crime. One has to go on checking whether someone has gone bad. Possession of a particular identity token does not show that someone is okay.

On the point raised by the noble Lord, Lord Brett, a lot of work is going on on the interoperability of identity systems. That is the way forward. There is a body of work going on from EURIM, which is an offshoot of the parliamentary group PITCOM. It is an interesting area. The problem is that different organisations vet people for different purposes. It may be totally safe to entrust someone with the secrets of the country, but you might not want them to babysit your children—and vice versa. I note that the noble Lord is laughing. I am citing extremes here to highlight the fact that someone may be perfectly all right working in airside security, but quite dangerous in a totally different situation. We must be careful not to confuse these things and not to think that possession of a nailed-down identity card or token that shows you have been given a certain name proves that you are okay. That is the underlying problem. We should move forward, looking at the interoperability of identity systems, so that if we have to take engineers from somewhere else, we know whom we can rely on and what it is safe for them to do, and can work out how to get them through quickly. I suspect that the bigger problem is the bureaucracy involved in issuing these things. People think that that is the clever place, but it is not.

Baroness Neville-Jones: My Lords, those arguing for this amendment have made a case based on the value of these cards to airport security. I will say straightaway that there is nothing between the Government, the Opposition and other Members of the House on the importance of airport security. That should not stand between us. Would these cards really be valuable? The noble Earl, Lord Erroll, made a point that I would otherwise have made. A card will give you an indication of a person's identity. It does not tell you whether they are a fit and proper person to conduct security operations at an airport. That must be done separately. It involves checking. You have to check somebody's record. You have to do this not only when you employ them, but on a continuing basis. A good deal of the burden—the burdensome part of the burden—is not relieved by the existence of a card supplied by government.

Secondly, there is a philosophical difference between this side of the House and the other on the question of databases. We believe that it is wise and democratic to distribute information, and that information should be given by individuals for the purpose for which it should be used. One way of doing that is to specify the purpose. We have no embarrassment in saying that the issuing of identity cards, and the drawing up of an identity procedure, to enable somebody, under supervision, to have access to sensitive parts of the airport, should be done on the basis of relevant information given to those who will then operate the security system. It is neither necessary nor desirable for the Government to have more than 50 pieces of information on a central database that itself is a honey pot in order to perform these functions.

We are not impressed by the argument that this will relieve airports of some of the task of putting together a valid ID card. ID cards for airports already exist. We know that they have to exist, that they will continue to exist and that airports will issue them. We shall ensure that they are used according to stringent procedures. The card does not itself guarantee security at an airport. It must be associated with procedures that tie down access as well as ensuring that the individual who has access is a fit person.

We come to the question of what the value would be of evaluating the scheme, which has not been in existence for even a year and which is now ending. I asked for a calculation to be made. We reckoned that it would cost more than £100,000. We do not think that that is a sensible use of money. I entirely agree that we should look to see whether the existing scheme gave advantage, and draw the lessons from that, but we do not believe that it is necessary or desirable to have the formal evaluation which had been provided for in the legislation at the cost that would be incurred. I therefore propose that the amendment be withdrawn.

6.15 pm

Lord Bach: I am grateful to all noble Lords who have spoken in this debate: my noble friend Lord Brett, with his expert knowledge of systems at airports; the noble Earl, Lord Erroll, for the points that he made; and, of course, the Minister, for her response.

This proposal does not depend on whether it, in the end, improves airport security or not. We certainly think that it cannot do any harm, to put it at its mildest, and probably has some positive effects. Obviously, on its own, an ID card system of this kind is nowhere near enough; of course there has to be continued checking, as the noble Baroness said in her response. We accept all that. I am not sure that her point about a philosophical difference between the two sides carries very much water. We are arguing that you can put security on one side, if you want, for the moment; we are talking about an attempt to save hard-pressed businesses costs and a degree of effort that they do not otherwise have to use. This is a very important industry for this country, and if anything can help to save legitimate costs, expenditure and time, I would argue that it is the duty of government to look carefully at it.

What is Amendment 5 intended to do? It states that the trial should continue for a longer period and that, at the end of it, the Secretary of State shall lay before both Houses of Parliament a report on,

“the outcome of the trial use of ID cards for airside workers”,
and,

“the measures the Secretary of State proposes to implement arising from it”.

It obviously does not find favour with the Government, but I would be interested to know what they intend to do with the information that has been gleaned from the six months of the trial. As the noble Earl, Lord Erroll, said, no doubt there were some benefits to be gained and it would be useful for the future to know what they might be.

I find it difficult to understand how that could possibly cost £100,000, bearing in mind that the cards have already been given out free. What would be the costs of carrying on the trial? I find that hard to understand.

Baroness Hamwee: As the noble Lord said, there may be lessons to be learnt, and I, too, should be interested to know them. He described what the new clause does. I think that I am right to say that, implicitly, it requires the continuance of the register until the end of the process described here. It seems to me that that must follow. The noble Lord has not referred to it, but the two go so closely hand in hand that I assume that that is the case. Perhaps he could confirm that or correct me.

Lord Bach: I am not sure whether the register would have to continue or not. The data would continue to be collected and we would see at the end of the period whether the trial had made life easier and more secure for those who have to run our airports. I take the noble Baroness's point; I know that it is an essential part of the Government's case that the register should be closed at the earliest possible moment. I suggest that the effect of having an identity card as passport might be to make it possible to get the information that would be of assistance.

I see that the Government are not attracted by the wording of the amendment. I am very grateful to the noble Baroness for her response, and I beg leave to withdraw the amendment.

Amendment 5 withdrawn.

Clause 3 : Destruction of information recorded in National Identity Register

Amendment 6

Moved by **Lord Phillips of Sudbury**

6: Clause 3, page 2, line 17, after “Register” insert “or under its control”

Lord Phillips of Sudbury: My Lords, I will speak to this quite briefly. Clause 3 is about the destruction of information recorded in the national register. It is of paramount importance that that be done without let or hindrance, so that at the end of the destruction process everyone is satisfied that there are no loose ends. This is a probing amendment, because I am not entirely sure that the wording of Clause 3 is comprehensive. Of course, I am not privy to the complex arrangements that are no doubt being considered about how the destruction process will proceed. However, we must be absolutely sure that all the data on the national information register are destroyed, including data that are stored or co-stored elsewhere, because, in the process of unrolling this massive scheme, a great deal of information went out to various contractors.

The amendment would add the words “or under its control” at the end of the sentence:

“The Secretary of State must ensure that all the information recorded in the National Identity Register”.

It is designed to catch any information that derives from the register and exists beyond its boundaries in order to ensure that it is wholly and irretrievably destroyed. I would be grateful if the Minister would confirm that such contracts as do exist ensure that the Government can, in pursuance of Clause 3, make sure that any information held elsewhere is destroyed, and that they have the right to check that that is the case. I beg to move.

The Countess of Mar: My Lords, I support the noble Lord, Lord Phillips, as does the Joint Committee on Human Rights. On page 3 of its summary, the Joint Committee states:

“Clause 3 of the Bill requires the Secretary of State to destroy all information recorded in the NIR within two months of the Bill receiving Royal Assent. We recommend that Clause 3 be amended to ensure that not only information held on the NIR but all other information collected in connection with the NIR be destroyed in line with the requirements of the Data Protection Act 1998, and without delay”.

I support the amendment of the noble Lord, Lord Phillips.

Lord Hunt of Kings Heath: My Lords, although there are different views about the ID scheme—as we identified in our earlier debates—clearly there is a general understanding among all noble Lords that, given that the ID card scheme will be scrapped if the legislation is passed, the destruction of the data needs to occur properly and efficiently. I agree with the spirit of the amendment of the noble Lord, Lord Phillips. The question is, what is the best way to achieve the desirable policy outcome? Clearly, destruction must be thorough, transparent and successful in order to provide sufficient public confidence in the process. Those whose

data are held on the national identity register deserve reassurance that their personal information has been destroyed to an acceptable standard.

I was grateful to the Minister for saying at Second Reading that the Government were committed to producing a Written Statement to Parliament on the event of the destruction of the data contained in the national identity register. It is absolutely right, and I welcome the fact, that the Government will report on the process and delivery of the destruction of the data. However, given the report of the Joint Committee and the comments of the noble Baroness and the noble Lord, and given that it is such a sensitive area, it would be helpful if that were to be made a statutory requirement. In reporting to Parliament, the Government should specify what data have been destroyed, the process involved and the standard by which destruction occurred. I recognise that the Minister is having a tough day with the Statement as well as this Committee, but it would be helpful if she were able to give a little more information in respect of that.

I would also like to follow the noble Lord’s amendment and its implication. Will the Minister confirm that the destruction will occur in line with the standards of the Data Protection Act 1998 to ensure that the process is recognised as being fully comprehensive? On Report in the other place, the Minister, Mr Damian Green, revealed that the Government were in contact with the Information Commissioner’s Office about the destruction process. As part of the Government’s stated wish to ensure transparency and openness about the physical destruction process, will the Minister consider making available communications with the Information Commissioner as soon as possible and, at the very least, include this information in the report that the amendment calls for?

Finally, Clause 3 requires destruction of data within two months of Royal Assent. I would be grateful to have confirmation from the noble Baroness that the Government are confident that that deadline can be met.

Baroness Neville-Jones: My Lords, I thank the noble Lord, Lord Phillips, for the time that he has taken to discuss this aspect of the Bill with the Bill team. His experienced views on these matters were very much appreciated. The best thing that I can do to reassure the Committee is to describe what we are going to do. I ask noble Lords to forgive me if that takes a moment or two. The national identity register is a generic term applied to the process of collecting and storing personal biographical and biometric data on ID card applications. At the moment, the core database is maintained in secure conditions on behalf of the Identity and Passport Service by its main contractors. Data held for dealing with applications, for subject access requests or for marketing purposes are similarly held in secure conditions by IPS staff and by contractors, such as Teleperformance.

IPS and any other party which has or had access to information gathered in connection with the NIR is required to comply with data protection legislation. We certainly will ensure that that is the case throughout. IPS has adopted an active approach and has identified all sources where information recorded as part of the NIR is held. As a result of that exercise, three categories

have been identified. The first is the core data where the central records for the NIR are held. Core data containing biographical and biometric data are held by contractors on secure production systems. The storage media such as hard disks and back up tapes containing the data will be physically destroyed by shredding. That shredding process will comply with requirements for destroying secret data set out in *Her Majesty's Government Information Assurance Standard No 5—the Secure Sanitisation of Protectively Marked or Sensitive Information*. This category represents by far the largest element in the destruction process.

6.30 pm

Secondly, I shall deal with data extracted from the NIR to write to cardholders, to deal with subject access requests or to obtain management information such as age or gender. As things stand, the IPS is continuing to explore options to remove the data from the backup storage tapes, but it may be that this can be achieved only at significant operational risk to the business. This data will be deleted from all systems and when the equipment holding the data reaches the end of its life, it will be cleared down using Government procedures for decommissioning restricted equipment. This means that the files will not be capable of being recovered.

Thirdly, I turn to personal data associated with an application for an ID card but not extracted from the NIR. This includes data collected, for example, from the outsource company Teleperformance, which is used by IPS to deal with inquiries and interview bookings for applicants. As with the second category, this data will be deleted from all systems, and when the equipment holding the data reaches the end of its life, it will be cleared down using the procedures I have just mentioned. Again, this means that the files will not be capable of being recovered. I will make available in the Library a paper prepared by IPS on the destruction process. This sets out in considerable detail the work undertaken by IPS and the work required to comply with the provisions of the Bill.

As has been mentioned, IPS has been in touch with the Information Commissioner's Office about the proposed arrangements. The ICO has indicated that all relevant areas have been considered. I understand that the Committee will be interested to see that correspondence, and I suggest that the right place for it is in the report to the House in order to ensure that transparency is maintained. Clearly, we will want to satisfy the commissioner that the destruction process has been completed, and verifiably so.

I mentioned during earlier consideration that the Minister with responsibility for immigration had informed the other place that a Written Ministerial Statement would be made to Parliament on completion of the destruction process. I should like to confirm that, and I have also said that today I will place a copy of the destruction process in the Library. We want to be entirely open about what we are doing and have already shared what we are doing with the Information Commissioner's Office. We will publish the details which, I can assure the Committee, will comply with data protection requirements.

We feel sure that the destruction process will conform to the higher standards. In the light of my response and particularly the assurances I have given about the action that has already been undertaken, I hope that the noble Lord will feel able to withdraw the amendment.

Lord Phillips of Sudbury: My Lords, I am grateful to my noble friend for giving us such a comprehensive description of the process that is now in train, and I am sure that it will reassure a lot of people. I must confess that I did not understand half of it, but when I get around to reading it for the seventh time, I might do so. However, what I could not quite gather from her reply is this. She did not say that she objects to my suggested additional words, and it seems that adding them would do no more than what is being done. Given that it is such an important process, I would have hoped that, on further consideration, the matter could be resolved by agreement before we reach the next stage. On that basis, I thank all those who have taken part in the discussion, particularly the noble Countess, Lady Mar, for repeating an appropriate extract from the response of the Joint Committee on Human Rights. I am content to withdraw the amendment.

Amendment 6 withdrawn.

Amendment 7 not moved.

Clause 3 agreed.

Amendment 8 not moved.

Clause 4: Possession of false identity documents etc with improper intention

Amendment 9

Moved by **Lord Phillips of Sudbury**

9: Clause 4, page 2, line 32, at end insert "(with the exception, in the case of a document within subsection (1)(c), of the individual to whom it relates)"

Lord Phillips of Sudbury: This group of amendments—Amendments 9, 10 and 11, in the name of the noble Earl, Lord Erroll, as well as mine—is partly probing and certainly simplifying. When I read Clause 4, I found myself completely baffled by quite a bit of it, especially subsection (3). Being a bit of an old lawyer warhorse, I just kept at it. I read it and reread it and I concluded that anyone suffering from insomnia should put subsection (3) by the side of the bed for 2 o'clock in the morning. If you read subsection (3) six times, I almost guarantee sleep. I shall read it for the sake of *Hansard*. It states:

"In subsection (2)(b) the reference to P or anyone else does not include, in the case of a document within subsection (1)(c), the individual to whom it relates".

I may be getting daft—I notice assenting groans from the noble Lord, Lord Bach—but I have tried in these amendments to clarify what that means. I am encouraged to do that because I am following Clause 4(2)(b) in the Identity Cards Act. I suspect that the parliamentary draftsman was trying to make things clearer by pulling out subsection (3) rather than allowing the sense of it to follow on from Clause 4(2)(b).

