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House of Lords

Wednesday, 10 February 2010.

11 am

Prayers—read by the Lord Bishop of Wakefield.

House of Lords: *Companion to the Standing Orders*

Question

11.06 am

Asked By **Lord Campbell-Savours**

To ask the Leader of the House on how many occasions in the past 12 months she has intervened in the House to draw the House's attention to the need to comply with the *Companion to the Standing Orders*; and what assessment she has made of the response of Members.

The Chancellor of the Duchy of Lancaster (Baroness Royall of Blaisdon): My Lords, no such statistics are kept. In a self-regulating House, interventions to draw the House's attention to the guidance in the *Companion* are not confined exclusively to the Leader. In the Leader's absence, this role falls to the Deputy Leader or to the senior Government Whip present; and the opposition Front Benches and the Convenor also can and do draw transgressions to the attention of the House.

Lord Campbell-Savours: My Lords, have not attempts over the past week more vigorously to enforce the *Companion* clearly indicated, despite some success, that some Members simply ignore or refuse to accept the authority of the government Front Bench? That being the case, should not the Procedure Committee be prevailed on to ask the Lord Speaker to intervene and act to defend the finer aspects of self-regulation?

Baroness Royall of Blaisdon: My Lords, I believe that many Members of this House strongly support self-regulation, and I believe that most Members of this House accept the authority of the House. I, of course, was present yesterday and I think that most of the House were very much with me yesterday in what I was doing.

The role set out for the Leader in the *Companion* is simply to draw the House's attention to the guidance in the *Companion* and to any transgressions of the guidance. In relation to the Procedure Committee, I know that on the Benches behind me, and in other parts of the House, there is a strong desire for change—not throughout the House, but on the Benches behind me. I suggest that if any Members wish to take matters to the Procedure Committee, they can so do.

Lord Strathclyde: My Lords, is the Leader of the House aware that from this side of the House, we greatly support and admire the work that she does in drawing the attention of the House to those Members who occasionally transgress the rules? Before making any change, would it not be a very good idea for more Members of this House to visit another place and judge for themselves whether discipline and behaviour in the House of Commons are better than in the House of Lords?

Baroness Royall of Blaisdon: My Lords, I am grateful for the support of all Members of the House in ensuring that discipline is properly maintained in this House. I do not think that I want to comment greatly on what happens in the other place, but I am mindful of it.

Lord McNally: My Lords, there is a mood for change in this House, as the Leader rightly says. Why is she shilly-shallying about setting up a Leader's Group? This House is not affected by a general election. We could get on straight away with listening to ideas for improvement. If there are worries about the composition of the group, why not hold a ballot of all Members of the House on the composition of such a group—to be conducted by STV, of course?

Baroness Royall of Blaisdon: My Lords, I could not go as far as STV. I understand that there is a mood for change in some parts of the House. The Leader has not been shilly-shallying. The Leader has been doing what it is appropriate for the Leader to do, which is to try to ensure that all parts of the House are included in such a Leader's Group. I accept that not everybody wishes to establish a Leader's Group at this point. Notwithstanding what the noble Lord said about the election, I think that with six weeks—who knows?—before an election, although we know that an election will come before June, perhaps it would be better to wait until we return after the election. I can see the noble Lord nodding his head. We are all coming back. If, as I very much expect, we are still sitting on this side of the House and it should please the Prime Minister that I should still be the Leader of this House, I will set up a Leader's Group. But I do not think that it is appropriate to do so in the last six or eight weeks before an election.

Lord Boston of Faversham: My Lords, does the Leader of the House accept that her strictures, especially over the past week, are very welcome in all parts of the House? Does she agree that frequently these days, when the fourth Question is reached, we are well into the 23rd minute of Question Time? Will she encourage noble Lords to bear that in mind because it prevents the fourth questioner having the time he or she should expect?

Baroness Royall of Blaisdon: My Lords, I am grateful to the noble Lord for pointing out to the whole House that when the clock says 23 we are actually in the 24th minute.

