

HOUSE OF COMMONS
ORAL EVIDENCE
TAKEN BEFORE THE
POLITICAL AND CONSTITUTIONAL REFORM COMMITTEE

**THE COALITION GOVERNMENT'S PROGRAMME OF POLITICAL AND
CONSTITUTIONAL REFORM**

THURSDAY 10 OCTOBER 2013

RT HON NICK CLEGG MP and RT HON GREG CLARK MP

Evidence heard in Public

Questions 1 - 50

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Oral Evidence

Taken before the Political and Constitutional Reform Committee

on Thursday 10 October 2013

Members present:

Mr Graham Allen (Chair)
Mr Christopher Chope
Paul Flynn
Sheila Gilmore
Andrew Griffiths
Fabian Hamilton
Simon Hart
Tristram Hunt
Mrs Eleanor Laing
Mr Andrew Turner
Stephen Williams

Examination of Witnesses

Witnesses: **Rt Hon Nick Clegg** MP, Deputy Prime Minister, and **Rt Hon Greg Clark** MP, Minister of State (Cities and Constitution) at Cabinet Office, gave evidence.

Q1 Chair: Decentralisation and localism and city deals—I am very excited to be working with you and Nick on these issues. I think we can make some progress.

Greg Clark: Thank you, Chairman. I am very excited about it and look forward to working very closely with this Committee on what I hope will be a shared agenda.

Q2 Chair: To start us off, and to start Greg off, there are 581 days before the general election. Is that enough, Greg, to allow you to have a real influence on the decentralisation and localisation agenda? If you could dream, where would you want to take that agenda over the next brief period before that general election?

Greg Clark: Chairman, I am grateful for the question. Although I have moved Departments, in fact you might say that I have taken the portfolio on tour around Whitehall over the last three years, from DCLG to the Treasury and now to the Cabinet Office, so we are not starting work on it by any means. This has been something that, as you know, I have always been passionate about. Way back in Opposition, I wrote books on the need to transfer power from the centre to the places in our country. As you probably know, I am Middlesbrough born and bred, and the founders of the infant Hercules did not need to ask permission from central government to grow and prosper. I think we need to get back to the spirit of people, the leaders of our cities, towns and counties across the country, feeling that they have the right to initiate policies, do things differently, and have greater control of financial resources.

Paradoxically, if you want to give power away from the centre, you need to have quite a strong force at the centre to almost literally prise some of the fingers off the levers of power. Nick Clegg and I have been working together on this. We have the Localism Act, which I took through the Commons, and the city deals, which you have taken an interest in, Chair,

especially with Nottingham. We have heard in evidence over time, and if you talk to people around the country, that there is a real sense that the powers we have transferred through the city deals have gone beyond people's expectations, and we are now extending them to another 20 cities. But if I can read the Prime Minister's mind, the purpose of this change is to make that countrywide, at least as it affects England, so that we can effect a permanent shift during the rest of this Parliament in the relationship between the rest of the country and Westminster and Whitehall.

Q3 Chair: You will be familiar with the report that the Select Committee wrote about greater independence for local government, both in terms of its powers and much clearer accountability and transparency about the lines of finance to local government, perhaps as a precursor to local government doing for England the devolution job that has been done by other institutional forms in Scotland, Wales and Northern Ireland. Does that have any resonance or attraction?

Greg Clark: It does. First of all, as you know, I have taken a great interest in that report. Your endpoint of having settled greater powers that are absolutely there to endure, in fact to increase over time, is exactly where we want to get to. It is fair to say I have approached it in a different direction, but I am sure it is something that we will have some longer and hopefully fruitful conversations about, and I suppose it is a pragmatic approach. I agree with you that the transfer of control over local financing is extremely important to the genuine independence and freedom of action of local government in different places. What we have done in the city deals is to take it case by case.

If you take Greater Manchester as an example, its representatives came to us as part of their city deal and said, "We would like to invest more local resources in our transport infrastructure of £2 million. If we do that it is going to be of great benefit to the economy of Greater Manchester but, frankly, it is also going to be good for the nation and financially good for the nation. There is going to be revenue that goes to the Exchequer as well as comes to us in business rates. Therefore, we think it is only reasonable that we should have a dividend from that. This is not just a piece of generosity. If we had that, then we could finance the investment in the first place, so it is a virtuous circle". After a lot of banging of heads together in Whitehall, we concluded a deal that does precisely that. It is an earn-back deal, as we term it.

The reason I mention it is that if Nick and I had gone to the Treasury and said, "We are going to change the whole of local government finance to give an annual dividend from the Treasury to every place in the country" I think we would still be talking about it, but I was able to say, "This is a very compelling proposition, in my view, from Greater Manchester, a place that has shown itself capable of exercising these powers with responsibility and authority. Their analysis seems to be indubitably correct. Why don't we do it?" I think it is much more difficult for the forces of the status quo to say no to a particular compelling proposition than to have a very general approach.

My ambition is not limited to doing this with Greater Manchester, so the approach that I have taken and we have taken is to do it deal by deal and to change it that way. Your approach—which I totally understand and, as I say, I think the endpoint is very similar—is to look at it, as befits the Committee, more constitutionally in terms of general principles. That is the difference in approach that we have taken but it is in a very similar direction.

Q4 Chair: I see why you did what you did where you were, but now you are somewhere else. You are in the Department run by the Deputy Prime Minister, which looks at the democratic picture and the democratic agenda as a whole. I am leading you quite deliberately. Where you have tested and proven, are you now looking at the possibility of

something generic so that England in particular can join the family of most nations in the Western democracies and have something akin to independent local government? Well, you have been in the job 24 hours, Mr Clark.

Greg Clark: 48 hours in fact, even more. I would like to get to the world that I think we both share the ambition to see. What we are doing, and part of my new job, is to do this across the country—it is still the case that if you can negotiate things bilaterally, then we can still make some further progress. One of the classic objections to general changes in these settlements with which you will be familiar is that some places which, at the moment, may not be tooled up to make use of those changes may use that as an objection on which they founder, whereas if you give to people who are demanding and showing themselves capable, I think that is right. We have further discussions to have on this. I have not been required, or indeed empowered, to approach it from a constitutional perspective before, not having had any responsibility for these matters. That has clearly changed as a result of this. I will reread your report and I am sure we will have some further discussions about it, which you will find me approaching with all my heart.

Q5 Chair: We will certainly try to optimise the opportunity that you now have in your new role. Deputy Prime Minister, do you feel that this is a moment where you have the potential to take much further some of the excellent work that has been done already in particular places, and do you feel that the report that the Committee produced might have a hand in that?

Mr Clegg: Firstly, I am absolutely delighted to hear the exchange you just had. I remember the last time I was at this Committee I declared that our ambition is to leave every part of England with greater local authority control over its affairs than we found back in 2010. I said that marrying the decentralisation agenda—which is a constitutional one because it is about power and who decides what—to an economic agenda that is shedding this over-centralised paradigm of economic management was absolutely core to our agenda. You then promptly asked me lots of questions about the Fixed-term Parliaments Bill, so I came away thinking you were not in the slightest bit interested in this. We have now taken extreme measures to show our seriousness about this by having Greg embody the marriage of these two agendas. It does genuinely signal a cross-Coalition commitment to seeing this through. I agree with everything that Greg said.

I would amplify that our focus over the next however many days it was you said until the general election is to, as rapidly as possible, create irreversible facts on the ground on as widespread a basis as possible, such that no Government, no vested interest in Whitehall in the future can turn the clock back. There are lots of aspects to that. I personally think the local retention of business rates is a very important and often overlooked fiscal innovation. It is probably the biggest act of fiscal decentralisation we have seen for a very long time. Like Greg, I am particularly passionate about the city deals, because again that breaks new ground. I have seen the liberating effect it has on skills and transport in the city where I am an MP in Sheffield, and we want to extrapolate that.

To be fair, as Greg intimated, our trajectory at the moment is to press ahead with that as forcefully as we can in the remaining period of time, rather than invest a lot of time in seeking to establish a wider settled blueprint. But they are not inconsistent with each other and of course the rationale behind both is the same, which is to turn a page on generations of over-centralisation of governance in our country.

Q6 Chair: We are relatively short of time before the next general election, but it is still a chunk of time. Perhaps this is not something I should spring on you, but is there a way in which we can all work together, even all parties, perhaps in some form of commission or

inquiry or open session, to see if there is a consensus about how you might take that forward after a general election? Is there common ground here, involving the LGA and many other bodies, to do a bit of preparatory work that does not commit anyone politically, therefore you do not get the brick bats because everybody is around the table? Might there be a role for your Department to facilitate that?

Mr Clegg: There is certainly no a priori objection at all; the more the merrier, and the more we can create, as you say, a consensual head of steam. There are so many different aspects to this. The bit that always is the most controversial, as Greg quite rightly pinpointed, is money and control over money, raising and spending money. I share with him the view that the earn-back model in Manchester was a more radical innovation than many people appreciated. It has not fully rolled out yet, but if we can make that work, it does create a new and dramatically different financial incentive for growth to be enhanced locally so that the revenues of that growth are then reinvested locally. That is a complete reversal of what happened in the past, when there was absolutely no financial incentive in the tax system or in the financial system at all for local communities and local authorities to boost growth. Bizarre, if you think about it.