[LORD PHILLIPS OF SUDBURY]

In Clause 4(2)(a) and (b), we have a definition of what is called improper intention. That definition is, I think—and I have consulted the very helpful Bill team, and they agree—exhaustive of what improper intention is for the purpose of this very important clause. I do not see that paragraphs (a) and (b) are exhaustive of improper intention sufficient to base a prosecution under Clause 4(1). I am anxious that there should not be events of dishonesty around identity documents—the holding of them or whatever else. I do not want there to be loopholes where some clever barrister can say, “This may have been a dishonest act by my client but it is not within Clause 4(2)”.

My Amendment 10 would add a further paragraph which reads as follows:

“the intention of using or allowing or inducing another to use a document for any dishonest purpose”—

for any dishonest purpose. I cannot see why that much broader subsection can be offensive to the purport of the clause. Indeed, it may be argued—the noble Baroness may shortly argue—that my subsection renders superfluous paragraphs (a) and (b). If so, we have knocked out two paragraphs for the sake of one. On my reckoning, that is good going.

In another life, I was for 26 years Jimmy Young’s legal eagle, trying to explain to the baffled British public a little bit about the law of our land. If the amendments do anything to make it a bit clearer, I think that that is a job worth doing. I beg to move.

The Earl of Erroll: My Lords, I put my name to these amendments because I, too, had read the clause and got myself into complete confusion, so I thought that anything had to be better. I started trying to unravel this in my mind, and given that this challenge fell on a sleepless night, I thought that it might be quite interesting to try it.

What the noble Lord, Lord Phillips, has just said is true. The essence of it all is there is no point in having these laws if you cannot actually catch people. If we leave a loophole here, there is no point to a lot of the Bill. People will possess false identity documents and we will not be able to lock them up or punish them for it, and what is the point of the whole exercise if we cannot? It is critical that we get this clause right.

I read the amendment with interest. I thought that if I put some plain English in, that might help. I worked out that if person P, who is basically the crook, nicks my driving licence, which is covered by the wording Clause 4(1)(c),

“an identity document that relates to someone else”—

in other words, it relates to me—we then have to look at what he uses it for. On the question of “improper intention”, I was interested by the word “establishing”, and I would like an answer about that. Clause 4(2)(a) talks about,

“using the document for establishing personal information”.

Does that mean that, having grabbed my passport or driving licence, person P, in impersonating me, is trying to get information about himself on to the database so that he can establish and build up a false identity on the database that will take over my identity? In other words, is he changing my address to his own, and

things like that? If he sticks to driving licences, that is probably easier in the first instance because the checks are lower.

That is what the word “establishing” could mean, but equally it could be used in the other sense of person P ringing up to check that it is indeed my address. I do not know which way round “establishing” is meant. Is it active or passive? Is the crook pushing or pulling the information? That ambiguity could be dangerous. The word may be meant both ways, but lots of people are allowed to establish my personal details. A policeman, for example, needs to do so when he stops me and finds out whether mine is a genuine address. I do not know which way round the word is meant.

Then we come to the next bit, Clause 4(2)(b), which says that the crook can use the document to try to verify personal information about himself. Why would the crook want to verify personal information about himself? It is not personal information about the crook if he has established a new identity for me; it is actually personal information about a fictional person who appears to have my identity. I can see that we are going to have great fun about what is “personal information” with regard to a stolen identity.

So, we get into the little problem about verifying the personal identity of a person who does not exist, but then we come to Clause 4(3). I rewrote this myself to say that the actions detailed in subsection (2)(b) are not an improper use if my driving licence—the identity document mentioned in subsection (1)(c)—is used by the crook, person P, to verify my personal information, the person to whom it relates. In other words, it says that the crook can use that document to find out information about me. Okay, big deal. I do not see why that is so dodgy. That is the one exception that does not matter one way or the other. If that is not the case, I am not really sure what subsection (3) means and I would love to know, but that, after a lot of tortuous back and forth and rewriting, is what I arrived at.

The only other thing that occurred to me just now about improper intentions is that it is an improper intention,

“to have in P’s possession or under P’s control”.

This is where the matter becomes critical, because I know that the word “possession” has huge implications in law. You are in possession of a car if you have the car keys, from the point of view of drunk driving, whether you have an intention of using those car keys or not. If someone else has your shotgun but does not hold a certificate, and they drive 100 yards to get it back to your house because you have just fallen ill and have to go to hospital, they are in possession of that shotgun at that point without a proper certificate. So, if someone takes your driving licence off you in order to verify something about you, they are in possession of your driving licence at that point. I do not know if there are any issues around that, but as I was reading this I suddenly started thinking, “Hang on, we’ve got possession issues here as well”.

The whole thing is a ghastly muddle, and anything that could be done to sort it out would be better. Hence I back the amendments of the noble Lord, Lord Phillips of Sudbury.

6.45 pm

Lord Brooke of Sutton Mandeville: My Lords, sitting between the Cross Benches and my noble friend's Liberal Democrats, I have to confess that the difference between myself and them is that whereas they could not understand the Bill as it was originally written, I cannot understand it now that it has been rewritten by them. I grew up on childhood problems which involved Mr Black, Mr Brown, Mr Green and Mr White who lived in houses that were—but not necessarily respectively—green, white, brown and black. Then you were given a certain amount of information and you had to decide who was living in the right house. All I can say is that the Minister now constitutes my road to sanity because if she can explain what the original Bill meant and why this measure does not improve it, at least I shall sleep at night.

Lord Rosser: My Lords, some of the points made by the noble Lord, Lord Phillips of Sudbury, and the noble Earl, Lord Erroll, are interesting. Those are the points that I understood. Other points were made which—through my own ignorance, not their failure to explain them—I could not fully understand. I am extremely grateful that I am not left with the hapless task of having to respond to them. No doubt when we have heard the Minister's response, we will find out the validity or otherwise of the points that have been made. For people such as myself who are not lawyers and who do not profess to understand some fairly obscure wording, will the Minister please give the reasons why she is not accepting the amendments in a layman's terms, not a lawyer's? If she is accepting them, presumably there is no problem in that regard.

The Countess of Mar: My Lords, may I return to the report of the Joint Committee on Human Rights? It says, in relation to Clauses 4, 5 and 6:

“The practical use of these offences could engage the right to private life and we call on the Government to provide Parliament with a more detailed justification of why these offences are necessary and an explanation of what conduct is criminalised by these offences that is not already caught by existing legislation”.

I hope that the Minister will respond to that point as well.

Baroness Neville-Jones: My Lords, speaking as a non-lawyer, I hope that I may be able to give the noble Lord some comfort on this amendment. We certainly recognise that the intention of these amendments is to bring clarity to what might otherwise seem complex provisions of the Bill. As your Lordships will be aware, the provisions in Clause 4 re-enact the Identity Cards Act 2006. As the purpose of the Bill is to scrap the ID card scheme and destroy the NIR, that gives rise to questions about how we describe these offences and where we put them. However, law enforcement remains important. Last year, there were 3,000 convictions for offences under the 2006 Act. That is a significant number of successful prosecutions and the powers that are being re-enacted are being used on a daily basis by the police and other enforcement agencies and provide important operational tools to tackle fraud-related offences, so we are anxious to ensure that the law remains effective in this respect.

We do not see great benefit in considering amendments that are aimed at improving the clarity of the legislation which is successfully applied in the investigative and judicial enforcement stages of the criminal justice system. ACPO fully supports the retention of the existing powers. However—this is where I come to the next set of issues—we do not believe that everything should stand still. While re-enacting the provisions to maintain the effectiveness of tackling fraud, the coalition Government have undertaken to review the number of offences on the statute book and to consider the scope for repeal. Therefore, we are on the same track as noble Lords in wanting to ensure the appropriateness of the offences and the powers to ensure their enforcement.

Over this autumn, we will look at whether these offences should stand alone, or whether they can be accommodated within existing offences under fraud and counterfeiting legislation. I am aware that the offences in the Act derive in some part from the paper issued in 2004 by the previous Administration, entitled *Fraud Law Reform: Consultation on Proposals for Legislation*. We will examine the common ground, or overlap, that exists between the Identity Cards Act and other legislation to see if there is scope for simplification and rationalisation of the offences. I hope that this answers the noble Lord's point. We will undertake that work this autumn alongside colleagues in Wales, Scotland and Northern Ireland. It may be that in the end we decide that the offences should remain in place; but possibly they could be combined with others. Clearly there is an operational need for them, so the issue is how they are best described and where they are best placed.

While Amendments 9 and 11, tabled by the noble Lord, Lord Phillips, do not change the meaning of that provision, Amendment 10 does, because the effect is to widen the scope of the offence so that it is no longer limited—here, perhaps, there is a substantive disagreement—to the use of cards to establish aspects of the person's identity. The common factor in relation to all documents listed in Clause 7(1) is that they may be used as identity documents. It is the improper use of these documents as identity documents that the offence is targeting—nothing beyond that. Other dishonest uses to which the documents may be put are likely to be covered by other legislation. We are not neglecting the issue, but we do not see it as relevant to the Bill.

Obviously, this legislation is to get rid of the ID card system. In view of our intention to look at the law enforcement aspects and related offences, and bearing in mind in the mean time the need for these powers, I hope that the noble Lord will feel able to withdraw his amendment. I have no doubt that, in consideration of how we deal with these offences in future, his help and views will be greatly appreciated.

The Earl of Erroll: Would it be possible later to have a written explanation of what Clause 4(3) means? I am sure that I read it wrongly and it would be interesting to find out. Also, I do not know what “establishing” means in this context, and it would be nice to know that when I am asked by other people.

Baroness Neville-Jones: My Lords, Clause 4(3) excludes the scenario where a person uses another's card to establish personal information about the other person.

[BARONESS NEVILLE-JONES]

It would allow a carer, for example, to assist an elderly relative by using that person's document to collect a parcel or avail themselves of a service on behalf of that person. In other words, that is a perfectly proper intention—what is intended to be excluded is improper intention. The term “establishing” could have two meanings, as suggested. It could mean proving certain facts, or finding out certain facts.

Lord Phillips of Sudbury: My Lords, the Minister has—I nearly said “dealt manfully”, but that would not be right—dealt with her usual sophisticated aplomb with this impossible matter. One wonders whether, for a provision in a Bill such as this, our methods are adequate. I suspect that if one could have a conversation, one might get further. In moving the amendment, I thought that I made it clear that Amendments 9 and 11 do not alter to the meaning of that provision, but just make clearer—

Baroness Neville-Jones: Indeed—I may not have spoken clearly. I did indeed say—at least I thought that I said—that we are in entire agreement that these two amendments do not change the sense of the provision.

Lord Phillips of Sudbury: I am grateful for that, but I shall still come back to the point. The noble Baroness said that Clause 4 is a re-enactment of the provision in the Identity Cards Act 2006. This part of the clause diverges from the 2006 Act in a seriously unhelpful way. The changes mean that there has been a shift into subsection (3) of the language that is there. The noble Baroness did her best to explain it, but all I can do is to go back to the 2006 Act, which is better and clearer on the point. In withdrawing the amendment, I would ask the noble Baroness if she would think a little more about it before we come to the next stage.

I want to make one other point. The noble Baroness made the important point that my attempt to create in Amendment 10 through proposed new paragraph (c) a catch-all provision in terms of the definition of improper intention was unnecessary. However, she was less than categorical. I would be comforted if she and her advisers would put their thinking caps on and make sure that that is the case. I ask that because I am still worried that paragraphs (a) and (b), which provide the exhaustive definition of improper intention, would not catch circumstances where the Government would wish there to be an offence in terms of the possession of false identity documents. However, as I say, we are all reassured by the review that is to be undertaken in what is a very difficult field.

The Earl of Erroll: It may assist the Committee at the next of the stage of the Bill if I say that subsection (3), which the Government may look at again, is probably otiose. It is only an offence for person P, with improper intention, to have in P's possession. The defence just stated was “not with improper intention”. A carer trying to collect a parcel has no improper intention. It means that either we have “improper intention” wrong or subsection (3) is otiose. I still believe that this should be taken back so that people can think about it.

Baroness Hamwee: The part of the noble Baroness's argument that I found conclusive was that this clause reproduces existing offences, so I relaxed after that. But my noble friend has been diligent in looking back at the 2006 Act and, indeed, as he says, it is different. If the Government are concerned—I support them entirely in this—not to undermine what has been established through case law, then I think that the Committee would be interested to learn the reasons for the changes. This clause is noticeably shorter than the section in the 2006 Act. If there has been a well-intentioned effort to compress it, quite apart from the confusion that I too have been caused, there are dangers inherent in changing the language, in however minute a fashion.

7 pm

Lord Phillips of Sudbury: On that basis and with the prospect of some further conversation before Report, I beg leave to withdraw the amendment.

Amendment 9 withdrawn.

Amendments 10 and 11 not moved.

Clause 4 agreed.

Clause 5 agreed.

Amendment 12

Moved by Lord Brett

12: After Clause 5, insert the following new Clause—

“Identity fraud

(1) The Secretary of State must lay before Parliament a report on the impact of the repeal of the Identity Cards Act 2006 on combating identity fraud and the lessons learnt from the operation of the identity cards scheme.

(2) The Secretary of State must lay the report before Parliament within one year of the coming into force of this Act.”

Lord Brett: My Lords, the contribution of the Minister in the previous debate has provided a purpose for putting down this probing amendment and, possibly, a small part of the answer. I do not think that anyone would argue the point that identity fraud is increasing. It is very troublesome for those who are victims of it, as well as for retailers and those in business who are misled into dealing with people who are not the genuine persons with whom they believed that they were dealing. The previous Government believed that the ID card was a valuable tool in that regard.

I was moved to put down this amendment by a case which shows that the identity card has great value; that is, for a person whose identity has been stolen. A colleague of mine moved flats. Someone collected the mail that was delivered later, stole the identity of the person concerned and purchased a cell phone or such like. The case was investigated, which took time and trouble, and it was resolved—except that the person was not caught. Time and again during the next two years, he or she continued to use that identity. On each occasion—whether a retailer or a utility company was involved—my colleague had great trouble going through all the rigmarole of proving her identity by supplying

documentation from a number of sources. The identity card would have proved simply who she was for the benefit of anyone involved and for her own peace of mind.

We can argue the degree to which the ID card was of value in fraud detection, but I do not think that we can say that it would not have been of great help in this case of identity fraud. We know that the National Fraud Authority and our national intelligence bodies, under Home Office supervision, are looking at some form of national strategy. I presume—no doubt the Minister will correct me if I am wrong—that that is part of the review of which she spoke. This amendment seeks a commitment from the Government to tackle the growing crime of identity fraud; to evaluate, in the absence of having the identity card, what other measures need to be put in place; to learn the lessons; and to report to Parliament. That would provide, in time, a review that we can meaningfully look at in relation to what we know the identity card could have provided; and, more importantly, in its absence, to the alternatives.