Lord Howarth of Newport: My Lords, is my noble friend aware that many of us on the Benches behind her and elsewhere in the House regard self-regulation as we have it, supplemented as it is from time to time by the government Front Bench with suitable tact and

[LORD HOWARTH OF NEWPORT]
lightness of touch, as infinitely preferable to rule from the Chair or the Woolsack which would, whatever the merits of the occupant, lead, as we see every day in the other place, to excessive adversarialism across the House and constant challenge to the rules of the House?

Baroness Royall of Blaisdon: My Lords, it is interesting to have another view from the Benches behind me. That encapsulates the different views around this House. I am Leader of the whole House and, therefore, I have to ensure that all views are taken into proper consideration and that proper procedures are followed.

Lord Elton: My Lords, does the Leader consider the remarks of the noble Lord, Lord Boston of Faversham, as applying, as I am sure he intended, to Ministers as well as to Back-Benchers?

Baroness Royall of Blaisdon: Yes, my Lords. I frequently remind my ministerial colleagues in our weekly meetings that they should keep their answers short in order to ensure that Back-Benchers have proper time for questions.

Lord Dykes: Should there not be wider aspects of reform at this urgent moment? Why should not all Peers pay UK taxes and declare in the Register when they make extra payments as inducements to prospective candidates?

Baroness Royall of Blaisdon: My Lords, that question is rather wide of the mark. However, as all noble Lords will know, an amendment was put to the Constitutional Reform and Governance Bill in the other place, and I am confident that in future all Peers will pay tax.

Sri Lanka
Question

11.14 am

Asked By ***Lord Sheikh***

To ask Her Majesty's Government what is their assessment of the treatment of the Tamil population in Sri Lanka.

Lord Brett: My Lords, we continue to urge the Government of Sri Lanka to address the underlying causes of conflict. We hope that recent progress on returning the internally displaced persons from the camps to their homes continues and is carried out according to international standards. However, progress towards an inclusive political solution that addresses the legitimate grievances of all communities, including Tamils, is slow and that puts at risk the long-term peace and stability of Sri Lanka.

Lord Sheikh: My Lords, I thank the Minister for that response. Does he support the view that the Government should put pressure on President Rajapaksa to address the plight of Tamils in internment camps as a matter of urgency and arrange for the displaced persons to return to their homes? Secondly, what steps will Her Majesty's Government take to ensure that President Rajapaksa makes reconciliation between the Tamils and the Sinhalese a priority and undertakes development assistance in the Tamil-populated areas?

Lord Brett: My Lords, the latest official United Nations figures, from 15 January, estimate that 187,500 internally displaced persons—IDPs—have been released from the camps and that around 100,000 remain. This progress is welcome, but we continue to have concerns. Humanitarian agencies lack the full access that is required to assist IDPs to recover their livelihoods and to rebuild their communities. The restriction on the freedom of movement of those who remain in the camps has eased, but there are still constraints. My right honourable friend the Foreign Secretary spoke to his opposite number, the Sri Lankan Foreign Minister, on 5 February and urged him to allow all IDPs full freedom of movement and to lift remaining restrictions. On the noble Lord's second supplementary question, it remains our view that genuine national reconciliation is a requirement that will bring the Sri Lankan Government to promote and protect the rights of Sri Lankans, including Tamils. We urge that policy on the Government and hope that they will put it into practice. My right honourable friend the Prime Minister wrote to the President of Sri Lanka, urging him to use his new mandate to take forward a process of national reconciliation.

Lord Avebury: The Minister may have seen the claim made yesterday by a Sri Lankan Minister that all the IDPs have been resettled except 70,000. Whatever the actual number, does the Minister agree that there is no coherent programme for making the former inhabited areas that were subject to conflict safe for habitation by removing the mines and by rebuilding the damaged or destroyed houses? Also, what progress has been made in dealing with the 11,000 alleged former LTTE fighters who are in indefinite detention? Will they be brought to trial?