Q7 Chair: The Committee feels that we came up with something, quite deliberately, that was cost neutral but very much more advanced in terms of transparency and accountability on the financial side. I will not rerun those debates, but I am grateful, Deputy Prime Minister, for the open-minded nature of your final response and we will try to move that forward in step with you, if that is helpful.

I do not know whether I should put my specs on and look over my nose like this as some sort of judicial—

Mr Clegg: I have specs now. We can rival each other in headmasterly peering at each other.

Chair: Perhaps we should compete, yes. You know what I am going to say, which is about the lobbying Bill, and I need to be clear that the Select Committee felt that we had not been treated with proper respect. I do not mean that from a pompous parliamentary point of view, but just the fact that it took a year to reply to our report. We produced a unanimous report on an all-party basis, with lots of helpful suggestions, and did not feel that we got the level of engagement that we have tried to give to the Department and to yourself personally as well. Do you have any views about that?

Mr Clegg: Firstly, I am acutely aware of the strength of feeling in the Committee. As both Greg's predecessor, Chloe Smith, and also the Leader of the House have made quite clear, of course we recognised in Government that this was not ideal. I totally acknowledge, if I was sitting in your position, why you would have the strength of feeling about the way things were procedurally handled. I will set aside for the minute substantive differences. There was just an honest difference of opinion about, for instance, the scope of the lobbying register, which we can go into if you like, but on the process issue I acknowledge there was a mixture of a rather lengthy period of time before there was a full reply to the report you had issued on the lobbying aspects of it. By the way—this is not in any way a hand-washing excuse but for information—be aware that for various reason I recused myself from the lobbying part of this Bill, to avoid any perceived conflicts of interest with my wife's legal practice.

On the part 2, which has obviously been the subject of a great deal of controversy leading up to the Third Reading vote yesterday, again this may not be a satisfactory explanation to you but let me just set it out nonetheless. We could not, as a Government, set out in any detail what our thoughts were about what is required in legislation to regulate third-party funding that enters into election contests until we knew the fate of the cross-party talks

on party funding. This was something that all parties in those talks recognised was a major issue—recognised parenthetically that that was a major issue—because evidence in the United States and elsewhere shows that if you put donation caps on party funding donations, which of course is an indispensable ingredient in any final party funding arrangement, often what happens is the money just gets recycled, in the American case, into these very aggressive super-packs, which end up distorting the democratic process anyway. So it was part of the party-funding talks .

We did not, as you know, draw a line under those party-funding talks . I regret massively that they did not lead once again to a breakthrough, but they did not. I gave a lot of time, almost two years, in these talks. We simply could not proceed with setting out our thoughts on legislation until we knew that the vehicle for delivering on that part of the party funding jigsaw was not going to proceed. Then we were advised by the Electoral Commission, quite understandably, “If you want to take action on third-party funding rules and if you want those to have effect in 2015 rather than 2020, you need to move pretty quickly in order to get the legislation out there”. That is why there was this very short period of time between the end of the party-funding talks and our publication of the draft Bill. I accept that is not satisfactory from your point of view, but I hope you will also accept it is not typical and that there were some quite specific extenuating circumstances that led to that chronology.

Chair: Having just spent five straight days in the last two parliamentary weeks on the Floor talking about lobbying, I am not particularly keen to pursue this but I think Sheila has a particular point.

Q8 Sheila Gilmore: In terms of the timing issue, I think you said parenthetically if there were tighter caps on donations there is a fear that it flows out somewhere else, and you mentioned the American example. But we do not now have, as yet, changes to party funding, yet you still want to legislate on this. Clearly you have had it in mind for some time, albeit you thought it should await the possible resolution of cross-party talks. Shouldn't it still have been possible to put this out into the public domain for discussion? It has not become necessary suddenly because you have this cross-party agreement. In fact, it is the opposite; you do not have that agreement, and suddenly you want to do this. Since it is clear that you had it in mind, would it not have been better to have had it in the public domain and have had the opportunity for it to be discussed fully? Possibly a lot of grief to everybody could have been avoided by trying to iron out some of the problems properly, because trying to amend Bills literally on the Floor of the House is not very satisfactory.

Mr Clegg: I accept that it was not a secret that we could not talk about publicly until the party-funding talks had once again hit the buffers. It was not. This was something that the Electoral Commission itself published some thoughts on after the last general election. It is worth remembering that third-party funding doubled in scale to about £3 million at the last general election. Under the current rules—this goes back to the rationale for doing this—you could have very well-funded groups launching campaigns across the country on a scale that political parties are not entitled to. I can see an American danger if you go down that route.

You are quite right, there clearly have been reports and discussions about this previously. It did not just emerge, chrysalis-like, only out of the failure of the party-funding talks but it was a very generic part of it. I must confess, I was quietly optimistic for quite a period of time that we might make a breakthrough on those party-funding talks because of the impetus that Christopher Kelly's report had given to them and because of the signals from all parties that they were willing and keen to explore a way to bite this bullet. I think if there was a failing, it was a failing of investing a lot of time and effort in trying to get these cross-party talks going as the vehicle to deal with this and other issues. Could we at the same time

in parallel have also said, “This is something we could deal with”? We did not. I accept one can always look back with hindsight and say, “Should we have done?” but I do not think there was anything suspicious or malign in our investing a lot of time in trying to get these cross-party-funding talks settled.

My own view is it did not happen this time and it has failed previously. It will have to happen at some point. The way in which parties are funded in this country is not sustainable and it is not acceptable to the British public. I personally think that we will get a cross-party deal at some point and it will have to involve donation caps of some description. The legislation on third-party funding limits that we are introducing now makes sense in its own right, but it will certainly make sense in that context as well.

Q9 Sheila Gilmore: In terms of the lobbying part of the Bill, there is a great deal of cynicism, and I think public cynicism, that despite having published draft proposals some considerable time ago—this Committee, among others, looked at those proposals and commented on them—there was such a long period of silence. Nothing was in the Queen’s Speech, which would have been the normal time for a Government to come forward with its proposals. Then what came forward seemed not to have paid very much heed to previous critiques at all. Can you understand the feeling about this?

Mr Clegg: Of course I can understand. I am not being silly about this. Of course I understand why you might be critical and bridle at the way these things happen. As I say, I did not get into the guts of the lobbying part of it, so I can’t provide you with a perfect anatomy of exactly the twists and turns of all this. I think there is a sincere disagreement between one view that says that the remit or the coverage of those people undertaking lobbying activities should be widened, to the view that the most practical way of dealing with this is establishing a register that covers those lobbyists who are consultant lobbyists, who have several different clients, where you need transparency on whose behalf they are making representations. That is not the case for in-house lobbyists because you know exactly—it is written all over their foreheads, so to speak.

That is a distinction that we drew in Government, and I think it is a reasonable one. I understand you can disagree with it, but it is not an unreasonable difference on the substance. It did take a long time to try to weed out the details of that register in the way that we have done. Then it seemed right and natural to make sure that the legislation was coupled together with this third-party funding approach.

Q10 Chair: I am going to move on to war powers and Mr Flynn has the starting question, but before we move on, just to say on party political funding that the Committee remains at your disposal, and I personally remain at your disposal, if it would be helpful, as a last gasp effort to try to get something on this. I agree with you very strongly that this is going to happen at some point. It might be helpful if we can do this on a consensus, rather than one party or the other composing something, and in the context of Select Committees having a stronger role. Chairs are elected, all the Members around the table are now elected by their respective parties. The number of amendments that an all-party Committee tabled for consideration on the Floor of the House, and on which there was unanimity, to try to improve the lobbying Bill that we had spent a long time on was unprecedented. That is quite a step forward. It may be the shape of things to come, who knows. It depends a lot on the parliamentary arithmetic after an election, but perhaps Select Committees might be considered for the sort of role where there is inter-party talks going on on a particular thing that often might require some sort of friendly mediation.

I do not expect a reply, Deputy Prime Minister, but I will leave that on the table as one of many possibilities that I feel the Committee can offer Government of whatever colour.

Mr Clegg: Yes, thank you.

Q11 Paul Flynn: Before I get on to this fascinating subject of conflict decisions, can I ask you, Mr Clegg, to give us your advice, which you are uniquely placed to give as a social anthropologist, which I understand you studied at Cambridge, no less. Is it a characteristic of the species Coalition Man that they cannot take responsibility, that first they blame the last lot, the other Parliament, then the European Union, then civil servants, then trade unions, and this morning they blamed badgers for a Government cock-up? Is it a characteristic of Coalition Man that they are incapable of taking responsibility and, if they are not, on which date will this Coalition take responsibility for its failures?

Mr Clegg: You single out badgers. Badgers were not a subject of study when I was a social anthropologist. You might need to speak to a zoologist instead. I think we have our disciplines slightly mixed up and I have no insight into whether the species exists or not.

Q12 Paul Flynn: It is the species Coalition Man, who is an important part of future social anthropology.

Mr Clegg: Since you have introduced a slightly sour partisan note—

Paul Flynn: Oh, surely not.

Mr Clegg: —I think the greatest shirking of responsibility in contemporary British politics is that there has still been no political accountability or responsibility or contrition expressed for the greatest economic disaster this country has seen in a generation, which was back in 2008.

Q13 Paul Flynn: Are you suggesting that this is nothing to do with the international crisis of banking that took place, the sub-prime mortgages in America? The crisis was entirely homegrown here in Britain, was it, the world crisis?