It is always terrible to have your house broken into: you feel violated. It has happened again and again to this individual and it got to the stage where her health was really suffering. If nothing happened this week, her fear was that it would happen the next week. Each time it happened was that much worse. I believe that in this case, an ID card of the kind that we have in law would have helped the victim considerably. More importantly, as the Minister said, the central purpose of the legislation before us is to remove ID cards. I seek the assurances set out in this amendment, if not in the form in which they are written then at least in terms of the spirit and intention behind them.

Lord Phillips of Sudbury: My Lords, Amendment 19 is in my name and that of the noble Earl, Lord Erroll. The provision is covered by Clauses 22 and 23 of the Identity Cards Act. The only difference is that that constitutes 60 lines of legislation, with 14 subsections, whereas my amendment is infinitely more modest. I would like to think that its modesty and open-textured nature is a plus and not a minus. I well appreciate that the dismantling of the identity card scheme is not the same as its creation. Some may think that this is superfluous and that it is enough to rely on the statements that the Minister has made about what the Government may do. I take a cautious view about that. With issues of citizens' basic rights, it is incumbent on us as legislators to be cautious. I also have in mind the fact that the noble Baroness is here today but may be gone tomorrow.

Baroness Neville-Jones: I hope not.

Lord Phillips of Sudbury: Of course, to higher and greater things. It is notorious in our system that Ministers remain in post for less than two years, and that one Minister does not feel bound by the statements of another. If anyone doubts that, I can give them half a dozen chapters and verses now. Therefore, the soft soap, even from the mouth of as distinguished a Minister as the noble Baroness, is not enough where one is dealing with issues of citizens' basic rights. For

this side of the House, and no less for Members opposite, the destruction of the national identity register is a crucial matter. If ever there was a situation where somebody beyond the Minister is needed to give reassurance that what has to be done has been properly done, this is it.

Subsection (2) of the proposed new clause requires the independent person appointed to review the arrangements to make an annual report of his or her findings not just to the Secretary of State but also contemporaneously to Parliament. That ensures that the absence of specifics in the proposed new clause is adequate, because any independent reviewer, because they know that they have to report to Parliament as well as to the Secretary of State, will be on their mettle.

I finish by saying that this deals in the Bill with a number of anxieties expressed by the Joint Committee on Human Rights when it reported in October. For example, it stated that,

“the Government should report to Parliament on the progress towards the destruction of this information and the decommissioning of the NIR”.

It says that “the Government” should report. However, as I have attempted to justify, it should go a step further. The committee made other recommendations, particularly with regard to Clause 10, which entitles the Secretary of State to require verification information from not only a long list of government bodies, but from others; and, in subsection (10), gives discretion to the Secretary of State to disapply subsections (8) and (9). Subsection (8) requires that information in relation to passports should be destroyed no later than 28 days after the passport is issued. Subsection (9) contains another provision related to that. The clause gives discretion to the Secretary of State to disapply those subsections where he or she thinks it is “desirable” for the purposes of preventing or detecting crime and so on. That is fair enough, provided there is an independent reviewer who can look at that and make sure that no slackness has entered the system, and that any use of the discretions in the clause has been sensible and justifiable.

Finally, the Joint Committee expressed concern about the proportionality of some of the rights given to the Secretary of State by the Bill. For those reasons, I commend Amendment 19, and the inclusion of an independent review in the Bill. I beg to move.

The Deputy Chairman of Committees (Lord Faulkner of Worcester): I hope that the noble Lord, Lord Phillips, will forgive me. The Committee is considering Amendment 12, and Amendment 19 is grouped with it. I assume that what the noble Lord is doing is speaking to his amendment, not moving it.

Lord Phillips of Sudbury: Indeed he is. I apologise.

The Earl of Erroll: I thought we had leapt ahead of ourselves for a moment; it was great. I also put my name down to Amendment 19 because it is always important to have independent scrutiny. It makes people feel much happier and much safer. I do not see that in this case it needs to be very expensive; you do not need

[THE EARL OF ERROLL]

a huge office, a huge outside body or anything like that. Public confidence can otherwise be destroyed. Sometimes things go wrong, so it feels much happier having external independent scrutiny. We forget that at our peril.

Having someone reporting up the same chain of command to the same boss is never quite the same as getting a report straight out to Parliament. On something like this, which potentially involves civil liberties and citizens' rights, it is very important to have a direct report to Parliament, which is outside the normal chain of command, just in case. It is not that I mistrust any of the people in the system; they are trying to do a good job under difficult circumstances, particularly as the politics of it are shifting and changing on a monthly basis. There is no bad will on my part. Rather, we should always do this as a matter of principle, and it is dangerous to start not doing it.

Something the noble Lord, Lord Phillips, read out reminded me of the phrase in RIPA,

“for the purpose of preventing or detecting crime”.

That was the general-purpose provision that was slotted into RIPA. We were told that the Act would apply only to serious and organised crime but it ended up with local councils using it for other things. At that point, everyone realised that we had a political problem on our hands because uses can change. There could be similar issues buried within the Bill that I remember noticing when I first went through it but then forgot about.

Baroness Hamwee: We have an amendment on that later.

The Earl of Erroll: Absolutely. It is important to have an external view of these things that will report directly to Parliament, because it is our duty to protect the rights of citizens against the Executive.

Lord Rosser: My Lords, I want to speak to my noble friend Lord Brett's amendment as well as to the amendments of the noble Lord, Lord Phillips of Sudbury, and the noble Earl, Lord Erroll, which seem to raise a different issue. Primarily, though, I shall address my comments to the issue of identity fraud, which is raised in my noble friend's amendment.

I think that it was on Second Reading that my noble friend Lord Bach pointed out that ID fraud is one of the UK's fastest growing crimes, with nearly 2 million people a year falling victim to it and it costing the country some £2.7 billion. A huge proportion of people are affected; more than nine out of 10 people in the UK consider themselves to be at risk from identity fraud.

Minimising the paper trail of one's identity details is an important part of facing up to the threat of fraud, and ID cards helped to do that, as the evidence that was presented in another place by the representative from the Manchester Airport group and the comments made today by my noble friend Lord Brett have indicated. The ID card scheme, of course, did not provide a panacea when it came to addressing identity fraud.

The cards offered some help in that area, and we feel it is important that that is acknowledged, but with regard to, for example, identity fraud committed online, the ID card did not offer added security.

My noble friend's amendment calls on the Government to produce a report on the lessons learnt for tackling identity fraud from the ID card scheme and its cancellation. It is interesting to refer back to the evidence given by the representative from the Manchester Airport Group to the committee in another place. I draw attention once again to points that he made. He said that the benefit that they got from the system was that they were absolutely sure that the person who was standing in the pass office was the right person. He was asked by committee members whether it might have been possible to achieve some of the benefits by other means—which is also important in relation to the amendment—for example, by using passports. He said that, yes, that was something that they would like to hold on to, but added:

“At the moment we are not getting very positive indications that that would be possible, but we will keep pushing”.

Later, he was asked whether he was saying that some of the innovative ideas in the identity card scheme could be replicated using the passport database or something similar. He said:

“I believe that if there is a will to do that, yes, we can. At the moment we are not actually feeling that will, but I believe that it is possible”.—[*Official Report*, Commons, Identity Documents Bill Committee, 29/6/10; cols. 29-30.]

Those observations suggest that there would be real benefit in having a report on the impact on combating identity fraud of the repeal—as that is the intention—of the Identity Cards Act 2006. The comments made in that evidence certainly suggested that the scheme had benefits, but that some of them might be achieved in other ways if it was scrapped. It is a case of looking not just at what may have been lost but at whether the benefits which were worth keeping, particularly relating to identity fraud, could continue to be achieved by other means. Reference was made in the evidence to the use of the passport database.

At page 7, paragraph 15 the impact assessment states:

“For Government and business, the benefits were expected to derive from simpler, quicker business processes and reduced cost of identity related fraud. However, the realisation of benefits depends very strongly upon high take-up rates for the card, because these are the key to engaging public and private sector organisations in offering card-based services”.

The point has been made that there was not a very high take-up; the system had only just come in. However, in the Government's impact assessment there is a clear recognition that the identity card scheme could produce benefits for government and business by reducing the cost of identity-related fraud. Once again, that would seem to be an argument for the Minister to accept the amendment moved by my noble friend Lord Brett, which simply calls for a report on the impact of the repeal of the Act on combating identity fraud.

The noble Baroness told the House on Second Reading that an action plan was being developed by the National Fraud Authority and the National Fraud Intelligence Bureau, following their strategic threat assessment of the harm impact of identity crime, and

that that was being overseen by the Home Office. If there is an exercise or if an action plan is already in the process of being drawn up, it is surely not irrelevant to look at the impact of the repeal of the Identity Cards Act 2006 on combating identity fraud and the lessons learnt from the operation of the scheme. Once again, I say, particularly given some of the evidence presented in the other place and the statement in the Government's impact assessment, that there would have been benefits in relation to identity fraud—albeit that of course I accept that the document said that that would relate to a high take-up of the cards.

Can the Minister tell us any more about the action plan—obviously, not the details of what is in it but the progress being made, what it might involve and when we might hear more about it? I also take this opportunity to ask whether, as part of the action plan, the Government are following the rollout of the new generation of identity documentation in Germany, which will include the radio frequency identity chip—which, as I understand it, will facilitate secure online transactions. At least, that is the theory; whether it does in practice is presumably something that still must be seen. Does the Minister think that anything can be learnt from that new technology to address the very serious problem, which everybody recognises, of identity fraud?

I hope that the Minister will feel able to accept these amendments. My comments are mainly related to the amendment moved by my noble friend Lord Brett, as clearly everyone has an interest in devoting the maximum resources and the maximum amount of information gained from operating other relevant schemes to trying to combat identity fraud.

7.15 pm

The Countess of Mar: My Lords, I not normally in favour of reports being put before Parliament. We have far too many reports and most of them lie unread on dusty shelves. The argument put forward about identity fraud is a question of proportionality. I understand that a very high proportion of identity fraud—up to 90 per cent—is internet fraud, although I am not exactly sure of the figure. Identity cards would do nothing to prevent that. However, I support the call for a report to be made to Parliament in the amendment of the noble Lord, Lord Phillips, and of the noble Earl, Lord Erroll, because of the human rights implications. I do not wish to detain the Committee for long, but those are my concerns.

Baroness Neville-Jones: My Lords, we are discussing two akin but not entirely identical amendments. I shall deal with them separately. The substantive point that is being made concerns the importance of combating fraud and identity fraud. I say straight away to noble Lords that the Government take fraud and identity fraud extremely seriously. The noble Lord opposite quoted something that I said relatively recently in the House. That reflects the Government's preoccupation with organised crime generally, and particularly with fraud and identity fraud. I assure the Committee that this is being pursued with purposive intent and as speedily as possible. We need to get a good strategy together but we are hoping to publish a cybercrime strategy that goes to the heart of these issues by the

end of the year. Therefore, there is no lack of purpose and attention being given to what we entirely agree is a very important issue that poses a growing threat to the prosperity of this country if it is not tackled effectively. Of course, it also has national security implications. I think that the issue which divides us is the question of whether the Bill is the right way to tackle that. I cannot see that what is proposed would greatly add to our knowledge but it would certainly add to complexity and cost.

The purpose of Amendment 12 is to hold the Government to account for something that will no longer exist. It would require resources to be committed to determining, in effect, why ID cards were not successful. However, the offences relating to identity fraud are being re-enacted; we are not letting them drop. The impact of identity fraud will continue to be monitored through the crime statistics. We are pursuing the evil of identity fraud in government policy. We therefore consider that we are on the case, but we are against the setting up of yet a further quango to monitor it. There is nothing between us on the importance of the issue but we do not think that this is the right vehicle with which to pursue it; it would add complexity but not value.

On the other amendment, we are similarly concerned about the implications because again this proposal would add to the bureaucracy on how the Government report on offences within the existing passport process. The proposals would involve the creation of a new post to oversee arrangements for the use and retention of data in connection with passport applications. I have to say that we already have the Office of the Information Commissioner. The IPS, like any other organisation, is required to comply with data protection. It is also required to comply with the provisions of the Bill when it is enacted and is subject to the rigours of government audit procedures. This Government have undertaken to report in detail to Parliament on all the processes.

Lord Phillips of Sudbury: I am sorry to interrupt the Minister's flow. She has just made an important statement, which is that the Information Commissioner has a duty. The question is whether the duty of the Information Commissioner extends to the Government dismantling the national identity register. If it does, most of my concerns will go away. Can the Minister assure me of that?

Baroness Neville-Jones: The Information Commissioner needs to be satisfied that the destruction process has been proper, thorough and complete. That is why we are in touch with the Information Commissioner. We really do not see the need for yet another layer of oversight that could get in the way of the exercise of his functions. In fact, it would duplicate what he is already charged to do—effectively, I would hope.

I would also say that the Government are committed to transparency in this process. We have nothing to hide and we are absolutely committed to the citizen's rights in the matter. While I realise that I might not last for ever—the thought of being translated to a higher place is rather worrying—nevertheless, I will

[BARONESS NEVILLE-JONES]

say with absolute confidence that this Government, whether I am in your Lordships' House or not, are committed to ensuring that this process is carried out properly and that there is no doubt about its integrity and thoroughness. I hope that, in the light of my comments, the noble Lord will feel able to withdraw his amendment.

Lord Brett: My Lords, personally I am sure that the reference by the noble Baroness to a higher place was simply to a more senior position in the Government, if only because I am not sure that anyone who is a politician can hope to go to heaven.

I am disappointed with the Minister's reply. I do not think that we are looking for bureaucracy in the amendment I have tabled. I believe that the Government are just as concerned as the previous Government were about issues of identity fraud and we know that things would have come from the identity card scheme that would have helped. However, it is not to be persevered with and we have been told that a plan is to be put together by the end of this year. The Bill requires a report to be made only within one year.

I would have thought that, without too much bureaucracy, it would be possible to look at the extent to which the Bill will provide for those things that were provided for by the various parts of the Identity Cards Act, particularly in relation to individual identity fraud. We have seen that, online, someone's identity might be used again and again.

So, I am disappointed, but I hope that between now and Report, the Minister will look at this again with her advisers. Transparency requires other people to be able to see something. In some ways, the only people who can report back with all the facts at their command, which we can then scrutinise, are the Government. Even at this stage, I hope that the noble Baroness will feel able to reconsider the matter. In the mean time, I shall withdraw the amendment.