Lord Brett: The noble Lord makes two important points. I will have to write to him with up-to-date information on the point about the detainees, but he is absolutely right about the requirement for demining and for reconstruction. DfID is providing some £12.5 million of humanitarian funding aimed at supporting two British NGOs, the HALO Trust and the Mines Advisory Group, to undertake demining activities. We are also supporting the UN operations team to provide transitional shelter for 2,000 returning IDP families to the Vanni area.

Lord Anderson of Swansea: My Lords, over the years, the Commonwealth has had a remarkable record in seeking to bring together factions within Commonwealth countries. India is involved here as well as Sri Lanka. Does the Minister see any prospect of an intervention or initiative by the Commonwealth Secretary-General?

Lord Brett: My noble friend makes an important point about the role of India, which is an important player in the region. I am not aware of any current Commonwealth proposals to intervene in the situation. There is a newly elected President and a dissolved Parliament as of yesterday, with elections to be held within the next eight weeks. Hopefully we will move forward from there. I have no specific information in respect of the Commonwealth.

Lord Howell of Guildford: My Lords, does the Minister accept that we on this side of the House are extremely concerned about the hardship and suffering among the Tamils and about others matters that my noble friend Lord Sheikh has raised? We fully support the Minister's concerns about human rights, the actions of the present Government, which seem to be very much on the edge of human rights, and the general turn of events in this unhappy land. Does he also accept that there is now a need for an independent inquiry into the alleged war crimes committed by both sides in the recent military conflict, which might help, and does he accept above all that any support that the Government can give for reconciliation processes will have our full support on this side of the House?

Lord Brett: My Lords, I am deeply appreciative of the support that the spokesman for the Opposition has given to the Government. I think that we are at one in this House in wanting to see reconciliation in that troubled country. Tamil and, indeed, Sinhalese communities have been disturbed by violence and by deprivation as a result of violence and we want to see them returning to their homes and to a much better life. We urge reconciliation on that Government and we are providing humanitarian assistance. We have urged the Government to allow an independent inquiry into crimes that were stated to have happened during the conflict. The country is not part of the Rome treaty and cannot be imposed on from outside, but a new mandate is being formed and a new Government are coming to power and we hope that the pressure that the international community puts on them from all sides will bear fruit.

Lord Eden of Winton: Now that the military and the presidential campaigns have been won, is not this the best possible time to show magnanimity and statesmanship? In the mean time, will the Minister say a bit more about the financial assistance that has been given to the displaced people in the Tamil north and, in particular, the work of international organisations such as the World Bank and the International Organisation for Migration?

Lord Brett: My Lords, I do not have an up-to-date figure for the amount or the activity of the international bodies, although I will happily write to the noble Lord on that. His first point is crucial. Now is the time for the Government and the President of Sri Lanka, in this moment of military victory and an election victory by a substantial majority, to reflect on the words of Winston Churchill, who said, "In victory, magnanimity". That lesson has been well learnt in other parts of the world. In this part of the world, it could be essential in bringing together a community that is damaged by a quarter of a century of conflict.

The Earl of Sandwich: My Lords, did the Minister see a report from the governor of the Central Bank yesterday that $1 billion is being raised for reconstruction in the north? However, none of it is going to reconciliation. Will DfID therefore make that one of its priorities?

Lord Brett: As I indicated, DfID funding has been determined in terms of humanitarian concerns. I will take away the point made by the noble Earl and bring it to the attention of my DfID colleagues.

Electoral Reform

Question

11.21 am

Asked By ***Lord Tyler***

To ask Her Majesty's Government when they will implement their 1997 manifesto commitment on electoral reform.

Lord Tunnicliffe: My Lords, the other place voted last night by 365 votes to 187 in favour of amendments to the Constitutional Reform and Governance Bill to provide for a referendum to take place before the end of October 2011, offering a choice between the current system for elections to the House of Commons and the alternative vote system.