Mr Clegg: No, of course not, not entirely, but I think any objective observer would agree that the way that the banks were not properly regulated, not properly supervised—and Greg, from his previous incarnation at Treasury, could provide further detail on this—was an absolute lamentable failure, not only regulatory but political failure. If you really want to go back in history, it goes back—

Paul Flynn: But this was the banking crisis not the—

Chair: Paul, I am going to intervene on conflict resolution and prevent any further conflict from developing, other than on the topics that the Select Committee have in their ambit, which sadly do not include international crises of an economic variety.

Q14 Paul Flynn: No, I think the Deputy Prime Minister has eloquently answered my question with the words, “Yes, Coalition Man cannot take responsibility”.

If we go on to conflict decisions, the Foreign Secretary said the Government would, “Enshrine in law for the future the necessity of consulting Parliament on military action”. What has been done within Government to take this forward? Who is leading on the issue?

Mr Clegg: Firstly, as you know, we have assiduously respected the convention that has emerged over time that Parliament is consulted, there is a lengthy debate and we vote on issues of British involvement in military operations, most notably in the recent debate on Syria. We have stuck to the convention.

As for enshrining that convention in law, this is something that we are looking at and in time we will need to provide a formal response to your Committee on this subject. We are conscious of that. It is not quite as straightforward as it might at first seem. I am not sure, Mr Flynn, if you have read the Lords Select Committee report on this where, interestingly enough, when I gave evidence to them I was under the impression that our colleagues at the

other end of the corridor were going to recommend a fully-fledged legislative guarantee that this convention should be respected in law as a matter of law. They subsequently, in their report, resiled from that and said there needs to be some discretion maintained by the Executive and by Cabinet. We need to take account of the Lords Committee report and obviously this Committee's views as well.

We also need to consider that if you want to enshrine—if that is the right verb—this convention in one way or another, there are of course many different ways one can do it. One can have a resolution of the House; you can have full primary legislation. We are not decided on that, candidly, and I am not going to pretend that we are. As ever on these things there are various shades of opinion, but I would suggest that the Lords Committee report was a very interesting treatment where they believe that there must be circumstances in which the Executive is able to take swift action.

Q15 Paul Flynn: That is a long way of saying that you do not want to give the House of Commons the say before troops are committed.

Mr Clegg: Can I interrupt? That is not what I—

Paul Flynn: Is the Government conscious of the strength of the decision taken on 29 August or the vote that was taken in a Back-Bench Committee by 113 to one that said that the House should be consulted and should vote before British troops are committed to war? Does the Coalition accept this, knowing that the full weight of public opinion is behind this after the loss of 623 British lives in Iraq in pursuit of non-existent weapons of mass destruction and in Helmand, Afghanistan, in pursuit of a non-existent Taliban terrorist threat to Britain? The public cynicism is as strong as that of the House, and the vote in the House, which had repercussions throughout the world, should be taken by the Coalition surely as a lesson that we should never go to war without the full consent of Parliament.

Mr Clegg: I admire your polemic. You can mix badgers, sub-prime mortgages, Iraq and Afghanistan all into one thing, but if I could ask you not to impose—

Paul Flynn: No, we have left badgers now. If you could concentrate on the—

Mr Clegg: If I could provide some explanation to the questions you put to me and resist some of the caricatures you are seeking to impose upon the Government. It is this Coalition Government and a decision the Prime Minister took, I took, we took to seek Parliament's view on Syrian military engagement at the earlier possible opportunity. In fact, we were criticised for doing it too quickly and now you are suggesting that somehow by our actions we are showing that we are not committed to do that. We have acted on the convention that Parliament should be consulted and able to vote on these things every time that has arisen during this Coalition Government. The other time it happened was when we undertook British military action in Libya. What I was answering was the question about how you would enshrine that convention, which is where I think there are genuine legitimate issues of debate: do you do it in primary legislation, do you do it by resolution of the House and so on?

If you want to judge us by our actions rather than our words—I know you are keen to find some cracks in the armour—every single time there has been a question about British military engagement, this Coalition Government has gone to the House first and, most interestingly of all, was very quick, and the Prime Minister was immediate in his response after the vote in the House of Commons about Syria, to say, “We respect the will of the House” even though he, and indeed I, had argued otherwise. I do not think you can think of a better example of an Executive anywhere in the developed world—compared to what happens in the United States, France or other mature democracies—saying, “We lay ourselves before the feet of the legislature on issues of military engagement and will abide by the will of the House”. That is precisely what we did.

Q16 Paul Flynn: I have no interest whatsoever in the political argument. My sole purpose is to avoid the deaths of future British soldiers like the 623 who died in vain attempts to involve ourselves in war. The House was persuaded to take the decision because in the Iraq case the House was bribed, bullied and bamboozled into it, and in the case in Helmand province—only two soldiers died in Helmand when we went in there—on the basis that not a shot would be fired. We have made terrible mistakes on this. Isn't the case then overwhelming that the House acted quite rightly on 29 August, changed American opinion, changed world opinion? The policy of the Coalition at that time was to charge into Syria, all guns blazing, to bomb, and that was the decision that was altered by this Parliament by a vote and by the courageous stand of Conservative and other MPs to vote against the Government's diktat.

Q17 Chair: If I may, Deputy Prime Minister, just bring this back to what this Committee has written and answer Paul's question in the context of the fact we have done a report on war powers. That report was published in June, I believe. Having mildly chided you for a slow response, I am now going to do a complete about-face and inform you, if you did not know already, that the Committee, as a result of the actions over Syria, thought that it was sensible to revisit that proposal and see if it still held water in the light of a very significant event. Therefore, we hope to conclude our review of our own report very rapidly, hopefully by November. Therefore, if it is helpful for the Government—we want the Government to come to a conclusion on this—not to hurry a reply, and indeed to reply to our review of our own report, that might be a more sensible way to proceed. I do not know if that is helpful.

Mr Clegg: That would be very helpful. Mr Flynn, to use the phrase of the moment, is somewhat shifting the goalposts, because you were inviting me to have a discussion with you about the merits or otherwise of British military involvement in the military action as proposed at the time by the American Administration. I do not suggest we rehearse that now. What I very strongly contest is that this Government has done anything other than reinforce the convention that Parliament should be—my own view, for what it is worth, is that I find it very difficult to conceive of any circumstances where a British Government might now or in the future elect, in what I would call slow time, to take military action without consulting Parliament. I think there might be circumstances—and this is what the Lords Committee dwelt upon, and no doubt your Committee will reflect upon as well—in which the Executive believes that very rapid, sometimes overnight action might be required. That is the kind of thing that we need to tease out, but the principle that if there is a decision to be taken that is not under very urgent time pressure, a Government could in this day and age do so without seeking to confer legitimacy on that decision is wholly unrealistic. That is my view and, more than that, that is how we have behaved as a Government during our period of office so far.

Q18 Fabian Hamilton: Deputy Prime Minister, you may recall that it was 2003 when we had the vote on the conflict in Iraq. That was perhaps the first time that Parliament had been consulted on waging war against another country, and that was a very good break with convention in the past. The Foreign Secretary, William Hague, stated in March 2011 that the Government would, “Enshrine in law for the future the necessity of consulting Parliament on military action”. It is clear that there are, as you have said, different views within the Government, and I just remind you that in the oral evidence you gave to the Lords Constitution Committee in January of this year you said very candidly, “There are different views on this, and there are those who are forthright in their view that we should try to make that convention as solid, strong and fixed as possible. I am probably more at that end; as you know the Foreign Secretary has in the past talked about looking at enshrining this practice in

law. There are others—and you have mentioned the reasons why—who have perfectly legitimate and sound reasons to be more cautious about that.” What can be done to encourage a greater consensus for enshrining this in law with the appropriate exceptions on very urgent and necessary military action?

Mr Clegg: I think the clue is in the way you frame the question. It is how does one reconcile enshrining a convention in a way that is strong and meaningful but none the less flexible enough to deal with what are, by definition, unpredictable circumstances. That is the circle we are trying to square. There is no mystery about this. We have this convention, we are respecting it. It is a sort of de facto political convention that is—

Q19 Fabian Hamilton: But only in the last 10 years or so.

Mr Clegg: Absolutely, but I do not think anyone is going to turn the clock back or somehow try to reverse that precedent. It is perfectly imaginable there might be circumstances, for very good reasons, that this Government or future Governments say we have to be able to act with an element of surprise or with an element of urgency, which does not lend itself to a planned full debate on the back of published documents and evidence and claim and counterclaim. It is a question of how you make fluidity and spontaneity consistent with enshrining a principle that democratic legitimacy should be sought for a decision as momentous as this.

Q20 Chair: We think we have those words and are happy to talk about that.

Mr Clegg: That is why the Lords Committee is so interesting, because they appear—at least that was my feeling—to have slightly veered off the idea that there is an easy way of squaring a circle. Certainly when I gave evidence to them, they gave every impression to me of thinking that this should be enshrined in the most robust form.

Q21 Fabian Hamilton: But I would have thought, given the excellence of the people who draft our parliamentary legislation, that it would be quite possible to draft such legislation that enshrined the principle in law but had the appropriate exceptions. As the Chair has said, we have a form of words that may be helpful to you.

Mr Clegg: Okay. That is candidly where the devil is in the detail.