Amendment 12 withdrawn.

Earl Attlee: My Lords, this may be a convenient moment to adjourn the Committee until Wednesday next at 3.45 pm.

Committee adjourned at 7.29 pm.

Written Statements

Monday 1 November 2010

EU: General Affairs and Foreign Affairs Council

Statement

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): My honourable friend the Minister of State (David Lidington) has made the following Written Ministerial Statement.

The General Affairs Council and Foreign Affairs Council were held on 25 October in Luxembourg. The UK was represented by my right honourable friend the Foreign Secretary (William Hague) and myself.

The agenda items covered were as follows:

General Affairs Council (GAC)

The full text of all conclusions adopted can be found at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/117366.pdf.

Follow-up to the September European Council

The Commissioner for Inter-Institutional Relations and Administration (Sefcovic) briefed on EU 2020, covering the ongoing dialogue with member states on their national reform programmes which are due for submission in November.

I and others raised Pakistan and the importance of delivery on trade and development assistance commitments made at the September European Council. The Foreign Secretary repeated the call later at the FAC.

October European Council

Ministers discussed at length the issue of the task force on economic governance and possible treaty change at both the GAC session on 25 October, and the ministerial dinner with the President of the European Council (Van Rompuy) on 24 October.

Some Ministers made the case for treaty change, arguing that sanctions were integral to any agreement on the crisis resolution mechanism—and that political sanctions would have more clout than financial ones. Others called for greater consultation and transparency, and argued that the EU should avoid appearing divided on the question.

I underlined the importance to the UK of stability in the eurozone, and that it was therefore right that eurozone members strengthened governance arrangements within the eurozone. I stressed that the UK would not be part of any permanent crisis resolution mechanism and that sanctions would not apply to the UK. I undertook to look closely at what was proposed, but as the Prime Minister had already made clear, we would not support anything that involved a transfer of powers from Westminster to Brussels. Many backed my call for an indicative text to be circulated in advance of the European Council. The presidency concluded by saying that this discussion would continue with heads at the European Council on 28 and 29 October.

There was a brief exchange on the EU position for the G20 summit in Seoul on 11 and 12 November where I pressed for more ambitious language on the Doha negotiations. On climate change, some Ministers expressed concern about the prospects for the UN framework convention to be held in Cancun from 29 November to 10 December. I emphasised the need to be clear about any conditions we should attach to any second Kyoto commitment period.

On the EU's approach to third-country summits, I and a number of other Ministers argued that conclusions from the summits should focus on clear deliverables. On the EU-US summit, many supported my call for a reinvigorated Transatlantic Economic Council with clear tasks. I also proposed including language on Pakistan. Ministers continued their discussions on third-country summits over lunch at the FAC.

Enlargement/Serbia

Conclusions were adopted that agreed to forward Serbia's membership application to the Commission, while emphasising, inter alia, the importance of co-operation with the International Criminal Tribunal for the former Yugoslavia (ICTY), the need for constructive regional co-operation, and the importance of progress in the process of dialogue between Belgrade and Pristina.

External Action Service (EAS)

The Council gave political approval to the final EAS decisions on the staff and financial regulations and the 2011 Budget, with formal adoption expected after necessary legal procedures have been completed. Additionally, Baroness Ashton announced the appointments of Pierre Vimont as executive secretary general and David O'Sullivan as chief operating officer of the EAS.

Foreign Affairs Council (FAC)

The full text of all conclusions adopted, including "A" points, can be found at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/117367.pdf.

Union for the Mediterranean

Baroness Ashton set out proposals for a one-year transitional arrangement for the EU co-presidency of the Union for the Mediterranean. In response to concerns set out by the Foreign Secretary and others, Baroness Ashton agreed to look again at the proposals with the aim of reaching agreement on a legal basis acceptable to all member states before the 21 November summit.

Middle East Peace Process/Lebanon

Baroness Ashton briefed on her contacts with the US over the EU's role in supporting the US-led peace efforts. Following a discussion, she concluded that the EU needed to continue its influencing work with key international stakeholders and its support for Palestinian state-building and Gaza access and exports. Ministers agreed to reaffirm the EU's support for the special tribunal for Lebanon.

Cuba

Ministers exchanged views on options for the EU's approach towards Cuba. They agreed to task Baroness Ashton to reflect on this, working within the EU's common position, and report back to Ministers at a later date.

Sahel

Discussions on the Sahel region focused on the security risks it posed for both the region and Europe. Ministers adopted conclusions tasking Baroness Ashton, in liaison with the Commission, to elaborate a Sahel strategy by the beginning of next year.

European Neighbourhood Policy (ENP)

The Commissioner for Enlargement (Fule) briefed Ministers on developments for reforming the ENP. The ENP review should culminate with a ministerial conference with ENP partners in February 2011. The UK emphasised that the door to EU enlargement must be kept open for partners that met the criteria. Although ENP was not a pre-accession instrument, it nevertheless provided a framework to prepare partners for eventual membership.

Iran

Ministers agreed an EU regulation implementing sanctions against Iran's nuclear programme.

Independent Public Services Pensions Commission

Statement

The Commercial Secretary to the Treasury (Lord Sassoon): My right honourable friend the Chief Secretary to the Treasury (Danny Alexander) has today made the following Written Ministerial Statement.

Lord Hutton has today published a further call for evidence, which has been deposited in the Libraries of both Houses.

Periodic updates of the commission's work will be made available through the website located at http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm.

Iraq

Statement

The Parliamentary Under-Secretary of State, Ministry of Defence (Lord Astor of Haver): My honourable friend the Minister of State for the Armed Forces (Nick Harvey) has made the following Written Ministerial Statement.

In March my predecessor announced the intention of the previous Government to set up a dedicated Iraq Historic Allegations Team (IHAT) to investigate

allegations of abuse of Iraqi citizens by British service personnel that have been brought to the Ministry of Defence's attention. The Government have endorsed the continuation of this approach, and we are determined to ensure that these allegations are investigated thoroughly and as quickly as possible.

I would like to inform the House that the IHAT now has a full investigative capability and has commenced work. The team is led by a retired senior civilian policeman and consists of military and ex-civilian police detectives who will ensure that each allegation is appropriately investigated. Given the volume of allegations and the complexity of investigating the events in question, we anticipate that it will take around two years to complete the work of the IHAT.

There are those that argue that the Government should hold a public inquiry into these unproven allegations now—we disagree. A costly public inquiry would be unable to investigate individual criminal behaviour or impose punishments. Any such inquiry would arguably therefore not be in the best interests of the individual complainants who have raised these allegations. Nevertheless, the Secretary of State for Defence has not ruled out holding a public inquiry at some point in the future, should serious and systemic issues emerge from IHAT's investigations that might justify it.

The establishment of the IHAT should not be taken as an admission of fault or failure. These allegations are as yet unproven, but their existence is corrosive to both the morale and reputation of our Armed Forces. We owe it to them, and the complainants, properly to investigate these allegations and that is exactly what the IHAT has now started to do.

Office for Budget Responsibility

Statement

The Commercial Secretary to the Treasury (Lord Sassoon): My honourable friend the Economic Secretary to the Treasury (Justine Greening) has today made the following Written Ministerial Statement.

The Government have today responded to the Treasury Select Committee report on the Office for Budget Responsibility (OBR). Copies are available in the Vote Office and the Library. The Government are grateful to the committee for its assistance in establishing the OBR and the legislation that is now before the House reflects many of the committee's recommendations.

Written Answers

Monday 1 November 2010

Africa: Malaria

Question

Asked by *Lord Taylor of Warwick*

To ask Her Majesty's Government what plans they have to provide more aid to combat malaria in Africa. [HL3044]

Baroness Verma: The UK Government are committed to reducing malaria deaths by at least 50 per cent in at least 10 high burden countries by 2015. The Government have committed to spend up to £500 million per year by 2014 on malaria control, compared to £147 million in 2008-09.

Detailed plans setting out how we will achieve this will be available during the first quarter of 2011 following the outcomes of the bilateral and multilateral aid reviews. As nearly 90 per cent of global malaria deaths in 2008 occurred in Africa, it is likely that a significant proportion of our malaria work will focus on Africa.

Anti-social Behaviour

Question

Asked by *Lord Taylor of Warwick*

To ask Her Majesty's Government what steps they are taking to deal with anti-social behaviour. [HL2855]

Earl Attlee: Anti-social behaviour is unacceptable and the Government are clear that tackling ASB must be priority for all local agencies, including the police, which need to act against this problem wherever it occurs.

The public rightly expect to see it tackled quickly and effectively, which is why we expect the police and other agencies to stop treating ASB as something normal that should be tolerated.

The Government's role is to ensure that professionals have the freedom and tools to focus on the priorities that matter most to communities, to highlight good ideas and to remove the bureaucracy that gets in the way of people getting involved.

On 28 July the Government announced changes in the way anti-social behaviour is tackled, including a review of the tools and powers that are available to police forces and other agencies to deal with anti-social, to provide them with a toolkit that is less bureaucratic and provides a real deterrent. We will bring forward detailed proposals in due course.

Armed Forces: A400M

Question

Asked by *Lord Gilbert*

To ask Her Majesty's Government how many orders for the A400M aircraft have been received from non-consortium countries (a) in NATO, and (b) not in NATO. [HL3007]

The Parliamentary Under-Secretary of State, Ministry of Defence (Lord Astor of Hever): Currently there are no additional orders for A400M aircraft from NATO members who are not also one of the A400M launch nations.

Of non-NATO countries, an order for four A400M aircraft has been received from Malaysia.

Armed Forces: Military Diplomacy

Question

Asked by *Lord Boateng*

To ask Her Majesty's Government what funding for military diplomacy is provided by (a) the Ministry of Defence, and (b) the Foreign and Commonwealth Office; and how much was provided by each department in (1) 1979, (2) 1987, (3) 1997, and (4) 2005. [HL3048]

The Parliamentary Under-Secretary of State, Ministry of Defence (Lord Astor of Hever): The following table shows Ministry of Defence (MoD) funding for the Defence Attaché and Adviser Network from 1997 to the present day; details of funding prior to this time are not held centrally and could be obtained only at disproportionate cost.

Financial Year	£ million
1997-98	22.071
2005-06	29.084
2010-11	38.426

The above figures do not include costs associated with the British Defence Section in Washington, nor do they include costs associated with operational expenditure in the defence sections in Iraq and Afghanistan.

Prior to 1 April 2008, the Foreign and Commonwealth Office (FCO) did not charge the MoD for the direct and indirect costs the FCO incurred in accommodating our defence attachés and their support staff in offices in high commissions and embassies and in residential accommodation for defence attachés, their military and UK-based civil servants. As FCO costs associated with defence attachés were not separately identified, the FCO has been unable to provide a breakdown for the period prior to 1 April 2008, albeit the estimated total cost to the FCO for defence attachés in financial year 2007-08 was £15 million—this included both direct and indirect costs. From 1 April 2008, the FCO has charged the MoD for these costs. The MoD, together with other partners across government, signed a service level agreement with the FCO agreeing to pay full economic costs for the provision of office accommodation, residential housing and FCO management support costs. The MoD negotiated with the FCO a capped cost for a three year transitional period to pay £10.5 million in financial year 2008-09 and £12 million for financial years 2009-10 and 2010-11. The MoD signed an interdepartmental agreement with FCO covering these transitional arrangements.

Artists' Resale Right

Questions

Asked by Lord Freyberg

To ask Her Majesty's Government whether they will review the transparency of the working practices of the artists' resale rights collecting societies and their use of funds retained for administrative costs.

[HL3333]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): The statutory framework for the collection of resale right is set out in artist's resale right directive 2001/84/EC directive, and implemented into UK legislation by the Artist's Resale Right Regulations 2006 (as amended in 2009). The working practices of the collecting societies are matters for the societies themselves in the first instance. The level of funds retained for administration will be a matter for the societies and their members. The Government have no current plans to review these arrangements.

Asked by Lord Freyberg

To ask Her Majesty's Government whether artists' resale rights collecting societies in the United Kingdom operate differently from those in other European Union member states.

[HL3334]

Baroness Wilcox: Resale right is harmonised within Europe, the only significant variation being between those countries that do not currently collect the right on behalf of deceased artists (UK, Austria, Ireland, Netherlands and Malta) and the remaining member states where implementation has taken place in full.

The artist's resale right directive 2001/84/EC directive, sets the framework for implementation of the right and collection arrangements in all European member states. Local legislative requirements will lead to some minor differences of implementation, but the overall mechanism is set by the directive and will be the same in all territories.

Asylum Seekers: Housing

Questions

Asked by Lord Hunt of Kings Heath

To ask Her Majesty's Government what action they will take following the decision of Birmingham City Council to stop providing housing for asylum seekers.

[HL2722]

The Minister of State, Home Office (Baroness Neville-Jones): The UK Border Agency is currently undertaking a national exercise to extend some of the current accommodation contracts for a further year. Proposals to extend contracts post 2011 have been received from the West Midlands Consortium and other private sector providers operating in the West Midlands. We are currently evaluating and reviewing these proposals.

UKBA is confident that alternative accommodation providers will be able to make suitable accommodation available for eligible asylum seekers in Birmingham and in other areas of the West Midlands when Birmingham City Council stops providing housing for asylum seekers under this contract.

Asked by Lord Hunt of Kings Heath

To ask Her Majesty's Government whether they were consulted by Birmingham City Council over its decision to stop providing housing for asylum seekers.

[HL2723]

Earl Attlee: There was no formal consultation, but the UK Border Agency was aware that Birmingham City Council was considering its position.

Banking

Questions

Asked by Lord Myners

To ask Her Majesty's Government whether they are content with the progress being made by United Kingdom banks towards producing recovery and resolution plans, known as "Living Wills".

[HL2758]

The Commercial Secretary to the Treasury (Lord Sassoon): The Financial Services Authority (FSA) is running a pilot programme involving a number of UK banks drawing up draft recovery and resolution plans (RRPs) to inform policy development. Good progress is being made by these firms and the lessons learnt are being fed in to the domestic, EU and G20 policy-making processes. However, this is an iterative process involving complex global financial institutions and will continue into next year. The FSA is expected to begin consultation on the RRP's at the end of the year.

Asked by Lord Myners

To ask Her Majesty's Government how many United Kingdom banks are currently in receipt of taxpayer support through HM Treasury's deposit guarantee scheme and the Bank of England special liquidity scheme.

[HL2763]

Lord Sassoon: In March 2010, following the closure of the drawdown window for new issuance under the credit guarantee scheme, the Treasury published a short report that includes a list of participating institutions. The full report can be found on the Debt Management Office's website at www.dmo.gov.uk. The number of institutions that had issued debt under the scheme at that time stood at 14, although some of these have subsequently merged.