Lord Tyler: My Lords, I congratulate the Minister on keeping a straight face while he gave that extraordinary excuse to the House. I gently point out that that does not fulfil the requirement given in the Labour Party manifesto in 1997; namely, to have a review, which was undertaken by Lord Jenkins and his very distinguished commission. Why do the Government think that a consensus was required before a referendum on that recommendation was permitted, while last night no consensus was achieved? Indeed, Conservative MPs did not have a veto last night as they had on the Jenkins commission. Is the Minister saying that in future no Labour manifesto promise will be of any worth whatever unless the Conservatives agree to it?

Lord Tunnicliffe: I can hear some amusement from the last comment. The 1997 manifesto had a commitment to put a proportional alternative in a referendum. During that Government there was considerable legislation, new institutions were established, there was the Jenkins report, new voting systems were tried, and a great deal of learning took place. Neither the 2001 nor the 2005 manifestos had any reference to proportionality, which requires multi-Member constituencies or two classes of MPs. That would destroy the clear central theme of the House of Commons and the link between the single Members, all of whom are a common class with their constituencies.

Lord Henley: My Lords, will the noble Lord continue to try to keep a straight face and tell us when the Constitutional Reform and Governance Bill will come to this House, and whether he thinks that he can get it through before the general election?

Lord Tunnicliffe: My Lords, when things happen in this House is for the business managers.

Lord Campbell-Savours: My Lords, what does my noble friend feel are the problems with first past the post?

Lord Tunnicliffe: My Lords, the first past the post system has the strong constituency link and the equality of Members, and produces decisive governance. It is a good system. We nevertheless believe that the alternative vote builds on that system. Alternative votes will ensure that MPs will be elected with broader support. We believe that this majority mandate will enhance the legitimacy of MPs as they will need to reach out to a wider range of voters than under the existing system. Crucially, AV maintains the essential link between an MP and a single geographical constituency.

Lord Maclennan of Rogart: My Lords, why did the Government reject the sensible advice of the Jenkins commission that they could have the unique distinction of breaking the spell under which parties, when they want to reform, do not have the power to do so and, when they have the power, do not want to reform?

Lord Tunnicliffe: The position taken by the Government has been to introduce a great deal of constitutional reform, and they have developed an understanding of the consequences of that reform. The Government are strongly of the belief that no system of proportionality would make sense in the special circumstances of the House of Commons, and they think that they have a strong consensual position in that regard. Last night, a proposal to introduce a proportional amendment was defeated by 476 votes to 68.

Lord Hamilton of Epsom: My Lords, do not the elections to the European Parliament indicate the dangers of having multi-Member constituencies through the opportunities offered to extreme parties like the BNP to get representation in Parliament?

Lord Tunnicliffe: My Lords, electoral systems have results and in democracies we live with them. The European Parliament is a very different place from the House of Commons. It is primarily a representative body and is not an executive body in the sense that the Executive are not drawn from it. We believe that representatives in the European Parliament should be broadly representative of the electors of the UK, and that is why we think that PR is appropriate for UK European elections.

The Lord Bishop of Chichester: Does the Minister accept that the most fundamental need is to restore confidence in the democratic process in this country, which should encourage us to do everything we can to increase the number of people who consider it important that they should exercise their vote at the general election?

Lord Tunnicliffe: My Lords, I agree entirely with the right reverend Prelate. We have looked at research to see whether any of the various voting systems have a significant impact on voter involvement and we do not believe that that feature is significant. However, we believe that it is important to restore confidence and that the alternative vote system will require candidates to reach out to the whole electorate in their campaigning. That will be an important step, but the relationship between the constituency and its Member is the way forward.

Lord Dubs: My Lords, of course the constituency link is absolutely crucial, but does my noble friend agree that there is a further big advantage to AV in that it prevents the need for tactical voting and therefore produces a better result, particularly in those constituencies where up to now tactical voting has sometimes determined the outcome and sometimes has not quite worked?

Lord Tunnicliffe: I agree entirely with my noble friend, but add a word of caution. We believe that AV has much to recommend it, which is why we should set it in front of the British people in a referendum. It will be for them to decide.