Q22 Fabian Hamilton: Is that the only reason that there is some dissent about this, or there is a dissent among different members of the Government on the principle that it should be enshrined? Is it practicality that dictates this?

Mr Clegg: No, I do not think there is dissent on the principle that if a Government in this day and age elects to choose to take military action—I think one of the big changes in the sort of environment we operate in is that, perhaps again with exceptions that I can’t at present envisage, it is always more likely than not that Britain’s military involvement now in the future will be a multilateral one, in other words in co-operation with other countries. In a sense, that complicates the argument about legitimacy. It is not just about what unilateral action you take. It is about, in the case of Syria, whether we decide to join forces with other countries or not, and then you get this very interesting thing of different constitutional conventions, different timetables. The chronology by which these decisions are taken by executives and legislatures are not perfectly synchronised in different jurisdictions. It is a very new world we are operating in.

Q23 Fabian Hamilton: There is no doubt, though, that the decision we made on 29 August had a profound effect on our allies, including the United States.

Mr Clegg: Yes, absolutely, a profound effect. To that extent, regardless of your views about the merits or not of the case that was being made about military intervention at the time, it is a wonderful triumph of parliamentary accountability. That is something that I genuinely celebrate, as someone who is always keen to see power properly held to account.

Q24 Chair: I am going to move on to the House of Lords now. We quite deliberately—

Mr Clegg: I thought we had done that one, or not done it rather, sorry.

Chair: It was done, in many senses of that word. But what the Select Committee looked at, quite deliberately, was tiny, small-scale, incremental things with the position that we would not want to agree and put anything into the public domain that we did not feel could command complete consensus. We have done something, I think, quite modest in that regard, but certainly it meets those terms. I know Sheila had a few questions on those specifics.

Sheila Gilmore: House of Lords reform, indeed. A lot of people have been talking about small-scale reforms, housekeeping reforms, and one of the things that we were wondering was whether it would make sense to have some sort of standalone legislation, either for the Government to support a Private Member's Bill or perhaps the Government itself to sponsor something, to deal with the outstanding matters such as retirements and various other small-scale reforms.

Mr Clegg: Yes, basically. If we can, without gumming up other legislation or investing huge amounts of time that should be devoted to other legislation, find a way of implementing entirely sensible, for want of a better word, housekeeping changes, I think particularly in three areas, there is no reason to delay. One you mentioned is retirement provisions in the House of Lords. Secondly, there is this rather odd anomalous situation at the moment about how those Members of the House of Lords who have committed crimes and been prosecuted for them are dealt with. Thirdly, there is the issue of attendance, or rather non-attendance. What do you do with Members of the House of Lords who basically do not turn up at all, or not in any meaningful way? If we can find a vehicle—and if it is a Private Member's Bill—I would be entirely open for us to support those three measures and do so quickly.

I have always, as you know, been keen to avoid the impression that those changes are somehow a surrogate for the real reform the House of Lords needs, which is a good, healthy dose of democracy, and I do not think that these kind of changes, which are limited, incremental and practical in nature, should be somehow put in the deep freeze just because we have not made progress on the major reform of the House of Lords.

Q25 Sheila Gilmore: A measure of that sort would make much better progress if it had Government backing.

Mr Clegg: Yes. If we can find a vehicle, a measure, that does those things, particularly those three things, subject to crossing t's and dotting i's and getting the detail right and so on, I would be more than happy for us to provide Government backing to it.

Q26 Sheila Gilmore: One of the parts that I think was probably in the Coalition Agreement was to change the balance in the House of Lords to reflect the percentage of votes secured by parties in the last general election. One of the criticisms of this approach, if you are still sticking to this—and it would be useful to have your answer on that—is that that appears to be simply creating a House of Lords that is getting larger and larger and larger.

Mr Clegg: Yes. The House of Lords has always been a somewhat oversized legislature. I sometimes get the impression that people think its size has only just emerged as a problem. If you look historically, it has always been rather bloated in size, and of course

there are lots of people in the House of Lords who do not regularly attend, so there is a big distinction between its overall numbers and the numbers who are active. We will continue to make appointments to the House of Lords following that rule of thumb in the Coalition Agreement. It does not mean we are going to appoint hundreds and hundreds overnight to restore the balance. Even after the latest set of appointments we have announced, I think around 60% of the House of Lords are not affiliated or belong to either of the Coalition parties. Until now, or very recently at least, Labour peers were the largest contingent by quite some considerable margin after the appointments made over the last decade or so.

We will continue to follow that rule of thumb, but we are not going to be silly about it. We are not going to suddenly flood the place. Personally I think some of the arguments about the size of it are erected by those who do not want a democracy or further appointments and want the whole thing to be fossilised as it is. That is clearly not workable. We have not managed to crack this old chestnut of how to make our second chamber more legitimate and accountable to the British people but, a bit like party funding, I think it is going to have to happen eventually. It is such an extraordinary anachronism that it can still persist in this day and age.

Q27 Sheila Gilmore: One of the criticisms in this Committee and elsewhere about the approach to reform has been that it was not underpinned by a preliminary debate and then agreement about what a second chamber was for. The concentration was on how it is chosen and then the details of how it might be elected. But is there still merit in a debate about some fundamental principles of what it is for, what role it should play and how it should interrelate with the House of Commons, and maybe even interrelate with some of the issues that the Chairman touched on at the outset about the shape of the UK?

Mr Clegg: Sorry, I guffawed slightly inappropriately as you spoke. I am sure criticisms can be levelled at how we tried to introduce legislation in a way that in the end did not find favour, but it certainly was not for want of a lot of painstaking cross-party discussion. I spent over a year chairing meetings in my own office with senior members of all major parties, going exhaustively over this. We had a whole pile of all the reports, from Cunningham to this, to that and the other, where everyone has gone over this over and over again. We all agreed on a cross-party basis—in keeping, by the way, with recommendations of previous reports from politicians of all different parties—that we did not need to challenge the central premise of what the House of Lords was there for as a revising second chamber, keeping the bicameral system, two chambers that are both elected. It is a perfectly familiar role to have a revising second chamber, which is not challenging the primacy of the lower chamber but acting, even if elected in composition, as a revising chamber, but it lacked legitimacy. Everyone agreed on that.

My own view, for what it is worth, is that whether it is the size or whether we should go back to Adam and Eve and decide what our institutions are all for, all of these over time became alibis for inaction, for wanting to duck the simple challenge of biting the bullet and giving the British people a say on who represents them in a chamber that has a say over the laws of the land that everybody else has to obey. That is not just my capricious view. It is a view that has held steady in all the various attempts by Jack Straw and others in the past, that this is not about trying to reinvent the respective roles of the two chambers. It is about seeking to strengthen the legitimacy of one of them.

Chair: Fabian, if you could address the questions on the recall of MPs.

Fabian Hamilton: Absolutely.

Mr Clegg: I am very keen to bring Greg in who, from such a dazzling start, has now been sitting here very patiently.

Fabian Hamilton: Greg may want to come in on this.

Chair: Or not.

Q28 Fabian Hamilton: It depends if he wants to speak for his predecessor or not. Deputy Prime Minister, Minister, *The Coalition: our programme for government* stated that the Government would, “Bring forward early legislation to introduce a power of recall”. On 13 December 2011 the Government published the draft Recall of MPs Bill. This Committee carried out prelegislative scrutiny, as you know, of the draft Bill and we published a report on 28 June 2012. We concluded that the power of recall, as proposed by the Government, would hardly ever be used and would make little difference to the UK’s political landscape. We recommended that, “The Government abandon its plans to introduce a power of recall and use the parliamentary time this would free up to better effect”. Greg Clark’s predecessor said in July that legislation would be introduced as soon as parliamentary time allows. At this stage, at this Parliament, does the Government still intend to introduce that Bill before the general election?

Mr Clegg: Yes, we do. As you know, we have very openly accepted a number of the criticisms you made of the original draft, but we do not accept the premise that we should abandon this altogether. Just because a measure might not bring about a revolution does not mean it is not a desirable change in and of itself. You have two extremes in this debate. You have one extreme that says we should have a Californian system, everything goes, people are forever taking out recall actions against each other, and another extreme that says, “No, absolutely not. Don’t touch this. Abandon it. There isn’t a problem”. We think there is a problem, firstly, in existing provisions that do not cover those Members of the House who are convicted to a prison sentence of 12 months or less and, secondly, there is a problem for those Members who are shown to have committed serious wrongdoing.

Chair: Can I just interrupt you a second?

Mr Clegg: Of course.

Q29 Chair: I am sure, as I recall, that this Committee did not say there was not a problem, just that the Bill, as drafted, would not address the problem. Am I correct in that?

Mr Clegg: Yes. How can I put this? I am not sure if the report set out exactly what the perfect solution would be. We did take a lot of items on board. We will come forward with legislation before the end of this parliamentary term in order to seek to get this on to the statute book. You will see that we think that, dare I say, a middle way between a Californian extreme, if that is not disparaging towards our Californian friends, and a do-nothing status quo is still worthwhile to give the public the reassurance that in those cases, which may not arise that regularly—one would hope they would not, bluntly—where someone commits a serious wrongdoing, or even does something so bad that it attracts a short-term prison sentence, there are provisions on the statute book to allow them, the constituents of that Member, through the petition system, to trigger a by-election rather than wait to have their say at the next general election. We still feel there is a strong case for that and we still want to deliver on the commitment on it that we set out in the Coalition Agreement.