The special liquidity scheme (SLS) is a Bank of England scheme. The Bank does not intend to provide regular commentary on the scheme but will make announcements where it is deemed appropriate. The Bank announced in the market notice of 3 February 2009 that the number of banks and building societies that accessed the SLS was 32. The relevant market notice can be found at <http://www.bankofengland.co.uk/markets/marketnotice090203c.pdf>.

Asked by Lord Myners

To ask Her Majesty's Government what steps they are taking to ensure that a highly concentrated retail banking sector does not pass the cost of the proposed banking levy to customers through lower deposit interest rates or higher charges for borrowing.

[HL2847]

Lord Sassoon: The bank levy has been designed specifically to target risky short-term funding which led to serious liquidity problems that played a key role in the financial crisis. By design, the levy is not charged on insured customer deposits and only applies at half-rate to uninsured customer deposits (except for those from financial institutions) and funding (which has over one year remaining to maturity). The levy therefore ensures that banks make a contribution reflective of the risks they pose to the UK financial system and wider economy. The treatment of deposits also reflects the general desirability of encouraging banks to increase the proportion of their funding from deposits.

The Government are also clear that competition drives efficiency and helps to ensure that consumers are able to access the wide range of financial products that they need. As part of its remit, the Independent Commission on Banking will look at the state of competition in the industry and how customers and taxpayers can be sure of the best deal.

Asked by Lord Myners

To ask Her Majesty's Government whether, in formulating the United Kingdom's bank levy, they propose to take into account retail deposits held by United Kingdom banks which are not covered by formal deposit insurance schemes. [HL2848]

Lord Sassoon: The Government published their response to the consultation on the bank levy on 21 October. This document stated:

"The deposits exemption will apply to deposits covered by a statutory or State-run guarantee or insurance scheme. In addition, any deposits not otherwise excluded (except for those from financial institutions) will be subject to the half rate in the same way as longer maturity liabilities" (page 5, *Bank Levy: A Consultation Response*).

Asked by Lord Myners

To ask Her Majesty's Government whether the maturity of puttable bank deposits and funding instruments will be determined for liquidity purposes by the final redemption date or the first date at which the put can be exercised. [HL2849]

Lord Sassoon: Questions of design of UK liquidity regulation are a matter for the Financial Services Authority (FSA). The FSA has confirmed that the maturity of puttable bank deposits and funding instruments is being determined for liquidity purposes by the first date at which the put can be exercised.

Asked by Lord Myners

To ask Her Majesty's Government whether they will require major banks to maintain significantly higher minimum capital requirements than those proposed under Basel III by the Basel Committee on Banking Supervision. [HL2967]

Lord Sassoon: The supervision of individual institutions and system-wide regulatory requirements are determined by the Financial Services Authority, an independent body.

At an international level, the Group of Central Bank Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, recently delivered a historic and crucial set of reforms that will substantially increase financial stability. The Basel package (Basel III) includes more and better quality bank capital and, for the first time, internationally agreed liquidity standards, in addition to a leverage ratio.

Basel III will be implemented in the UK through EU law, specifically the capital requirements directive (CRD). The Commission is expected to present proposals for implementing Basel III through a review of the existing CRD by March 2011.

Asked by Lord Taylor of Warwick

To ask Her Majesty's Government what is their assessment of the new levy on bank balance sheets. [HL3042]

Lord Sassoon: The Government published a consultation stage impact assessment alongside the bank levy consultation document published on 13 July.

This can be accessed via the HM Treasury website at http://www.hm-treasury.gov.uk/consult_bank_levy.htm.

The Government will continue to consult with banks and their advisers to establish the costs and compliance burdens associated with the levy and plans to publish an impact assessment with the final draft legislation towards the end of the year.

Banking: Bonuses

Question

Asked by Lord Myners

To ask Her Majesty's Government what assessment they have made of the comments by Sir Philip Hampton, Chairman of Royal Bank of Scotland Group, that the issue of bankers' bonuses "can only be decisively resolved through regulation". [HL2964]

The Commercial Secretary to the Treasury (Lord Sassoon): The Government are committed to tackling unacceptable bank bonuses. It is critical that there is a globally consistent regulatory framework for addressing the situation and the Government have, and will continue, to drive international negotiations on reforming pay and establishing an aligned regulatory approach.

Banking: Iceland

Question

Asked by Lord Myners

To ask Her Majesty's Government when negotiations with the government of Iceland regarding repayment of debt due to the United Kingdom in respect of failed Icelandic banks commenced and when they are expected to finish; and what is their policy with regard to sanctions if the government of Iceland is not willing to reach an agreement.

[HL2903]

The Commercial Secretary to the Treasury (Lord Sassoon): The negotiations to repay the loan made by the previous Government in respect of Iceland's obligations under the deposit guarantee scheme directive to UK depositors in Icesave commenced in October 2008 and are ongoing.

Benefits

Question

Asked by **Lord Laird**

To ask Her Majesty's Government, further to the Written Answer by Lord Freud on 28 July (WA 359), whether they will commission research on the effects of problem drug and alcohol users having access to high levels of disability-related benefits; and whether they will review whether such claimants should be assessed on criteria other than the effects of their condition and a medical assessment of their ability to carry out a number of everyday activities relevant to work. [HL2822]

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Freud): We do not have plans to undertake research on the effects of problem drug and alcohol users having access to high levels of disability-related benefits. However, the Government are determined to reform the welfare system to support employment and earnings and to tackle welfare dependency. A reformed system will make it easier to ensure that drug and alcohol users receive the help and support they need to overcome their dependency and get back to work.

The work capability assessment assesses individual's eligibility for employment and support allowance by looking at their mental and physical functional capability for work. Individuals can also qualify by meeting one of a number of criteria that do not directly measure function. Currently, these include being a hospital in-patient. From March 2011 we will amend the ESA regulations so that this provision is extended to those receiving residential rehabilitation for the treatment of drug or alcohol misuse. In addition, Professor Harrington is currently undertaking the first of five annual independent reviews of the WCA, evaluating the fairness and accuracy of the assessment. We look forward to receiving his report later this year and will give careful consideration to his recommendations.

Buses: Dunstable Guided Busway

Question

Asked by **Lord Berkeley**

To ask Her Majesty's Government whether they will review the financial case for the Luton to Dunstable Guided Busway in the light of the cost overruns and time delays which have occurred on the Cambridgeshire Guided Busway project. [HL2551]

Earl Attlee: The Luton to Dunstable Guided Busway was given final funding approval in March 2010. Following the formation of the new Government, the Chief Secretary ordered a review of all contracts approved by the previous Government since 1 January 2010. However, the contracts for the Luton to Dunstable

Guided Busway were signed before the review took place. Luton Borough Council is now taking forward construction of the scheme, which is forecast to open in autumn 2012.

Business: Entrepreneurship

Questions

Asked by **Lord Harris of Haringey**

To ask Her Majesty's Government what proportion of the budget of the Department for Business, Innovation and Skills was spent on promoting enterprise and entrepreneurship in the United Kingdom in each of the past five years. [HL2879]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): We are not able to provide the information requested. Owing to previous structural changes arising from decisions about the machinery of government, we cannot accurately allocate spend to these specific areas. Promotion of enterprise and entrepreneurship covers a wide range of activities and financial information is split between a number of areas of spend and individual databases within the department.

Asked by **Lord Harris of Haringey**

To ask Her Majesty's Government whether they plan to increase or decrease the proportion of the Department for Business, Innovation and Skills annual expenditure allocated to promoting and developing enterprise and entrepreneurship. [HL2880]

Baroness Wilcox: The budgets have not yet been allocated following the spending review (SR) settlement of 20 October 2010.

In the SR, the Department for Business, Innovation and Skills was allocated £14.7 billion in 2014-15 a reduction to its resource budget of 25 per cent and to capital spending of 44 per cent.

Asked by **Lord Harris of Haringey**

To ask Her Majesty's Government what plans they have to develop the Work for Yourself Programme, as set out in the Coalition Agreement; and how much funding the Department for Business, Innovation and Skills plans to allocate to develop the Work for Yourself Programme in each of the next five years. [HL2881]

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Freud): Your question has been passed to the Department for Work and Pensions as this department has responsibility for the new enterprise allowance formerly known as work for yourself. Following the spending review, funding for the NEA has been secured as part of the department's budget for the years 2011-12 and 2012-13. The design and delivery of the allowance is currently being finalised and therefore no decision has been taken on the allocation of funding.

Civil Service: Redundancy

Question

Asked by *Lord Hunt of Kings Heath*

To ask Her Majesty's Government what assessment they have made of the impact on each region of job reductions proposed in the civil service. [HL2388]

The Commercial Secretary to the Treasury (Lord Sassoon): The Office for Budget Responsibility (OBR) released, as part of its Budget forecasts on 22 June 2010, projections for whole economy employment to 2015-16.

Further information on its employment forecast, including projections for general government employment, was released on 30 June 2010 in its document *OBR forecast: Employment*, which can be found at the following webpage: <http://budgetresponsibility.independent.gov.uk/publications.html>.

A revised forecast will be released on 29 November 2010.

The OBR has not published forecasts on a sub-national level.

Crime: Hate

Question

Asked by *Lord Avebury*

To ask Her Majesty's Government what steps they will take to ensure that police forces routinely keep records of the religion or beliefs of defendants and victims in cases of racially or religiously aggravated offences, and make them available to the Crown Prosecution Service. [HL2656]

Earl Attlee: The Government understand the importance of the recording of hate crime, which is why the programme for government includes a commitment to improve the collection of these data. We are currently liaising with the police on the implementation of this commitment and we anticipate the collection of this data to begin in April 2011. This will provide us with police recorded crime data for the Government's five hate crime strands (disability, gender identity, race, religion or belief, sexual orientation).

However, in order to balance the commitment on the better collection of hate crime data with our desire to end Whitehall interference in local policing, the data will not be disaggregated to reflect the religion or belief of offenders and victims. We are removing targets and reviewing the data burden placed on forces. We believe that the work that is being taken forward achieves this balance.

Development Aid

Question

Asked by *Lord Kilclooney*

To ask Her Majesty's Government what was the United Kingdom contribution to the European Development Fund in (a) 2007, (b) 2008 and (c) 2009. [HL3161]

Baroness Verma: The UK contributed £280,040,817 in financial year 2007/08, £360,175,775 in 2008-09 and £397,452,416 in 2009-10 to the European Development Fund.

Education Maintenance Allowance

Question

Asked by *Lord Taylor of Warwick*

To ask Her Majesty's Government what plans they have for the education maintenance allowance. [HL2921]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): No further new applications for education maintenance allowance will be processed from 1 January 2011 and the scheme will close at the end of the 2010-11 academic year. EMA will be replaced, from September 2011, with an enhanced discretionary learner support fund, enabling closer targeting of resource to individual students in need.

English Defence League

Question

Asked by *Lord Ouseley*

To ask Her Majesty's Government whether they have assessed the threat posed to community cohesion and good race relations by the activities of the English Defence League; and whether they are taking measures to counter their influence. [HL2807]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): The Government will not tolerate those who spread hate and seek to divide society and deliberately raise community tensions. The Government, working with police and other agencies, routinely assess community tensions. This includes any perceived threat posed to effective community cohesion by the activities of extremist organisations such as the English Defence League. Where appropriate, suitable measures are taken at community level by the relevant authorities to counter their influence and minimise their impact.

Equality Act 2010

Question

Asked by *Lord Laird*

To ask Her Majesty's Government when they plan to table commencement orders for sections 1-3, 64-80, 127-135, and 149-159 of the Equality Act 2010; how many orders they anticipate this will require; and how many orders related to the Equality Act 2010 have already been made. [HL3079]

Baroness Verma: Sections 64 to 77, 79 and 80, 127 to 135, 158 and 159(3) were commenced, along with the other core provisions of the Equality Act 2010, by the Equality Act 2010 (Commencement No. 4, Savings,

Consequential, Transitional, Transitory and Incidental Provisions and Revocation) Order 2010. (2010 No. 2317 (C.112), which came into force on 1 October 2010.

The Government are considering how to implement the remaining provisions, including Sections 1 to 3, 78, 149 to 157 and 159 (1), (2), (4),6), in the best way for business and for others with rights and responsibilities under the Act. Decisions will be announced in due course.

Eighteen statutory instruments relating to the Equality Act 2010 have been made and published and are accessible through the Government Equalities Office website.

EU: Alternative Investment Funds

Question

Asked by *Lord Myners*

To ask Her Majesty's Government what actions they are taking to ensure that the European Union draft directive on alternative investment fund management does not disadvantage funds based in or managed from the United Kingdom, and those funds' ability to market themselves in the European Union. [HL2760]

The Commercial Secretary to the Treasury (Lord Sassoon): ECOFIN reached political agreement on the alternative fund managers directive on 19 October. The Government believe that this text is a good outcome for UK interests and represents significant gains from the European Commission's original proposal, the European Parliament's proposal and the ECOFIN general approach of 5 May. In particular, the Government believe that the text lays out a path for meeting the G20 commitments that implementation of such regulation should be internationally consistent and non-discriminatory. The text would provide for a European marketing passport for all managers of alternative investment funds that meet the requirements of the directive, regardless of where they are established. For non-EU managers, the passport will be introduced through a phased regime and will therefore become available two years after the end of the transposition period, subject to a positive review by the European Securities and Markets Authority. To ensure minimum market disruption and investor access, national private placement regimes will continue to operate until at least 2018. The Government believe that the agreement will, over time, ensure a level playing field in the European market for managers of alternative investment funds, including those established in the United Kingdom.

The text agreed at ECOFIN on 19 October is now subject to discussion with the European Parliament, which is expected to vote in plenary session in November.

EU: Guidelines

Question

Asked by *Lord Myners*

To ask Her Majesty's Government whether they support the introduction of financial penalties by the European Union on member states in breach of financing and competitiveness guidelines. [HL2697]

The Commercial Secretary to the Treasury (Lord Sassoon): Provision already exists under Article 126(11) of the treaty on the functioning of the European Union for the use of sanctions, including financial penalties, against euro area member states which are considered to be in excessive deficit and fail to comply with the council's recommendations. The Government fully support use of these sanctions wherever applicable. However, they cannot be applied to the UK since we are not a member of the euro area. Moreover, our protocol to the treaty precludes any use of sanctions against the UK under this process.

The European Commission has recently published legislative proposals to create additional sanctions, including new financial sanctions. These proposals are aimed at encouraging compliance by member states with both the EU stability and growth pact and also the broad economic policy guidelines which address macroeconomic issues including competitiveness. The draft proposals for sanctions relate only to euro area member states and thus do not apply to the UK. The Government therefore consider that their introduction should be a matter for the euro area to decide.

