These notes refer to the Loans to Ireland Bill as introduced in the House of Commons on 9 December 2010 [Bill 125]

LOANS TO IRELAND BILL

EXPLANATORY NOTES

INTRODUCTION

1. These Explanatory Notes relate to the Loans to Ireland Bill as introduced in the House of Commons on 9 December 2010. They have been prepared by HM Treasury in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.

2. The Notes need to be read in conjunction with the Bill. They are not, and are not meant to be, a comprehensive description of the Bill. So where a clause or part of a clause does not seem to require any explanation or comment, none is given.

SUMMARY AND BACKGROUND TO BILL

3. The Government has agreed in principle to make a bilateral loan to Ireland, as part of an international package of measures to provide financial assistance to Ireland. The Bill provides for expenditure incurred by the Treasury, when making payments in respect of the loan, to be paid out of money provided by Parliament.

TERRITORIAL EXTENT AND APPLICATION

4. The Bill extends to England and Wales, Scotland and Northern Ireland.

5. This Bill does not contain any provisions falling within the terms of the Sewel Convention. Because the Sewel Convention provides that Westminster will not normally legislate with regard to devolved matters in Scotland without the consent of the Scottish Parliament, if there are amendments relating to such matters which trigger the Convention, the consent of the Scottish Parliament will be sought for them.

6. The Bill does not affect matters which are the responsibility of devolved institutions in Wales, and does not contain any provisions that would require a legislative consent motion in Northern Ireland.

FAST TRACK LEGISLATION

7. The Government intends to ask Parliament to expedite the parliamentary progress of this Bill. In their report on Fast-track Legislation: Constitutional Implications and Safeguards[1], the House of Lords Select Committee on the Constitution recommended[2] that the Minister responsible for the Bill should make an oral statement to the House of Lords outlining the case for fast-tracking when the Bill is introduced to the House. The details contained in the oral statement should also be set out in a written memorandum included in the Explanatory Notes.

Why is fast-tracking necessary?

8. The UK's bilateral loan is a key part of an international package of measures to provide financial stability to Ireland. The Bill will authorise the Treasury to make loan disbursements to Ireland, and the timing of the UK's proposed loan disbursements is currently unclear. It is necessary to fast-track the Bill so that the UK's international partners can be confident that the bilateral loan will be implemented.

What is the justification for fast-tracking each element of the Bill?

9. The Bill is a short Bill, with few substantive provisions other than to provide for sums required by the Treasury, in order to make payments to Ireland, to be paid out of money provided by Parliament. The other provisions are an order-making power to increase the limit on lending, and an obligation to report to the House of Commons about the loan. These provisions are closely linked to the financial authorisation provision, and need to be read together.

What efforts have been made to ensure the amount of time made available for parliamentary scrutiny has been maximised?

10. The Bill is being published on the same day it is introduced and arrangements are being made for amendments to be accepted in advance of second reading in the House of Commons.

To what extent have interested parties and outside groups been given an opportunity to influence the policy proposal?

11. The overall package of measures to provide financial stability to Ireland has been agreed with a number of international partners, including the International Monetary Fund and the European Union. Given the importance of the package and the need to provide those international partners with certainty over the bilateral lending provided for by the Bill in order to finalise the package, there has been limited opportunity to give interested parties and outside groups an opportunity to influence.

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[1] House of Lords, Select Committee on the Constitution, 15th report of Session 2008-09, Fast track Legislation: Constitutional Implications and Safeguards', HL Paper 116-I. Available at http://www.publications.parliament.uk/pa/ld200809/ldselect/ldconst/116/116.pdf

[2] Ibid, paragraph 186.

Does the Bill include a sunset clause (as well as any appropriate renewal procedure)? If not, why do the Government judge that their inclusion is not appropriate?

12. The authority for financial expenditure in relation to the loan expires after five years. The intention is to disburse over a slightly shorter timeframe, possibly three years, but the detailed schedule for disbursement still needs to be agreed with Ireland and with the other international lenders (IMF, European Financial Stability Mechanism, European Financial Stability Facility, Sweden and Denmark). Five years will provide sufficient flexibility. The disbursements will also be constrained by the cap.

Are mechanisms for effective post legislative scrutiny and review in place? If not, why do the Government judge that their inclusion is not appropriate?

13. The Bill provides for regular reports to be made to the House of Commons on loan disbursements made to Ireland under the Bill, repayments of principal and payments of interest received from Ireland, and any outstanding liabilities. In common with all legislation, the Treasury will comply with the agreed process for post-legislative scrutiny.

Has an assessment been made as to whether existing legislation is sufficient to deal with any or all the issues in question?

14. HM Treasury considers that existing legislation does not provide authority for the expenditure required for the loan. Statutory authority for such expenditure is required in accordance with the Concordat of 1932 between the Government and the Public Accounts Committee.[3]

Has the relevant Parliamentary committees been given to opportunity to scrutinise the legislation?

15. Given the importance of the international package of measures to provide financial stability to Ireland and the need to provide the UK's international partners with certainty over the bilateral lending provided for by the Bill, it has been prepared at great speed, and therefore Parliamentary committees have not been given an opportunity to scrutinise the legislation. However, the Treasury will be willing to meet with the Treasury Select Committee, or any other committee, although this will be determined by the committees' own agendas. The Chancellor announced at the Treasury Select Committee hearing on the OBR Autumn Forecast (8th December 2010) that the Bill would be introduced to the House on 9th December 2010 along with details on the provisions of the Bill.

[3] See Annex 2.1 of Managing Public Money, http://www.hm-treasury.gov.uk/psr_mpm_index.htm

COMMENTARY

16. **Clause 1** provides that there may be paid out of money provided by Parliament sums required by the Treasury for the purpose of making loans to Ireland by the UK. The maximum amount of payments that the Treasury may make (excluding repayments), in the 5 year period beginning 9 December 2010, is £3,250 million. The Treasury has an order-making power under s*ubsection (4)* to increase that limit, Where the Treasury increases that limit between 9 December 2010, and the 30th day after the Bill receives Royal Assent, solely for the purpose of taking into account exchange rate fluctuations, the order is not subject to any Parliamentary procedures. Otherwise, any order increasing the financial limit on lending is subject to affirmative procedure in the House of Commons.

17. **Clause 2** provides that the Treasury is under a duty to report to the House of Commons at six monthly intervals. The reports must cover disbursements made during the reporting period, as well as repayments and interest payments made, and liabilities outstanding.

FINANCIAL EFFECTS

18. The Bill authorises the Treasury to pay out up to £3,250 million in loans to Ireland out of money voted by Parliament. The effect on the fiscal position will be to increase the UK’s level of net debt and the UK will receive interest payments over and above interest paid to finance the loan.

PUBLIC SECTOR MANPOWER

19. No changes are expected to public sector manpower.

IMPACT ASSESSMENT

20. The Bill will impose no significant direct costs, benefits or risks on the private sector. As such no formal impact assessment is required.

COMPATIBILITY WITH THE EUROPEAN CONVENTION ON HUMAN RIGHTS

21. The Chancellor of the Exchequer has stated, pursuant to section 19 of the Human Rights Act 1998, that the Bill is compatible with the Convention rights. The Bill simply authorises expenditure in order to enable the UK to make loans to Ireland. The Bill does not engage any Convention rights.

COMMENCEMENT

22. The Bill commences at Royal Assent.

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Ordered, by The House of Commons,
to be Printed, 9 *December* 2010.

PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON - THE STATIONERY OFFICE
Printed in the United Kingdom by
The Stationery Office Limited

£x.00

Bill 125–EN 55/1