Q30 Chair: I think the essence of what the Committee was saying was, yes, there are particular problems, which you have identified, Nick, but the bigger problem was the perception, not least after the expenses debacle, which was an issue of very live concern before the last election and that recall was part of the answer to that, but that that had in many regards been answered and that in a sense its time had come and gone. We were left with a relic, in a way, to answer a bigger question whose time had gone. It was not as appropriate

and timely as it once was. In terms of legislative time, probably there were other things, as Fabian said, that could fill that time more productively.

Mr Clegg: That is the nature of quite a lot of issues in the area of political and constitutional reform. They might be important but often they are not regarded by people as particularly significant, given all the other pressing issues of the day. I accept that the currency of this issue, the resonance of it immediately after the MPs' expenses scandal, has diminished significantly, not least because since that time economic issues have raced to the very top of people's everyday preoccupation, and quite rightly too. It does not mean we should therefore, in my view, say we should ignore what has happened anon, because I think we would kick ourselves if something happened and there was nothing on the statute book that allowed us to deal with a gap that undoubtedly does exist.

Q31 Chair: I do not know how these things now work in Government in terms of the amount of time Departments, and indeed Deputy Prime Ministers, can have to move items of legislation, but I think I could speak for the Committee that if it was a choice between using your valuable time to move forward the debate on decentralisation and localism or do something on recall of Members of Parliament, you could probably guess where the advice of this Committee would lie.

Mr Clegg: Greg and I intend to walk and chew gum at the same time.

Fabian Hamilton: But we don't want to fight the last war, we want—

Mr Clegg: No, I understand, but I do not think they are mutually exclusive.

Chair: If I can now, Nick, move on to party funding. You did touch upon it earlier and Fabian has a couple of questions.

Q32 Fabian Hamilton: Yes, I wonder if we could move on to that subject. Just over three months ago, on 4 July, Deputy Prime Minister, you made a statement on the funding of political parties in which you said there had been seven meetings of the main political parties in 2012 and 2013 but, "There had been no agreement between the three parties on beginning party funding reform" and it was clear that reforms could not go through in this Parliament. I wondered whether the situation has changed at all over the summer and can you tell us a little bit more about the areas in which the talks broke down? Were there any areas of agreement where progress could be made? This is a very important issue.

Mr Clegg: Sure. This sounds as if I am just shuffling it on to everybody else's laps. I have to be quite open with you—and I am speaking here as Deputy Prime Minister responsible for these areas but also as an interested party as a leader of one of the parties in the talks—the politics has always been around sensitivities on the Labour Party side about the funding links from trade unions, which may or may not have shifted over the summer.

Fabian Hamilton: I will come on to that in a minute.

Mr Clegg: You will be able to tell me more about that. It is rather opaque to those of us who are not in the Labour Party or the trade union movement as to quite what is going on. There is sensitivity in the Conservative Party about the effect of a cap on individual donations. Christopher Kelly, and lots of other people who have studied this, said you need both ingredients in it and you need state funding to somehow lubricate the deal. What I am trying to say is that my party, which is obviously smaller and not nearly as well resourced as the others, has less of a dog in this particular fight and just is very keen to make sure that we have a sustainable approach to funding political parties that does not get mired in scandal and controversy, as the present system currently does at regular intervals and no doubt will continue to.

There are a number of moving pieces to this. First, I think everybody agreed around the table that right now, at a time of austerity when you are cutting public spending in several

different domains, it would be incomprehensible to British taxpayers if you suddenly started throwing dollops of additional state funding at political parties. The talks then looked at various models by which we could recycle money that does find its way into providing support to parties for election material and so on, and maybe you could use that as a recycler. That was one that took quite a lot of time, but in the end this basic standoff persisted.

I hope I can't be criticised. As the sponsor of those talks, I wrote to Ed Miliband and David Cameron to say after all these endless months and months and months, "There has to be some point where we either decide that we are going to proceed or not". I find it very difficult to divine, from what I read in the newspapers about the debate between the Labour Party and its trade union financial backers, whether this does shift the goalposts. There we go again.

Fabian Hamilton: I was going to ask you about that.

Mr Clegg: Maybe you can tell me.

Fabian Hamilton: I can't tell you any more because I know no more than you do, other than what I read in the papers.

Mr Clegg: Really? You should do.

Fabian Hamilton: That is as may be.

Mr Clegg: That is another matter.

Q33 Fabian Hamilton: That is another matter. My question is—and perhaps Greg would like to come in on this—does the fact that Ed Miliband is determined to reform the funding of the Labour Party and its relationship with the trade union movement and make it far more open and transparent in any way open the door to wider reform? Perhaps Greg could tell us a little bit about what his party's view is on this.

Mr Clegg: Greg should come in. I have offered to the Leader of the Opposition on the Floor of the House that if meaningful and far-reaching reform is what your party leader has in mind, my view is it would need at some point to have that reflected in law about the way in which trade union members are able to choose which party they do—

Fabian Hamilton: But the law should not only apply to one party.

Mr Clegg: Hang on. It is not my decision or anybody else's that the Leader of the Opposition decided to take this unilateral action in seeking to rejig his party's relationship with its main financial backers. That is no one else's decision but his. All I am saying is when I made the offer to say, "Well, if you want to do that, do it in law", I was unambiguously told that that was not an offer that he wanted to take up. I find it genuinely difficult to know whether this is for real or not and whether it will be seen through to its logical conclusion.

Greg Clark: If Nick finds it difficult to see, it is even more difficult for me because this is something that I have not been involved in. The party chairman has been leading the Conservative participation in the talks that Nick has convened. All I would say is that some of the alternatives that have been suggested involving state funding of political parties are something that we have very distinct reservations about—more than that, objections to. I do not think that is the solution that the public necessarily want to the problem that has been seen there. We will have to have discussions as to whether there is a further opportunity to talk about these things but, as I say, it has been conducted by the party chairman rather than the predecessor of this role.

Q34 Fabian Hamilton: But, all in all, perhaps this is a matter for the next Parliament and not this one?

Mr Clegg: My guess is it is. I think it is one of those things that you have to crack early in a Parliament generally, just because you are dealing with some quite entrenched vested interests in the parties. You are dealing with how they are funded and so on. The closer

you get to a general election, the more cramped everyone becomes and defensive about their existing arrangements. That is why, candidly, I lost patience after a while because we were not making any meaningful progress at all. I did not want to waste any more time on talks that were not going anywhere.

Fabian Hamilton: That is pretty clear. Thank you.

Q35 Paul Flynn: The Coalition Agreement included a commitment to bring forward the proposals of the Wright Committee for reform of the House in full. When can we expect a House Business Committee to be established?

Mr Clegg: I think the Leader of the House has spoken to this Committee before about the need to establish the widest possible consensus on the introduction of a House Business Committee, as set out in the Coalition Agreement. I know it is his view that that consensus does not presently exist, perhaps not least because the Backbench Business Committee has been a very successful innovation. I am not as close to it as he is, but perhaps the success of the Backbench Business Committee has raised questions about quite what the role of the House Business Committee, as originally envisaged by the *Wright Report*, would fulfil.

Chair: You anticipated the Backbench Business Committee being a failure and that would have speeded the—

Mr Clegg: No, I didn't anticipate a failure, Mr Chairman, but its roaring success perhaps was not entirely anticipated.

Q36 Paul Flynn: This Committee, in a modest, understated way, as always, did put out a report suggesting a consultative House Business Committee that would be given some access to forward plans to enable it to give timely consideration to the Government's proposals but which would still enable the Leader of the House to determine the agenda. After the calamity of the gagging Bill, are you not—

Mr Clegg: I am now lost. Your terminology from badgers to foxes always loses me. What is the gagging Bill, again?

Paul Flynn: I find it difficult, without laughing, to refer to it as the transparency Bill when it is a denial of information.

Chair: Paul, for now let us try to—

Mr Clegg: I had not realised you were an advocate of big money distorting the political process.

Chair: I am going to call both of you to order. Paul, if you can't ask a question about the Wright reforms then we will come back to lobbying at the very end, but to ask a question and then throw something in that is completely extraneous does not help the work of the Committee. Do you have anything else on the Wright reforms, because we have other people who want to speak?

Q37 Paul Flynn: If I am going to have my questions censored by you, Chair—I say it is entirely relevant that a disaster of a Bill is the only thing we have discussed in this Parliament since last July and it is going to be torn to shreds in the House of Lords. Of course a House Business Committee could have sounded the alarm on this and said, "This is going to be in terrible trouble", and it is with all the thousands of charities of the country. Wouldn't it have been better with such a Bill?

Mr Clegg: On that issue, I do not think the presence of another Committee would have altered the fact that the legislation that we have put forward does not in any way affect the work of charities. It has nothing to do with charities. All it seeks to do is to make sure that we do not see this creeping Americanisation of British politics, which I am interested you support, in which people with very deep pockets can distort the democratic process, not by

acting as charities but acting, in effect, as people who subvert the legitimate role of democratic parties.

Let me give you an example. At the moment you could have a bunch of rich oilmen with very deep pockets going down to Brighton Pavilion and saying, “Don’t vote for Caroline Lucas, the Green MP, because the lights will go out if she gets re-elected”. I thought this might appeal to you, Mr Flynn. Nothing stops big oil from basically hijacking the Brighton Pavilion electoral college. If that is something you are happy with—interesting. It is something that most people who believe in the integrity of the democratic process are not comfortable with and I think we have seen the warning signals of what would happen to British politics if we go down that American line.