EU: Trade Agreements

Question

Asked by *Lord Taylor of Warwick*

To ask Her Majesty's Government what is their assessment of the new trade agreement between the European Union and India. [HL3181]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): The UK is a firm supporter of the free trade agreement (FTA) which is being negotiated between the EU and India. Trade is vital for our economy and future prosperity, and the long-term economic benefits of an ambitious EU-India FTA to the UK would be considerable.

Finance: Derivatives

Question

Asked by *Lord Myners*

To ask Her Majesty's Government whether they have any plans to introduce rules limiting the ownership by any one party of a controlling equity interest in a central clearing party or swap execution facility for equities and/or derivatives. [HL2965]

The Commercial Secretary to the Treasury (Lord Sassoon): On 15 September the European Commission published a proposal for a European markets infrastructure regulation which covers issues relating to organisational and risk management standards for central clearing counterparties (CCPs). While this proposal is still subject to negotiations in the European institutions, it addresses the issue of ownership and lays out requirements for disclosing controlling stakes in a CCP and handling potential conflicts of interest. The proposed regulation does not limit the ownership of a controlling equity interest by any one party in a CCP.

Financial Reporting Council

Question

Asked by **Lord Myners**

To ask Her Majesty's Government what plans they have for the Financial Reporting Council; and what are the implications of those plans for the proposed hosting of the UK Listing Authority.

[HL3030]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): The Government consultation on the future of financial regulation, which, among other things, included the consideration of whether the UKLA should be merged with the FRC or remain within the CPMA markets division closed on 18 October. The Government are currently considering responses to the consultation, and no decisions have yet been made.

This is quite separate from potential changes to the funding and governance structures of the FRC and its operating bodies to make the FRC even more efficient and flexible, on which the Government will be consulting in due course.

Gaza

Questions

Asked by **Lord Hylton**

To ask Her Majesty's Government whether they will make representations to the government of Israel with regard to supplies of chlorine for water purification in Gaza.

[HL2768]

Baroness Verma: The UK Government recognise Israel's concern that some legitimate items imported into Gaza, such as chlorine in the form of hypochlorite for the purification of water, could also be used for the manufacture of weapons. However, we believe that with robust monitoring and end use verification, it is possible to address Israeli security concerns while importing these materials.

The United Nations (UN) and Office of the Quartet Representative (OQR) continue to press Israel for the full implementation of the measures to relax movement and access announced on 20 June, and for the entry of essential items on the dual-use list. We support them in their efforts.

Asked by **Lord Hylton**

To ask Her Majesty's Government what discussions the quartet has had with Israel regarding the state of sewage treatment plants in Gaza and the discharge of raw sewage into the Mediterranean and what has been the result of such discussions.

[HL2769]

Baroness Verma: The Office of the Quartet Representative (OQR) has regular discussions with the Government of Israel on the need to make progress on upgrading sewage treatment facilities in Gaza. The North Gaza Emergency Sewage Treatment Project, managed by the World Bank, completed its first phase,

to divert sewage away from the Beit Lahiya site, in January 2010. The second phase, to build a new sewage plant to meet the sanitation needs of northern Gaza, is scheduled for completion in 2013. The OQR reports that there are still issues to be resolved with other smaller water and sanitation projects; discussions with Israel are ongoing.

Government Departments: Salaries

Questions

Asked by **Lord Newby**

To ask Her Majesty's Government what is the estimated net saving in the pay bill of the Department for Culture, Olympics, Media and Sport for each of the next four years if no bonuses are paid and all salaries and increments are frozen.

[HL2684]

Baroness Rawlings: Following the spending review settlement for the Department for Culture, Media and Sport, detailed workforce plans and pay bill allocations, on which such estimates would be based, are being developed and finalised. We are therefore currently unable to provide final estimates of savings for the years in question.

Asked by **Lord Oakeshott of Seagrove Bay**

To ask Her Majesty's Government what is the estimated net saving in the pay bill of the Northern Ireland Office for each of the next four years if no bonuses are paid and all salaries and increments are frozen.

[HL3215]

Lord Shutt of Greetland: I refer the noble Lord to the Answer given on 26 October 2010, *Official Report*, col. WA 260.

Asked by **Lord Oakeshott of Seagrove Bay**

To ask Her Majesty's Government what would be the estimated net saving to the Department for Energy and Climate Change in each of the next four years if no bonuses were paid and all salaries and increments were frozen.

[HL3329]

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change (Lord Marland): Following the spending review settlement for the Department for Energy and Climate Change (DECC), detailed workforce plans and pay bill allocations, on which such estimates would be based, are being developed and finalised. We are therefore currently unable to provide estimates of savings for the years in question.

Government Departments: Works of Art

Question

Asked by **Lord Myners**

To ask Her Majesty's Government which works of art from the Government Art Collection are currently displayed in the offices of the Chancellor of the Exchequer, Ministers and senior civil servants in HM Treasury.

[HL2907]

The Commercial Secretary to the Treasury (Lord Sassoon): A list provided by the Government Art Collection (GAC) has been deposited in the Library of the House detailing all works of art on loan from GAC to the Treasury.

Gypsies and Travellers

Questions

Asked by **Baroness Whitaker**

To ask Her Majesty's Government, further to the Written Answer by Lord Hill of Oareford on 27 July (WA 323), how they intend to deal with bullying and drop out when they support Gypsy, Roma and Traveller pupils during the transition from primary to secondary education. [HL2613]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): The coalition Government have made tackling bullying, particularly bullying motivated by prejudice, one of their top priorities. It is not acceptable for a child to be victimised because of their race or religion. The Government will empower schools so that they can take a zero-tolerance approach to tackling bad behaviour and bullying. We will issue shorter and clearer guidance to schools on how to prevent and tackle bullying and work with Ofsted to ensure that tackling bad behaviour and bullying is given more prominence in planned changes to school inspection. The department implemented the Gypsy, Roma and Traveller Achievement Programme in order to offer targeted support to Gypsy Roma Traveller parents and pupils, and specifically to identify good working practice within schools during the transition from primary to secondary school when many Gypsy and Traveller parents may decide to home educate their children. The National Strategies Programme, in common with all other national strategies programmes, will end in spring 2011. However, the good practice that has been captured during the course of this programme has been documented within the National Strategies "Moving Forward Together: Raising Gypsy, Roma and Traveller Achievement" resources which have been disseminated to schools and local authorities and can be downloaded from the National Strategies website.

Asked by **Baroness Whitaker**

To ask Her Majesty's Government, further to the Written Answer by Lord Hill of Oareford on 27 July (WA 323–4), who will be the members of the Gypsy, Roma and Traveller Education Stakeholder Group, aimed at supporting work to improve levels of attendance, transition and attainment for Gypsy, Roma and Traveller pupils; and what will their plan of work be. [HL2616]

Lord Hill of Oareford: The members of the DfE Gypsy Roma and Traveller Education Stakeholder Group are:

Lord Avebury Chairman
Eugene Balaz
Jake Bowers
Breda Doran

Rachel Francis-Ingham
Tracy Giles
Sylvester Huszco
Arthur Ivatts
Joseph Jones
Valdemar Kalanin
Helena Kiely
Julie Joyce
Shirley Joyce
Damian Le Bas
Sybil Lee
Sentabell Mabbott
Chrissie Meleady
Peter Mercer
Wendy Mounsey
Richard O'Neill
Gabor Radvanyi
Ian Smith
Siobhan Spencer
Beatrice White
Malcolm Wilson

Their plan of work is to foster effective communication channels with "grassroots" members of the communities to bring about greater awareness of DfE policies and their objectives, encourage the support and help of parents/carers for their children's education; and work to strengthen confidence among their communities. They will be working with the department to encourage greater levels of transition from primary to secondary school, participation in higher education and promote participation in adult education opportunities amongst their communities.

Members of the stakeholder group all act in an unpaid voluntary capacity.

House of Lords: September Sitting

Question

Asked by **Lord Stoddart of Swindon**

To ask the Leader of the House whether the decision that the House of Lords will sit in September 2011 was taken for reasons of pressure of business or to conform with the sitting arrangements of the House of Commons. [HL3200]

The Chancellor of the Duchy of Lancaster (Lord Strathclyde): Recess dates for the House of Lords—including those for September 2011—are set with a view to the likely volume and progress of business.

Housing

Questions

Asked by **Lord Fearn**

To ask Her Majesty's Government how much land has been allocated to affordable housing in Sefton, Merseyside. [HL2804]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): Sefton Metropolitan Borough Council is the local planning authority responsible for allocating land for development in Sefton. Its unitary

development plan (adopted in June 2006) allocated land for a variety of uses, including housing, but none specifically for affordable housing.

There is a provision within the unitary development plan (policy H2), however, for affordable housing to be sought by the council on developments of 25 dwellings or more or on suitable sites of 1 hectare or more, irrespective of the number of dwellings, where there is proven need and where it will be viable.

Asked by Lord Greaves

To ask Her Majesty's Government what powers are available to local authorities to deal with the problem of commercial developments of new housing which have been left unfinished as a result of developers going into liquidation and which are causing blight or nuisance or are affecting the amenity of local residents. [HL2838]

Baroness Hanham: Local authorities have powers under Section 215 of the Town and Country Planning Act 1990 to make good the loss of public amenity in certain circumstances. Where a Section 215 notice is not complied with, local authorities can carry out the works themselves. In seeking to recover their costs, authorities have the option to register a charge on the property with the Land Registry and so become a secured creditor.

Housing Benefit

Question

Asked by Lord Laird

To ask Her Majesty's Government, further to the Written Answer by Lord Sassoon on 21 July (WA 220), how many statutory notices under the Taxes Management Act 1970 HM Revenue and Customs has issued to local authorities requiring a return of housing benefit payments made to landlords in order to identify non-declarations of income in each of the last five years; and how many landlords have been involved. [HL2825]

The Commercial Secretary to the Treasury (Lord Sassoon): The following table gives the information requested.

<i>Year</i>	<i>Statutory Notices Issued to Local Authorities</i>	<i>Total number of landlords identified in Corresponding Returns</i>
2009/10	375	Not yet known
2008/09	Nil	45,257
2007/08	244	301,809

To comply with the Data Protection Act, HM Revenue and Customs (HMRC) deletes this type of information after three years. HMRC staff are still processing the returns for 2009-10 so the number of landlords covered by those returns is not yet known.

In 2008-09 HMRC did not issue landlord notices. As resources were switched to other high priority compliance initiatives, HMRC still received returns from five councils and the landlord numbers are shown in the table.

Housing: Council Houses

Question

Asked by Lord Taylor of Warwick

To ask Her Majesty's Government what plans they have for council housing for life. [HL2923]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): We are committed to protecting the security and rights of existing social tenants. Our affordable rent proposal will be a new option to offer households who need support for a fixed period, until they can get back on their feet, and will help to deliver more affordable homes.

Rightly, we have opened a wider debate about how we can create a social housing system that will provide stability where it is needed, provide more choice for tenants and prospective tenants, help people to move for work and protect vulnerable households. The Government are committed to improving current rates of mobility and giving social tenants more control over where they live. We have pledged to introduce a national social home swap programme to make it easier for social tenants to move to another home or another part of the country—for instance, for family or employment reasons—to improve their opportunity to exercise their existing rights.

Immigration

Questions

Asked by The Earl of Clancarty

To ask Her Majesty's Government how many creative workers have been refused entry at the United Kingdom border since tier 5 was introduced. [HL2464]

Earl Attlee: Since the introduction of tier 5 on 27 November 2008, our records show that 4,023 visa applications have been refused in total. However, it is not possible to identify those who have been refused at the border for not holding the required tier 5 certificate without detailed examination of individual records at disproportionate cost.

Asked by Lord Turnberg

To ask Her Majesty's Government what assessment they have made of the potential impact on United Kingdom science of the operation of a cap on non-European Union immigration. [HL2749]

The Minister of State, Home Office (Baroness Neville-Jones): The Home Secretary launched a consultation over the summer to ensure that the department took a wide range of views and evidence into account and was able to assess it before plans were announced for the first full annual limit. The consultation is now closed and the responses are being carefully assessed. The Government will announce their decisions in due course.

Asked by **Lord Hylton**

To ask Her Majesty's Government whether they will ensure that changes in the immigration rules do not prejudice the integrity of the immediate families of refugees, whether before or after they are accepted for naturalisation. [HL3067]

Earl Attlee: The Government recognise the importance of allowing refugees to be joined by their family, and the Immigration Rules make specific provision for that.

Where a refugee becomes a British citizen, he or she may still be joined by family. However, as the grant of citizenship causes the refugee status to cease, the Government believe that the family member(s) should have to satisfy the same requirements as people coming to join other British citizens would have to meet. The changes to the Immigration Rules to which the noble Lord is referring (Cm 7944) clarify the rules to deliver this aim.

Immigration: France

Question

Asked by **Lord Hunt of Kings Heath**

To ask Her Majesty's Government whether they plan to end the dual immigration system at the ports of Calais, Boulogne, Dunkirk and the Channel Tunnel at Coquelles. [HL3034]

Earl Attlee: There are no plans to change our juxtaposed controls in northern Europe. The Home Secretary and Immigration Minister have both met their French counterparts to discuss migration issues, including the juxtaposed controls and wider bilateral co-operation, and it is expected that agreement will soon be reached on the next phase of UK-France collaboration at the border controls in northern Europe

Independent Commission on Banking

Question

Asked by **Lord Laird**

To ask Her Majesty's Government whether banks will be required to contribute to the funding of the Independent Commission on Banking. [HL2991]

The Commercial Secretary to the Treasury (Lord Sassoon): The Government are providing the commission with such resources as are necessary to perform its task. All commission costs are met by reprioritisation from within existing budgets and there will be no consequent increase in public spending.

Israel and Palestine: West Bank

Questions

Asked by **Lord Hylton**

To ask Her Majesty's Government what action they will take to help ensure that Palestinian access to water and sanitation in the West Bank is not prejudiced while negotiations continue. [HL2767]

Baroness Verma: Palestinian access to water and sanitation in the West Bank is severely constrained by Israeli movement and access restrictions, particularly in Area C, covering 62 per cent of the West Bank, and around Israeli settlement blocks. Israel has eased some restrictions on movement and access in the West Bank, but we call on them to go further.

Although the issue of water transcends the conflict between Israel and the Palestinians, it is essential that direct negotiations on a two-state solution include discussions to ensure that there is a just solution on shared water resources as part of a final status agreement. The fair and effective distribution of shared water resources across the Middle East is of great concern to the UK Government; these resources are limited and require effective co-operation from all parties to ensure there is enough for all.

Asked by **Lord Hylton**

To ask Her Majesty's Government what assessment they have made of the allegation of poisoning of Palestinian olive trees by Israelis in the West Bank villages of Turmus Aya and Al-Maghayer, and of the further allegations by Rabbis for Human Rights of thefts of the whole olive crop in the village lands of Yanoun, Jit and Imatin. [HL2770]

The Minister of State, Foreign and Commonwealth Office (Lord Howell of Guildford): According to the non-governmental organisation B'Tselem, in an incident near Nablus settlers attacked farmers attempting to access their land near Azmut village. The UK is concerned by these reports and the recent destruction of Palestinian-owned olive crops. We condemn these acts. We have raised these incidents with the Co-ordinator of Government Activities in the Territories and the Israeli Defence Force.

Local Authorities: Development Corporations

Question

Asked by **Lord Rooker**

To ask Her Majesty's Government whether the local authorities in West Northamptonshire have the strategic management expertise to take on the role of the West Northamptonshire Development Corporation. [HL3117]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): On 14 October the public bodies review announcement confirmed that the work of the West Northamptonshire Development Corporation (WNDC) will be devolved to a local authority led delivery vehicle. The process will be taken forward in a staged and managed way to ensure build-up of capacity in the local authorities. Handover will begin, subject to parliamentary agreement, with the return of the planning powers to the local authorities in April 2011 other than for the very large applications which will follow at a later date. Changes will be made to the board to bring the Urban Development Corporation

(UDC) under majority local authority control and local democratic accountability. Over the next year or so, the local authorities and delivery partners will finalise proposals for an alternative local authority led delivery body to succeed WDC and the corporation will continue in its strategic delivery role until such time as the handover is complete.

Local Government

Question

Asked by **Lord Stoddart of Swindon**

To ask Her Majesty's Government, further to the Written Statement by Baroness Hanham on 13 October (WS 31), whether they will return the business rate to local authorities and consider allowing them to tap new sources of local finance, including a local sales tax. [HL2891]

The Commercial Secretary to the Treasury (Lord Sassoon): As set out in the local growth White Paper published on 28 October, the Government are due to undertake a local government resource review, beginning in January 2011. This will include examining options to allow local authorities to retain the business rates that they collect.

Local Government: Revenue

Question

Asked by **Lord Shipley**

To ask Her Majesty's Government how much tax revenue they received from all sources in each of the English regions; and in each of Northern Ireland, Scotland and Wales. [HL3013]

The Commercial Secretary to the Treasury (Lord Sassoon): The Government do not apportion total tax revenues to the countries and regions of the United Kingdom. Full details of UK tax revenues can be found in table C11 of the Budget 2010 document published in June 2010 (HC 61).

Maternity Leave

Question

Asked by **Lord Stoddart of Swindon**

To ask Her Majesty's Government what assessment they have made of the costs to business and public services of the proposal by the European Parliament to increase the period of maternity leave at full pay to 20 weeks. [HL3198]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): Providing 20 weeks of fully paid maternity leave would cost the Government approximately £1.7 billion to £2.3 billion per annum in addition to our existing spend in this area. The Exchequer meets the lion's share of the costs of maternity pay. Employers make payments of statutory maternity pay to employees but are able to reclaim some or all of the payment. The Government estimate the additional costs to employers of paying statutory maternity pay at full pay for 20 weeks as £100 million to £150 million.

Millennium Development Goals

Question

Asked by **Lord Chidgey**

To ask Her Majesty's Government, following September's United Nations Summit on the Millennium Development Goals, what plans they have to support provision of primary and secondary education in conflict-affected countries to children and in particular girls. [HL2947]

Baroness Verma: As laid out in *The Coalition: Our Programme for Government*, the UK Government will prioritise increasing access to basic services, such as health and education, for the world's poorest people; including a particular focus on the rights of women and girls. Girls who progress to secondary education have better maternal health, fewer and healthier children and greater economic opportunities.

The Department for International Development (DFID) is currently reviewing its aid programmes to determine how we can achieve better value for money for the taxpayer, accelerate growth and achieve the millennium development goals. This includes a review of our emergency response programme, which will look at the provision of education in the immediate aftermath of conflict or natural disaster.

With over half of primary aged children not enrolled in school living in fragile and conflict-affected states—a total of 39 million children out of an estimated 69 million worldwide—we recognise the need to promote education in fragile and conflict-affected states. As such, the Government have recently announced that 30 per cent of overseas development assistance will go to fragile and conflict-affected states.

NHS: Reform

Question

Asked by **Lord Boateng**

To ask Her Majesty's Government what assessment has been made of the impact of their NHS reforms on (a) the specific health needs of women, (b) the health needs of men at risk of gender specific cancers, (c) geriatric health, (d) the specific health needs of black and Asian communities, (e) children and adolescents presenting with mental health problems, and (f) people with learning difficulties; and what provision will be made to support general practitioners in respect of the diagnosis and treatment of those in these groups. [HL2812]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The Government have recently consulted on the White Paper, *Equity and Excellence: Liberating the NHS*, published on 12 July and are now considering the responses. We will assess the impact of the White Paper on the equality strands as part of the process. An equality impact assessment on the White Paper will be published alongside the Health Bill and the government response at the end of the year.

NHS: Specialised Services

Question

Asked by **Baroness Pitkeathley**

To ask Her Majesty's Government what is their methodology underpinning specialised service top-up payments; and whether they will place a copy in the Library of the House. [HL2924]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): Specialised services are defined as activity that falls within specialised service national definition sets. Such activity receives top-up payments when provided by eligible providers, where these have been determined. The payments are applied as a percentage increase to the national tariff.

The current methodology is described in *Estimating the Impact of Specialised Activity on Providers Costs for 2009-10*, which has been placed in the Library and is available at http://collections.europarchive.org/tna/20100509080731/http://dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_094182.

The Operating Framework for the NHS in 2010-11 announced a fundamental review of the current methodology. This review has now been completed by independent academics at the University of York, will inform the 2011-12 tariff and will be published alongside the tariff early next year.

Northern Ireland: Human Rights Commission

Question

Asked by **Lord Laird**

To ask Her Majesty's Government, further to the Written Answer by Lord Shutt of Greetland on 19 October (WA 160) concerning the Northern Ireland Human Rights Commission, whether all activities of the Commission have been within the legal objectives. [HL2913]

Lord Shutt of Greetland: I refer the noble Lord to the answer given on 19 October, *Official Report*, col. WA 160. A copy of the commission's annual report is placed in the Library of the House each year. The report includes details of how the commission met its statutory duties and exercised its powers.

Office of Fair Trading

Question

Asked by **Lord Hodgson of Astley Abbotts**

To ask Her Majesty's Government what action they will take in respect of the Office of Fair Trading's Debt Management Guidance Compliance Review. [HL3101]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Baroness Wilcox): The compliance review found widespread problems within this industry. The Office of Fair Trading (OFT) subsequently took action to address these concerns by issuing formal warnings to 129 debt

management firms telling them that they will lose their consumer credit licences unless they take immediate action to comply with its debt management guidance.

In addition, on 15 October we launched a call for evidence "Managing Borrowing and Dealing with Debt", part of which looks at the debt management framework, including debt management plans, to ensure that empowered debtors are able to seek appropriate advice at the appropriate time and have access to a solution that both they and their creditors can have confidence in.

Organophosphates

Question

Asked by **The Countess of Mar**

To ask Her Majesty's Government what is their assessment of research indicating reduction in bone formation at tissue and cellular level in younger male sheep farmers, Gulf War veterans, and airline pilots, all of whom have been exposed to organophosphates (OPs); and whether they will issue advice based on such findings to medical practitioners treating patients who have had exposures to OPs as part of their osteoporosis prevention programme. [HL2902]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The Health Protection Agency advises that no specific evaluation of reduction in bone formation in younger male sheep farmers, Gulf War veterans and airline pilots has been made. The independent Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment (COT) undertook a review of the epidemiological literature pertaining to airline pilots. No evidence of effects on bone formation in this occupational group was retrieved. The COT is undertaking a review of organophosphates to update the review published in 1999.

Pensions

Question

Asked by **Lord Taylor of Warwick**

To ask Her Majesty's Government what plans they have regarding the pension system for carer grandparents. [HL2781]

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Freud): We are proposing to introduce new national insurance credits for grandparents and certain other adult family members who provide childcare for children under the age of 12, from the 2011-12 tax year. This is in recognition of the help with childcare that grandparents and family members provide.

On 15 October 2010, we launched a six-week consultation on this proposal and other changes to the national insurance credits arrangements.

The information about the consultation is available at <http://www.dwp.gov.uk/docs/ni-credits-changes-consultation.pdf>.

Planning

Question

Asked by **Baroness Smith of Basildon**

To ask Her Majesty's Government what advice or guidance they provide to local authorities concerning the proportionate response to the enforcement of planning legislation. [HL3168]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): Planning policy guidance note 18 gives advice to local planning authorities on the use of their discretion to take enforcement action, including considerations of proportionality. Further guidance is in the Department of the Environment, Transport and the Regions Circular 10/97 and its companion publication *Enforcing Planning Control: Good Practice Guide for Local Planning Authorities*.

Prisoners: Foreign Prisoners

Question

Asked by **Lord Corbett of Castle Vale**

To ask Her Majesty's Government what are the nationalities of the largest groups of foreign convicted prisoners in England and Wales; and of what categories of offences they were convicted. [HL3040]

The Minister of State, Ministry of Justice (Lord McNally): Information regarding the 10 countries with the highest number of sentenced foreign national prisoners, broken down by offence group, as at 30 September 2010 can be seen in the attached table.

These figures have been drawn from administrative IT systems which, as with any large scale recording system, are subject to possible errors with data entry and processing.

Sentenced Foreign Nation Prisoner Population—30 Sep 2010

	<i>Foreign National Prisoner Population</i>
Jamaica	
Drug offences	246
Violence against the person	227
Sexual offences	89
Other offences	50
Robbery	64
Fraud and forgery	17
Theft and handling	16
Burglary	8
Motoring offences	3
Offence not recorded	2
Irish Republic	
Drug offences	40
Violence against the person	185
Sexual offences	102
Other offences	59
Robbery	69
Fraud and forgery	12
Theft and handling	33

Sentenced Foreign Nation Prisoner Population—30 Sep 2010

	<i>Foreign National Prisoner Population</i>
Burglary	72
Motoring offences	10
Offence not recorded	6
Nigeria	
Drug offences	208
Violence against the person	41
Sexual offences	31
Other offences	44
Robbery	27
Fraud and forgery	89
Theft and handling	14
Burglary	3
Motoring offences	3
Offence not recorded	2
Poland	
Drug offences	44
Violence against the person	137
Sexual offences	53
Other offences	71
Robbery	30
Fraud and forgery	12
Theft and handling	34
Burglary	54
Motoring offences	9
Offence not recorded	3
Vietnam	
Drug offences	357
Violence against the person	12
Sexual offences	3
Other offences	9
Fraud and forgery	2
Theft and handling	3
Motoring offences	1
Offence not recorded	2
Pakistan	
Drug offences	60
Violence against the person	88
Sexual offences	66
Other offences	37
Robbery	20
Fraud and forgery	26
Theft and handling	13
Burglary	4
Motoring offences	7
Offence not recorded	2
Somalia	
Drug offences	47
Violence against the person	84
Sexual offences	52
Other offences	36
Robbery	61
Fraud and forgery	7
Theft and handling	16
Burglary	6
Motoring offences	1
Offence not recorded	1
Romania	
Drug offences	15
Violence against the person	24

Sentenced Foreign Nation Prisoner Population—30 Sep 2010

	<i>Foreign National Prisoner Population</i>
Sexual offences	35
Other offences	24
Robbery	12
Fraud and forgery	41
Theft and handling	94
Burglary	17
Motoring offences	5
Offence not recorded	1
Lithuania	
Drug offences	32
Violence against the person	52
Sexual offences	21
Other offences	33
Robbery	12
Fraud and forgery	13
Theft and handling	60
Burglary	17
Motoring offences	11
Offence not recorded	2
India	
Drug offences	16
Violence against the person	73
Sexual offences	33
Other offences	37
Robbery	7
Fraud and forgery	34
Theft and handling	7
Burglary	1
Motoring offences	5
Offence not recorded	2

Prisoners: Mental Health*Question**Asked by Lord Corbett of Castle Vale*

To ask Her Majesty's Government what procedure will be used to select convicted prisoners with mental illness to divert to NHS facilities. [HL3039]

The Minister of State, Ministry of Justice (Lord McNally): Healthcare in prisons is provided by the NHS under the NHS in-reach programme. The NHS professionals providing that treatment in prison are responsible for the early identification of prisoners who may need transfer to hospital for treatment for mental disorder.

Where such need is identified, the head of healthcare in the prison liaises with NHS providers, which will be the local primary care trust in England or the local health board in Wales. NHS secure services commissioners and independent sector providers may also be consulted in the process of identifying a suitable provider.

The Secretary of State for Justice may direct the transfer to hospital of a prisoner if he concludes that it is expedient and in the public interest to do so. Before directing the transfer of an individual prisoner, the Secretary of State must have two medical reports

that the prisoner requires treatment in hospital for mental disorder and that appropriate medical treatment is available.

Public Bodies: Reform*Question**Asked by Lord Rooker*

To ask Her Majesty's Government whether, following the oral statement by Lord Taylor of Holbeach on 14 October regarding public bodies (*Official Report*, col. 622–24), the operations of the Commission for New Towns and the Urban Regeneration Agency have changed. [HL3118]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): The Commission for New Towns and the Urban Regeneration Agency were abolished by order in April 2009 by the previous Government. They were both predecessor bodies of the Homes and Communities Agency which was covered by the announcement of 14 October.

Public Services*Question**Asked by Lord Mawson*

To ask Her Majesty's Government what practical steps they will take to ensure that the voluntary and social enterprise sectors can play a full role in the future delivery of public services. [HL3100]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): The voluntary and social enterprise sectors have a major role to play in helping us to build a stronger society. Their ability to mobilise and support people and find better ways of doing things put them in the vanguard of the big society. Their role and influence will grow as power is transferred to communities. There will be new opportunities for the sectors to increase their involvement in the design and delivery of public services and to facilitate social action to help local communities to solve their own problems. Specifically, the localism Bill will give voluntary and community groups the right to challenge local authorities where they believe that they could provide services differently or better.