Q38 Chair: Everybody in this Committee, including Mr Flynn, has now seen the warning signals from the Chair. That includes the Deputy Prime Minister issuing appeals to Mr Flynn. DPM, it is not the best way for making progress in committee. There are many issues that this Committee is responsible for. May I say on the Wright Committee, many of us have put in many hours over the last four or five years in order to bring forward some proposals about how the House can have what is a completely legitimate request to have some say over its own business? It should be an independent Parliament.

As you say, the proposals that have been adopted have been roaring successes. There is one roaring success still to come, which is a sensible interaction between parliamentarians and the Executive. There is some resonance with the war power stuff. Of course the Executive should have the power to respond to immediate circumstances—bombs are raining on London—and no one has suggested anything else, and the form of words we have put forward takes account of that. Similarly, the Government must get its business when it puts it to the House of Commons. It must get the time to make its case and produce legislation, and no one challenges that.

The second part of what Wright was intending was that we would get to a sensible, consensual position where a House Business Committee with Members represented, as opposed to the Government interest and the Opposition interest being represented, could reach some decisions on that. As Mr Flynn quite rightly pointed out, this Committee has even now suggested, since the original proposal causes a little difficulty, that there should be a consultative arrangement to see if this could work.

May I just throw in at the very end, we have eminent support now. I don’t think he would see it this way but the Clerk to the House has said that this should be looked at carefully, which is the equivalent to you and I swearing out loud in the street in terms of demanding that this should happen. The Clerk, choosing his words very carefully, sees that there is a sensible way forward here for people of goodwill, and may I also say that it would meet a pledge that was in the Coalition Agreement.

DPM, is it possible that we can look at this again and, in the light of the even more modest proposal about there being a dry run, that this might be progressed?

Mr Clegg: Greg wants to say something on this.

Greg Clark: We owe you a response to your report and that comes to my in-tray. I think when you produce a report you should get a serious response that is considered. As the Deputy Prime Minister has said, the ambition was to have a consensus on it, but that does not discharge the obligation to respond seriously. I hope that I will discharge that part of my responsibility faithfully and, no doubt, you will have me back here to talk about it.

Chair: That is helpful.

Mr Clegg: Sorry, I should know this, but when this Committee discussed this with the Leader of the House recently, did that come after the change that you alluded to in terms of the softening of the—

Chair: No.

Mr Clegg: Was that before?

Chair: It was our response to the Leader's lack of activism and passion for the change that Wright had proposed. We felt we could try to find a way—

Mr Clegg: You made a proposal subsequent to that?

Q39 Chair: Indeed, to try to help the process move along. I hope you will agree that a characteristic of this Committee is trying to make practical change rather than just pitching for perfection and taking our ball away when it does not happen.

I am going to go back and perhaps now bring Greg in again, if I may, DPM, in respect of decentralisation. We are all interested, because it affects the localism and devolution agenda in Lord Heseltine's report. How is that progressing? Is that making headway?

Greg Clark: It is. In effect, my appointment to this role is to spearhead, working with the Deputy Prime Minister, the implementation of Lord Heseltine's recommendations. We have accepted almost all of them and that is now a big task. In effect, we have a period from now to next summer to work with every part of England, the local authorities and business leaders there. They will produce proposals for what powers and what resources they want to take from central government to be exercised locally. Building on the approach that we took on city deals, this is very much a negotiation, but it is a negotiation on which we were on the side of wanting to have a stretching and ambitious deal. One of the things that I will be doing is going around the country meeting with the leaders there; giving them some feedback on their proposals; encouraging them to be more ambitious where that is appropriate; brokering in Whitehall to make sure that we are able to say yes to them. That is what this is about.

There is a significant sum of money attached to it, apart from anything else. From 2015-2016 there is at least £2 billion a year that will be vired from central government to local government and their local enterprise partnerships, and that is the baseline. One of the other things that we have said—and I am particularly pleased that this is entrenched in the guidance—is that any proposal can go beyond this £2 billion single pot, as Michael Heseltine put it, and challenge any piece of central government spending or powers and make a case for this being transferred to a local level, with the onus being on central government to say why this should not happen. There is a huge opportunity there. What will happen over the next 12 months is they will produce these proposals, they will be then evaluated, and the funding aspect of it will be available for 2015-2016.

Q40 Chair: We talked a little bit earlier about doing the incremental, which is essential to begin a process, and having the generic so that all councils and all localities can benefit. There is always going to be a balance between those two. Again, it is my hope that your placement in this Department is a very strong signal that there is going to be a move towards the more generic and rolling to scale. It is a little bit like the discussion I had across the Floor yesterday with the Deputy Leader of the House and I said, knowing the Deputy Leader of the House as I do, I have no problems at all in entrusting charities to his judgment, but unfortunately it will not be his judgment. It will be a judicial judgment about whether people are infringing the law or not in the lobbying Bill.

In a sense I will make the same point, which is if we could entrust localism to you as a Minister in the Department, I would be very relaxed about that. Unfortunately, sadly, you will not be there for ever. There may be people of a different mind-set, of a different view, and there may even be civil servants who wish to continue to control stuff from the centre. Is it not incumbent upon you not just to press incremental change but to build it in so that it is there thereafter and there, should you both leave Government, to say, "We have done

something here that produces statutory and possibly constitutional change”, and you are now in a very good spot to do that?

Greg Clark: Chairman, I agree with that. I regard this as constitutional change, which is why I am particularly pleased to have that recognised in the formal arrangements. An element of your proposal that this should be available uniformly, if I can put it in that way, has now been achieved through the fact that the Heseltine proposals refer to the whole country. Every part of the country now has the right to participate, in the same way that the cities have up to now. I know that is your view in this Committee. It is the view of people in local government as well. When I was the Local Government Minister I used to attend the LGA conference. I think we appeared together at one point. I was used to being pursued down the corridors of the conference centre with people making requests and sometimes criticisms. Once we embarked on the city deals, I had the unique experience of leaders of counties and districts chasing me down corridors demanding, quite rightly, that they should be able to negotiate city deals. In effect, they have that through the approach that we are now taking across the board.

I totally agree with you. This is a real battle to get to where we are today in a system that, for 100 years now, has been taking power and resources away from places outside London SW1. People do not give up these powers easily—well-meaning colleagues across Whitehall. There has been a battle to get to where we have been today and I think that is right. If you are elected to Government you want to make change that is enduring and so we are changing the structures. We are putting together a cross-Whitehall team.

One of the aspects in which I think Whitehall exerts undue control over local government in particular is the requirement on local government to be an expert map-reader of who is who in Westminster and Whitehall. They are sent to the Department of Transport if it is something about roads, to the DCLG if it is something about council tax, to the Treasury if it is something about money. They spend their whole time going from one front door to another and that must be very wearing and very confusing.

Again, part of the determination that we had to put this in the heart of Government—that is why I am a Cabinet Office Minister—is that this is the Government devolving powers. It is not the Treasury, the Department of Transport or the BIS Department. It is Government, and so we are putting together a team. There will be a single conversation led by me, with Nick’s support if it requires heads to be banged together, so that people are not sent from pillar to post.

That is a big change, but in all of these things I want to make it absolutely irreversible. I think there are two ways in which that can happen. One is a practical thing, that it becomes so successful and so well understood that it would be inconceivable for any future Government to have the temerity to try to reverse this and there would be local and perhaps even national political consequences if they did. The second thing is to engage in whether it is deals or whether it is reforms that extend beyond one Parliament and so can’t fail to be renewed. That is one of the reasons why the deals that we will be striking will be multi-year.

Mr Clegg: Can I add something to illustrate Greg’s point? One of the most over-centralised systems of public policy, I think most people would accept, is the way that the welfare system is run and the DWP. I admire much of the work the Department does and Iain Duncan Smith, but it is very much built on a long-standing culture of the levers being pulled in London and so on.

Leeds has been entitled to innovate under the terms of the city deal to make Leeds a NEETs-free city by innovating on some of the terms of the youth contract, how the Jobcentre Plus network works and parts of the welfare system. My judgment and Greg’s judgment is that if Leeds is successful, that will be a more effective way of starting further innovation in a way that the welfare system works and the way that you can combine central provision with

local innovation to help youngsters into work, to make sure that the local skills provision and work incentives operate effectively for people and families.

In our view, that is a better way of getting that ball rolling in an irreversible way than having a slightly more abstract argument about generic, unspecific powers. I did have to bang heads a bit together to make sure that Leeds was given the authority in that particular aspect of the city deals. All power to Leeds' elbow to make that particular part of the city deals work. That would be a big change given that successional Governments of different political persuasions have believed that every single decision about the welfare system always needs to be taken in an office in Whitehall.

One other thing I want to say is about the mechanics of Government, just so that you are aware, and only because we met yesterday so it is fresh in my mind. We have recently established a committee within Government that I chair, and Greg sits on, which is devoted solely to issues around local growth and how we can enhance greater innovation and freedoms in local decision-making to boost local growth. Yesterday, for instance, we discussed how we can translate the over-arching approach to a new industrial strategy to offshore wind in a way that has particular effects for those local areas that stand to benefit most. Our feeling is if we can make things happen so people can feel and touch and see the benefits of localism, that is probably a greater guarantee that it will not be reversed than what I would call a quasi-constitutional debate.

Q41 Chair: If people see there is a journey, if there is the ability to make an offer to move forward to take on bigger responsibilities and that that can then be retained, I think that will lead to a restoration of faith. I think people feel constantly that what the centre giveth the centre will taketh away when there is a change or a new personality or not a driver of a particular sense of direction, so somehow being able to hold the ground you have made. Nottingham would love to run the jobs side of the city and feel very confident they could do that. I have facilitated getting them into the front of Sir Jeremy Heywood's youth unemployment stuff that he is doing. They feel good that they could do that, if they were given that without some sense of, "If you do this well it is going to be yours, if you don't do it well then clearly we will have other arrangements". The sense that it can be taken away is one that undermines people's morale and determination to make these things work, which I think is very evident and people will take these opportunities if they are offered in the right way.

Greg Clark: Just to illustrate the point that you make very powerfully, when we started the city deals and said, "You tell us what powers you would like to take from central government", I expected to be overwhelmed with ambitious, even outlandish ideas that we would have trouble bringing through Whitehall and getting people persuaded of, but what I discovered was revealing and rather dispiriting. The proposals that initially came forward were either incredibly modest, tinkering at the edges because people thought that that was the limit of what was possible, or, even worse, some people said, "Tell us what you want us to say so that we know it will be approved". I had to say, "There is no hidden agenda. There is no secret combination code that you need to report back to us. We really do want to hear". They did not believe it and we had to, bizarrely, go around the country saying, "Be more ambitious. This is fine but we think you can do better", and we eventually came up with the proposals we got.

Q42 Chair: They did not believe it because in the past it has never been true. They have been taught by decades of centralism that you do what you are told. So why is this any different?

Greg Clark: Sure.

Chair: But I think you break that by saying to people, “There is a guarantee. There is something that stands behind me being the driver of a policy and it can be here hereafter”. I am drawing back to making sure some of this is in statute and, if it is something as significant as local government powers, as entrenched as we can get it.

Mr Clegg: Can I make two observations? Firstly, there are certain big shifts in the dial. It would be quite an extraordinary thing for a Government, for instance, to reverse the potential of business rates. That is a big dollop of financial control that has been handed over to local areas. Secondly, to your earlier point, Mr Chairman, if one were able to establish a fairly robust political consensus that this is the direction of travel for everybody, notwithstanding differences in detail, that is almost as powerful a signal as passing something into statute because it gives particularly local communities and local authorities the reassurance that, almost whatever the shift in the cast of characters are of Ministers in Government, this direction of travel will continue. That is why I did welcome your earlier suggestion, whatever form it takes, of seeking to build a head of steam into which certainly all the main parties are effectively bound.

Q43 Chair: I am going to move on now to a very related issue. The Select Committee produced a report on a constitutional convention, which might take place either side of the referendum in Scotland, to look at how devolution could take place elsewhere. To précis it in a phrase, there is a very strong belief in the union that the union can only exist if it is a union of countries that have devolved power. That is evident in three of the four countries but not evident in England. I think the other countries do not believe England unless England, instead of talking about, “Devolution is good for you” is also saying, “Devolution is good for England”, and how that settlement might happen. We proposed a constitutional convention to get that dual track, union and devolution, to be the central theme of the democratic settlement in the UK. I know Sheila has some questions about how that impacts upon the rest of that agenda.

Sheila Gilmore: Things are changing, regardless of what has happened. One of the concerns, certainly from a Scottish perspective, is the very asymmetric nature of what we now have, which is partly geographic and partly population but it does mean that there are pressures. One option would be to look at this in the constitutional round. In the absence of that, is it correct that Government is in fact intending to announce plans for an English MPs’ veto on English legislation?

Mr Clegg: These are two separate but perhaps linked issues. The McKay Commission, as you will know, was invited to look at this issue of what do you do here within Westminster, within the procedures of the House, where issues are being debated and voted on that only affect England, or sometimes England and Wales, rather than the rest of the United Kingdom? The McKay Commission has put forward a principle and left slightly open what form that might take procedurally within the House of Commons. As you know, the Coalition Agreement committed to establish the McKay Commission to look at the so-called West Lothian question. We are not duty-bound by the Coalition Agreement to automatically implement it, and of course it raises a lot of rather specific procedural issues within the House and wider, almost symbolic debates about the nature of the union and how it is reflected in Westminster and so on. We have not yet responded to it but we will do so in due course.

On the merits or otherwise of a constitutional convention, I am a Liberal Democrat. I love conventions that discuss political reform and so on. One side of me just jumps at the opportunity of having a convention where we sit around talking about our constitutional future. I certainly accept the premise or the dilemma that would be at the heart of it, which is as devolution increases in other parts of the United Kingdom but is taking a different or even more stilted form within England, what does that mean for the overall constitutional

settlement? It is my strong view, for instance, that assuming, and let us hope, that the vote next year confirms that Scotland will remain part of the United Kingdom, you would need, pretty promptly, a cross-party effort to decide what further devolution to Scotland would be supported by all the main parties once it has been decided that Scotland will remain part of the United Kingdom.

We are having a separate debate, which we have just touched on in various different ways over the last hour and a half, about how you promote further decentralisation and devolution within England. How can I put it? Napoleonic is the wrong word, but there is a continental tradition that you decide a lot of these things by blueprint, a sort of legalistic view. You have to write all these things down and it has to be an all-encompassing solution. We, in this country, generally on constitutional reform have been a bit messier and informal and a bit more haphazard and incremental about these things.

In effect, what Greg and I are saying is that we are pursuing constitutional reform in a very British way. I have the T-shirt about what happens when you try to table thumping great big legislation that people recoil from. We are pursuing the same objectives but I have certainly learnt over the last three years—the House of Lords is a good example—that however well you think your case is made, by lumping it all in some great big constitutional manner by way of a convention or by way of law, it does appear, for some reason, sometimes to produce the opposite reaction. What we are saying is we believe we have an approach to decentralisation and localism in England that is radical, but here is the thing. It is not driven by our blueprint. It is driven, as Greg has just alluded to, by an open invitation to local authorities and local communities to tell us what kind of powers they want to arrogate to themselves from Whitehall. In that sense, it is a “let a thousand flowers bloom” revolution, which will stand or fall according to how well people take up those new powers locally. My strong suspicion is that some city deals will be more successful than others.

I know I am slightly just rewording what we have been saying all morning, which is that we settled on a strategy that is radical, which is devoted to greater decentralisation, but is not working on a pre-ordained recipe. It is driven by demand from the ground up, but—open question—does one want to try to capture that all, particularly after the Scottish referendum, in a wider constitutional settlement? In a perfectly neat world, that makes sense. My point is that sometimes this process is not perfectly neat.

Q44 Sheila Gilmore: Is it enough to say, “We will look at that after the referendum”? There is also the politics of all of this, which is partly that there is a cynicism that, “They will say that and then they won’t do it”. In Scotland at least, we always hark back to the 1979 referendum, to some of the things that were said prior to that.

Mr Clegg: Douglas-Home and all that, yes.

Sheila Gilmore: Yes, all that stuff, “If you just vote no we will make changes”, and 18 years followed of absolutely zilch changes constitutionally. People are pretty cynical about that kind of promise, that it all has to wait for that. Is there some merit in at least having some openness to that wider discussion?

Mr Clegg: Greg wants to come in, but one final word on that. It is very much my view that we can and should, if there is the political will, start on a cross-party basis to develop ideas on further devolution in the debate north of the border in Scotland. That is why, as you know, Ming Campbell in my party was asked to draw up a report sketching out what home rule looks like in a modern context, and we have done that. My party has been a longstanding advocate of home rule, but I think what the Calman process showed was that you need to try, if you can, to do that on a cross-party basis.

The Liberal Democrat Party leader north of the border in Scotland, Willie Rennie, has reached out to the leaders of the Scottish Conservative and Scottish Labour Parties to say,

“Let’s start working together, if we can, on a consensus on what further devolution, the so-called devo-max, looks like”. I would be delighted if we could make rapid progress on that even before the referendum. As far as I am concerned, and certainly as far as my party is concerned, we are pushing at an open door, but I totally understand that the pace of those debates is different according to the nature of the internal debate within each party. You will know much better than I do what the nature of that debate is within your own north of the border.

Q45 Sheila Gilmore: Just before we go back, is there a danger that focusing on the so-called West Lothian question and doing something about that at this stage, in the absence of that wider debate, may cause more problems than it solves?

Mr Clegg: That is precisely one of the things that one needs to consider. I think there is a plausible case that says taking the West Lothian dilemma in isolation does not necessarily make any sense. As it happens, I think the McKay Commission is driving quite modest or relatively modest changes compared to the full, dare I say it, “English votes for English matters” approach that has been applied to this dilemma in the past. But I certainly acknowledge your point that, given that we have this great livewire debate going on about the future of Scotland—is it a part of the United Kingdom or not? If it remains part of the United Kingdom, what powers does it enjoy?—of course there are linkages between these things.