Railways: Vertical Integration*Question**Asked by Lord Berkeley*

To ask Her Majesty's Government how they will ensure the protection of the interests of national passenger and freight operators in respect of timetabling, capacity allocation, control of the network operation, co-ordination of possessions, charging for access and licensing in any new railway structure involving vertical integration; and whether any new structure will comply with European and United Kingdom legislation. [HL3228]

Earl Attlee: Sir Roy McNulty is in the process of leading a study into the value for money of the rail industry, which is examining whether current industry incentive structures and processes need to be changed to drive efficiencies. This aligns with the Government's own work on ensuring that we have an accountable and sustainable railway.

I am happy to assure the noble Lord that we will ensure that any reforms which emerge from this process are compatible with European legislation requiring a fair and open system for allocating access to the network, including access for freight train operators.

Railways: West Coast Main Line

Question

Asked by Lord Berkeley

To ask Her Majesty's Government, further to the Written Answer by Earl Attlee on 21 October (WA 199), what derogations would be required in connection with cab crashworthiness before new Pendolino trains could operate on lines other than the West Coast Main Line. [HL3059]

Earl Attlee: Derogations in connection with cab crashworthiness were granted in September 2008 for the four new Pendolino trains currently being built for the UK. Those derogations facilitated the use of current British standards of cab crashworthiness, rather those required by European technical specifications for interoperability. The derogations are not route specific and are not limited to the west coast main line.

Railways: Worcester-London

Question

Asked by Lord Bradshaw

To ask Her Majesty's Government what plans they have to speed up the train services between Worcester and London. [HL3110]

Earl Attlee: Network Rail has started work on the partial redoubling of the railway line between Oxford and Worcester. When this project is complete, we expect the operational performance of train services between Hereford/Worcester and Oxford/London to improve. No material reductions in journey times are planned.

Schools: GCSEs

Question

Asked by Lord Quirk

To ask Her Majesty's Government, with respect to schools in England and Wales, (a) what, in descending order, were the 12 most frequently attempted GCSE subjects in each of the years since 1995; and (b) how many pupils were entered for each of those subjects in each of those years. [HL2264]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): The information requested for schools in England has been placed in the House Libraries. Information for schools in Wales can be obtained from the Welsh Assembly.

Schools: Languages

Question

Asked by Lord Black of Brentwood

To ask Her Majesty's Government whether they will consider changing their guidance on foreign language teaching for primary schools to ensure Latin is treated in the same way as other foreign languages. [HL2646]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): The Government regard Latin as a valuable subject for pupils to study for a number of reasons. For example, it can help in the study of a range of modern languages; and the related study of Roman culture is valuable as it provides the basis for so much of our own culture and that of our close neighbours. We are considering ways in which to encourage more teaching of Latin, including in primary schools.

Schools: Special Educational Needs

Question

Asked by Lord Low of Dalston

To ask Her Majesty's Government whether Ofsted has found widespread over-identification of children in School Action Plus; and whether media reports stating that up to 700,000 children or up to half of children with special educational needs may be misdiagnosed accurately reflect Ofsted's Special Educational Needs and Disability Review. [HL2700]

The Parliamentary Under-Secretary of State for Schools (Lord Hill of Oareford): This is a matter for Ofsted. HM chief inspector, Christine Gilbert, has written to the noble Lord and a copy of her letter has been placed in the Libraries.

Shipping: Piracy

Question

Asked by Lord Tebbit

To ask Her Majesty's Government what is their assessment of the action recently taken by HMS "Montrose" against suspected Somalian pirates. [HL2862]

The Parliamentary Under-Secretary of State, Ministry of Defence (Lord Astor of Hever): HMS "Montrose" is currently deployed as part of NATO's mission Op Ocean Shield, patrolling the Gulf of Aden and Somali Basin as part of the international effort to counter piracy.

The most recent incident involving HMS “Montrose” occurred on the 14 October 2010, when she was engaged in disrupting a suspect pirate group. HMS “Montrose” acted in line with NATO and UK guidelines successfully disrupting the group, and confiscated all pirate paraphernalia to ensure that the suspected pirates no longer posed a threat to merchant ships.

Smoking

Question

Asked by **Lord Laird**

To ask Her Majesty’s Government how much they estimate is spent each year by the National Health Service in England and Wales on smoking-related illnesses. [HL2914]

The Parliamentary Under-Secretary of State, Department of Health (Earl Howe): The department does not maintain an annual record of the cost to the National Health Service of treating people with smoking-related illnesses.

Academic research has indicated that the cost to the NHS of treating people with tobacco related-illnesses in England is £2.7 billion per annum (Callum C. (2008). *The Cost of Smoking to the NHS* Health Economics, Policy and Law), available online at <http://journals.cambridge.org/action/displayFulltext?type=l&pdftype=l&fid=7879505&jid=HEP&volumeld=-1&issueId=&aid=7879503>.

Earlier this year, Policy Exchange estimated that the wider cost to society of tobacco use is almost £14 billion per annum. In its report *Cough Up* it looked at the cost of early death or retirement due to sickness, payment of benefits to support widows and families, the costs of sickness at work to employers, the human and financial costs of smoking-related fires, smoking breaks at work and cleaning up cigarette butts. A copy of this report has already been placed in the Library.

The costs of smoking to the NHS in Wales is a devolved matter for the Welsh Assembly Government.

Spending Review 2010

Questions

Asked by **Lord Jones of Cheltenham**

To ask Her Majesty’s Government what assessment they have made of the impact of welfare reforms announced in the emergency budget and Spending Review 2010 on multiple birth families. [HL2970]

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Freud): We have considered the information available for this group in the family resources survey, which is the source we use when assessing the impact of welfare reforms. However, because of the small sample size, we are not able to produce a reliable assessment.

Asked by **Lord German**

To ask Her Majesty’s Government what effect, by income decile, reforms relating to the Department for Work and Pensions outlined in the emergency budget will have on household income in (a) cash terms, and (b) percentage terms. [HL2996]

To ask Her Majesty’s Government what effect, by income decile, reforms relating to the Department for Work and Pensions outlined in the Spending Review 2010 will have on household income in (a) cash terms, and (b) percentage terms. [HL2997]

To ask Her Majesty’s Government what will be the combined effect, by income decile, of reforms relating to the Department for Work and Pensions in the emergency budget and the Spending Review 2010 on household income in (a) cash terms, and (b) percentage terms. [HL2998]

Lord Freud: We are currently analysing the distributional effects of the welfare reforms announced in the emergency Budget and the spending review 2010, including the introduction of a universal credit. The analysis, which will include the impact on household incomes split by income decile, will be made available when we publish our welfare reform White Paper in the next few weeks.

Asked by **Lord German**

To ask Her Majesty’s Government whether the exception of working tax credit from the benefits cap announced in the Spending Review 2010 will apply to all households that receive working tax credit, or just to families with children. [HL2999]

The Commercial Secretary to the Treasury (Lord Sassoon): The exemption of working tax credit from the benefits cap announced in spending review 2010 will apply to all family units (couples with and without children, lone parents and singles without children) receiving working tax credit.

Sport: Gambling

Question

Asked by **Lord Williams of Elvel**

To ask Her Majesty’s Government what plans they have for controlling gambling on events during the 2012 Olympic Games. [HL2942]

Baroness Garden of Frognal: Gambling will operate as usual, within the rules that already exist to regulate commercial gambling in Great Britain.

However, officials from the Gambling Commission are working with the International Olympic Committee (IOC), the London Organising Committee for the Olympic and Paralympic Games (LOCOG) and the Metropolitan Police to ensure that any sports betting integrity issues which arise during the 2012 Olympic Games within the licensed market in Great Britain are dealt with effectively .

Taxation

Question

Asked by **Lord Myners**

To ask Her Majesty’s Government how many COP 9 letters have been issued in each quarter since these letters were introduced by HM Revenue and Customs. [HL2966]

The Commercial Secretary to the Treasury (Lord Sassoon): HM Revenue and Customs (HMRC) issues code of practice (COP) 9 where it wishes to commence

a civil investigation into cases of suspected serious fraud. The civil investigation of fraud COP9 has existed in its current form since the creation of HMRC in April 2005. The table below provides the number of COP 9 investigations opened in each financial year. Quarterly data do not exist.

	05-06	06-07	07-08	08-09	09-10	10-11
Total	292	357	371	368	309	236

Taxation: Gifts

Question

Asked by **Lord Patten**

To ask Her Majesty's Government why charitable gifts of property or quoted shares made whilst the donor is alive may be set against income tax, but the value of gifts of artworks may not. [HL2875]

The Commercial Secretary to the Treasury (Lord Sassoon): Tax legislation provides for income tax relief on donations of property and quoted shares to charity, while the donor is alive. There is no similar provision in current legislation to allow income tax relief for donations of artwork. The Government keep all taxes under review.

Taxation: Records

Question

Asked by **Lord Ouseley**

To ask Her Majesty's Government whether there are plans to make people's tax records publicly available, as in some other countries. [HL2809]

The Commercial Secretary to the Treasury (Lord Sassoon): There has been no change in policy in relation to HM Revenue and Customs' (HMRC) statutory duty of confidentiality as it applies to the information it needs to carry out its functions, and there are no plans to make people's tax records publicly available.

Section 94 of the Finance Act 2009 allows HMRC to publish the name and other details of those who are penalised for serious tax evasion, as the law-abiding public have an interest in knowing how we deal with serious tax evaders. This is not a precursor to making people's tax records publicly available.

Taxation: Tobacco

Question

Asked by **Lord Laird**

To ask Her Majesty's Government what proposals they have to increase the tax payable on tobacco products. [HL2915]

The Commercial Secretary to the Treasury (Lord Sassoon): The previous Government announced in the March 2010 Budget that tobacco duty rates will increase by 2 per cent above inflation each year to 2014-15. This remained unchanged at the June Budget.

Decisions regarding tobacco duty are taken as part of the Budget process.

Taxation: Unpaid Tax

Question

Asked by **Lord Ouseley**

To ask Her Majesty's Government what resources are being deployed to collect unpaid tax, address tax loopholes and deal with non-doms; and how much tax goes uncollected. [HL2808]

The Commercial Secretary to the Treasury (Lord Sassoon): HM Revenue and Customs (HMRC) deployed approximately 31,000 staff across all grades in 2009-10 on a variety of compliance activities including risk assessment, addressing inaccurate returns and verifying repayment claims, debt collection, anti-avoidance and criminal investigations. HMRC deploys this staff resource in response to identified risks.

The recent publication of the tax gap figures for 2008-09 provides a detailed breakdown of the monetary value of the UK tax gap and suggests that the tax gap is in the order of £42 billion. It also provides an estimate of how the tax gap is split by behaviour. This document can be found at <http://www.hmrc.gov.uk/stats/measuring-tax-gaps-2010.htm.pdf>.

Terrorism

Question

Asked by **Lord Monson**

To ask Her Majesty's Government whether foreign nationals suspected of involvement in terrorism who are given indefinite leave to remain in the United Kingdom are automatically entitled, after a period of years, to be granted (a) British citizenship, and (b) the right to vote in general, local and European elections. [HL2721]

The Minister of State, Home Office (Baroness Neville-Jones): Foreign nationals who are given indefinite leave to remain in the United Kingdom are not automatically entitled after any number of years to be granted British citizenship. Any person applying for citizenship on the basis of their length of residency in the UK must satisfy a number of statutory requirements before being granted citizenship. An individual suspected of involvement in terrorism is unlikely to be able to meet the statutory requirement to be of good character and so would be likely to be refused British citizenship. Furthermore, where a foreign national represents a threat to our national security, the UK Border Agency will seek to deport him or her for that reason, irrespective of whether or not the person concerned has been convicted of any offence.

The Home Office is not the lead department on the issue of the voting rights of foreign nationals resident in the UK. The noble Lord may wish to raise this query with the Electoral Commission.

Thurrock Thames Gateway Development Corporation

Question

Asked by *Lord Rooker*

To ask Her Majesty's Government what assessment they have made of the capacity of local government to take on the role of Thurrock Thames Gateway Development Corporation before it was decided to abolish the Corporation. [HL3116]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Hanham): My honourable friend the Minister for the Thames Gateway met Thurrock Borough Council's Leader (Councillor John Kent) and Leader of the Opposition (Councillor Garry Hague) to discuss the future of Thurrock Thames Gateway Development Corporation (TTGDC) before making a decision. Both councillors expressed confidence in the council's ability to take on, in due course, the functions previously undertaken by TTGDC.

As announced on 8 September, my honourable friend concluded that it is right for the TTGDC to transfer to the council from 1 April 2012. Among the benefits are: enabling efficiency savings to be made through shared services; strengthening local control over regeneration and the operation of planning responsibilities; and strengthening the council's capacity to drive regeneration. On 15 September, the whole council received and welcomed a report on the proposed transfer.

UK Border Agency

Questions

Asked by *Lord Hunt of Kings Heath*

To ask Her Majesty's Government what approach will be taken by the UK Border Agency to protect frontline services. [HL3035]

Earl Attlee: The priority of the UK Border Agency remains to secure the border and control migration while it plays its part in reducing the public deficit. The UK Border Agency budget will reduce by up to

20 per cent over the next four years. The agency will be smaller, but more efficient, and we believe it can deliver its commitments.

The agency expects to achieve in the region of £500 million savings by reducing support costs, boosting productivity and improving value for money from commercial suppliers. Within the overall settlement for the UK Border Agency, there will be higher reductions for head office and administration, and smaller for the front-line operations. This also includes cutting overhead costs by over a third over the spending review period.

The UK Border Agency will also complete investment in technology including e-Borders and our immigration case working system to support border controls and replace costly and outmoded paper work. The agency's greater use of technology will help improve productivity and efficiency and will mean that it can target its resources—people and money—on those people most likely to cause harm to the UK.

We are increasing the contribution fees make to our costs to ensure that while the taxpayer pays less, the applicants pay more of the cost of running the agency.

Asked by *Lord Hunt of Kings Heath*

To ask Her Majesty's Government how many members of staff of the UK Border Agency are based in countries outside the United Kingdom. [HL3036]

Earl Attlee: The UK Border Agency has 2,150 people working overseas, of which 1,505 are based in countries outside the United Kingdom; the balance are UK based but posted overseas.

A detailed breakdown is contained in the table below.

<i>UK Border Agency Overseas Workforce</i>	
UKBA members of staff based in UK posted to Europe and overseas.	173
UK Border Agency and Foreign and Commonwealth Office members of staff based in UK posted overseas	472
Foreign and Commonwealth Office locally engaged staff based overseas	1,505
Total	2,150

(1) The figures are as at end June 2010 for the UK Border Agency and 1 April 2010 for FCO employees and are for full-time equivalents rounded to the nearest whole number.

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