Greg Clark: Can I comment on the English side? I believe very strongly in avoiding this blueprint approach, which I think is totally counterproductive. If you take the north-west of England, the effect of the period during which the north-west as a region was promoted by the Government—no doubt for reasons of wanting to give it greater prominence—was to submerge the identity of places like Manchester and Liverpool that have different traditions and big international profiles themselves, and I think people identify more with that. To try to uncover the ability for real places that people identify with to express themselves is the best way and they are going to be different in different places, but that does entail a degree of potential constitutional reform from an English point of view.

One of the things that Greater Manchester has done, using powers that were given by Parliament, was to create a combined authority to pool the sovereignty of the different authorities in Greater Manchester. Many of the cities now want to do that and that is a change based on statutory powers. Some of the others may want to form a full-blown unitary authority or combine some of the metropolitan areas into single authorities. Again, if central government were to impose that—and that was one of the areas in which we disagreed with Michael Heseltine in our response—I think that would be the wrong approach, but what we have said is that if places come to us and say, “This is how we want to organise ourselves and shape ourselves in the future”, then we should be the midwife to that and we should play, constitutionally, a role in facilitating what the aspirations of local places are.

Chair: Paul on reshuffles. Don’t mention the lobbying Bill.

Mr Clegg: Oh, go on.

Paul Flynn: You have the wrong title, Chairman. You are setting a bad example. I want to get your views on reshuffles or change.

Chair: Don’t start on me, Paul. I won’t be so polite.

Q46 Paul Flynn: We did produce a report, very sensible and restrained as always, knowing that this reshuffle was coming about. There was one in September 2012 and, knowing that this other reshuffle was on the horizon, we did a report. First of all, when are you going to reply to it? Our general feeling, from evidence from many countries, was that reshuffles were often done for the internal purposes of the party in power, to shift the balance from group A or group B or to achieve other aims. What is your position on this? When can

we get our reply and what is your general view on reshuffles? Can they damage effective government when they are done usually for internal party reasons?

Mr Clegg: Of course they can. Of course they can go wrong and be driven by the wrong motives and lead to counterproductive results. They can equally be beneficial by providing fresh impetus, fresh ideas, renewed innovation to Government policy. One thing I have a lot of sympathy with, which I think was a real theme to your Committee's report, was pointing out an unfashionable idea, which is that there is a virtue in stability sometimes at the top of Government. I hope you acknowledge that we probably bucked the trend as a Coalition Government by keeping everybody in place in the Cabinet.

There was one Cabinet change for reasons that, I could not stress enough, had nothing to do with the excellent work Michael Moore had done as Secretary of State for Scotland but because we had this highly unusual event of a referendum in a year's time. Otherwise, there has been Cabinet stability under this Government, which I think is almost without precedent in recent times. Inasmuch as the spirit of your report said, "Don't just change for change sake, but also remember there may be some virtue in having Secretaries of State, in particular, in post over a sufficient period of time that they can master their brief and see through change", I think that is a doctrine that, hitherto at least, we have honoured.

Q47 Paul Flynn: I don't know which is the worst thing about being reshuffled, the pain of losing the job or the excruciating effect of being buried in compliments afterwards on how wonderful the person is who was doing the job, as we have heard this week—compliments, very genuine ones, paid to people who have done their job very well but have been sacked for some mysterious reason. The opinion we had was that the United Kingdom was almost unique in the number of reshuffles we have, compared with other countries who virtually never have them. If a politician is ill or they have real problems, the single politician will go. They do not have these blanket reshuffles of large numbers of the parties in Government. The suggestion is made that this is part of the prime ministerial control, to make sure that his Ministers are kept in a state of teetering embarrassment and fear that they are about to be sacked. This springs from the Prime Minister's control over them and control of the policies they implement and stops independent thought among Ministers.

Greg Clark: Perhaps I can say, as someone who has been reshuffled, I did not detect any of that. In fact, I remember when the Prime Minister first appointed me to the Government in 2010 he said, "I want to give you the responsibility for something I know you have been passionate about for years", which is the agenda that we have been talking about. I think you will see that I have been pretty outspoken about this over the years and have not gone with the status quo. I have sometimes been into battle with more senior colleagues in other Departments to take things off them and give them to other people. I have not felt that I have been discouraged from that and rather the reverse, but that is a personal experience and obviously your Committee looked across the board.

Paul Flynn: We live in optimism. The addition to the Home Office is an MP who has long advocated the legalisation of cannabis and sensible drug laws and we hope to see some results from that.

Chair: One of the things that I want to add to Paul's questions is the stability element, which I think we reported on, the five-year Parliament.

Q48 Paul Flynn: We made the point that, if you have a Parliament there, there are great arguments for stability. We have one of the worst records, and not just the present Government. The present Government has probably done it less than other Governments when there have been great swathes of reshuffles that got rid of large numbers of Ministers, but it does lead, surely, to instability and people going into jobs that they are not used to. We

have seen John Reid who has done about 15 jobs in Government. By the time they get started, they are moved somewhere else. That is a British characteristic, we have been informed.

Mr Clegg: A slightly odd dynamic is that this Government keeps doing the things you want it to do on war powers and reshuffles but you can't bear to acknowledge it. We have bucked the trend. You are quite right by pointing out, for instance, the ludicrous merry-go-round of different Home Secretaries under the previous Labour Government, all of them spawning about five new Home Office Bills per person. It was completely ridiculous. It was the worst form of reshuffle populism and policy populism. We have not done that. I know it won't pass your lips, but we have done a lot of what your report has recommended, both on respecting the convention of war powers and recognising the virtue of stability as well as the potential and benefits of change when reshuffling Ministers and Cabinet Ministers in Government.

Chair: Thank you, DPM. I detected a hint of provocation there that Mr Flynn resisted.

Mr Clegg: I know.

Paul Flynn: It is not in my personality to be provoked.

Q49 Chair: I commend him and condemn you, but more seriously on the fixed term, the five-year term. My Committee basically sent me round Whitehall seeing each Permanent Secretary in turn to ask what has been the impact of the five-year fixed term, because there is now a planning horizon, you can budget, you can go through a number of cycles, you can retain the same Minister through it. Also, it gives the Prime Minister a sense that there is a beginning and an end of a particular term, rather than that is a movable feast, which allows planning for years 3, 4 and 5 in a way that has never been possible before. Firstly, have you found that helpful? I will also ask Greg, because he has been in three Departments in roughly the same area, has that been helpful? Secondly, is that one of those things that you talked earlier about, that things become a convention or things become part of the furniture? Is the five-year Parliament now safe for those of us who believe that there should be longer-term planning and sustainability in Government?

Mr Clegg: I very much hope so. That is why we legislated for it. My own view, as a life-long advocate of fixed-term Parliaments, is that it is a very beneficial innovation because it prevents this deeply silly cat-and-mouse that you always had, usually around year 3 in a Parliament, where there is this guessing game about is the Prime Minister going to pull the plug and go to the country and so on. Funnily enough, I reflected on it just recently. We have just been through the party conference. Party conferences in year 3 of the Parliament, at this point of the parliamentary cycle, were always conventionally disfigured by this constant thing of there might be an election next month or next spring. It was quite different this time because everybody knew that, yes, these were important party conferences but they were not haunted by the possibility that the Prime Minister, often for entirely capricious short-term reasons, might call a general election.

I very much hope that it is both a law and an assumption that now is a new and fixed part of the constitutional furniture. We did it early on in the Parliament, for a very good reason. If you forgive me, I am going to use the word "goalposts" again. You set the goalposts differently at the beginning of the term. You have to do it early. I think, in many ways, the radicalism of that change was not fully recognised at the time we passed the legislation.

Q50 Chair: To comment halfway through my journey around Whitehall, I do not think the importance of it is yet recognised by Permanent Secretaries. It is the first time round and I think there is an element of, "I will believe it when I see it when we get to year 5, and then I will be thinking about the next cycle". There is a sense that people have not jumped at

the opportunities this offers in the way that perhaps I might have wished and, I suspect from your reply, you would have wanted also.

Mr Clegg: There is a wider debate. My own view is that we are entering into a phase in British politics where, firstly, I think inconclusive general election results are more likely to happen more frequently, not all the time, than they have in the past, just because of the breakdown of the old class-based tribal loyalties in British politics, the long-term reasons we are all familiar with. I think coalitions are more likely to occur again in the future, rather than this coalition just being a one-off, and that is all being framed at a time when we have these fixed terms for Governments and Parliaments. I do not think it is disobliging to say about Whitehall that it takes Whitehall probably a couple of goes at that new environment to absorb it and change their practices. I think there are still quite a lot in Whitehall that, as you quite rightly say, have not thought through what fixed-term Parliaments mean and has not fully digested what coalition government means as it will occur more regularly, but that is the nature of the beast, to take some time to adapt.

Greg Clark: In terms of what we were talking about earlier, of entrenching things and having longer-term reforms, I think the five-year Parliament makes it much easier. It makes it possible. To think that we would normally, in the course of things, be having an election next year, as things have been in the past, would mean that a lot of what we want to do on entrenching these powers and making them irreversible would be that much more difficult. Having two years left, rather than a single year and then a run-up to an election, allows that greater chance of things enduring than something that is very much more short term.

Chair: Excellent. We have overrun a little bit. I am so sorry to have detained you. Minister and Deputy Prime Minister, thank you so much for your words this morning and we have a lot of very good stuff on the record about what we can do until the next general election.

Mr Clegg: Thank you very much.

Chair: We look forward to working with you. Thank you so much.