Earl Attlee: My Lords, if the referendum is such a good idea, why was it not provided for in the Bill as originally drafted in the House of Commons?

Lord Tunnicliffe: My Lords, I really do not know the answer to that question.

Haiti: Natal Care

Question

11.28 am

*Asked By **Baroness Tonge***

To ask Her Majesty's Government how they are assisting the 37,000 pregnant women in Haiti to receive adequate antenatal and postnatal care and a clean and safe delivery.

Lord Brett: The Department for International Development has contributed £300,000 to the World Health Organisation for early warning surveillance and £1 million to the organisation, Action Against Hunger, to include support for mothers and babies under one year old. We continue to monitor the overall health situation and remain ready to address gaps through existing partnerships with the United Nations and non-governmental actors.

Baroness Tonge: My Lords, the Minister must know that even before the earthquake, Haiti had the highest rates of maternal and child deaths in the western hemisphere. Reports from the UNFPA tell of women giving birth in the streets and as a consequence dying for lack of obstetric care. When the emergency period in Haiti is over, and following the initiative of the White Ribbon Alliance and the All-Party Group on Population, Development and Reproductive Health, would the Government consider taking the lead on maternal health in the health sector in Haiti, rather like they championed education in Rwanda after the genocide?

Lord Brett: My Lords, we are making substantial assistance available in response to the humanitarian crisis following the emergency and the reconstruction crisis. We are working through the United Nations co-ordinator in Haiti and with the United Nations organisation responsible for health. In that context we see our role as examining and filling the gaps we find in areas of need that are not covered. In that regard I will take on board the noble Baroness's points.

Baroness Rawlings: My Lords, we know that Her Majesty's Government do not invest in private charities, but are they aware of the highly successful tent programme of the Cornish charity ShelterBox? Each shelter box contains a 10-person tent, blankets, water purification and cooking equipment, tools and a stove. Have the Government any plans to emulate its very successful package to send to Haiti?

Lord Brett: My Lords, at the moment in Haiti we are moving out of the emergency and rescue phase into the emergency prior to reconstruction phase. There is a major problem just over the horizon called the rainy season, which will arrive in about five weeks' time, to be followed by the hurricane season. That is why we have a ship en route there, to provide not only the tents, which have been largely supplied by many international bodies, but much more substantial housing. Plastic tents will not survive the rainy season, and certainly will not be helpful in hurricanes, and the Government are addressing that area of concern, again, through their partnership with the United Nations. I will take on board the points the noble Baroness makes because there is certainly a continuing need for all forms of assistance. We can be proud of what we are doing so far but there is much more to be done.

Lord Judd: Does my noble friend agree that this tragic problem is one symptom of a terrible reality in Haiti as one of the poorest countries in the world? Is it not therefore essential that the British Government give a lead, not only on this but on the generation of social infrastructure in general within Haiti and the overcoming of poverty? Will not effective international co-operation be absolutely indispensible if this is to be achieved?

Lord Brett: I agree that we should be part of the team that gives the lead. However, on this issue, there are countries with a much closer affinity to Haiti—Canada, for example, which has a major aid programme for that country, and the United States. The United Nations is now there with a number of agencies and we should play our part. Our historical involvement in the Caribbean has been with the English-speaking countries and, prior to this disaster, we have not had an ongoing presence within Haiti. How long we will be there remains to be considered in conjunction with our international partners. We will be there as long as is necessary for the rebuilding of that country and for the stabilisation of the Government and their ability to govern.

Baroness Northover: My Lords, UNICEF has identified the situation in Haiti as the most severe child protection emergency. How can we make sure that there is assistance not only for vulnerable women and children in the current situation in Haiti but, as others have said, for ensuring their protection in the future? Is this not an argument for setting up a long-standing organisation such as UNRWA, which has a very good record in the Palestinian territories in this regard?

Lord Brett: The noble Baroness makes an important point. It is for the UN family to work to ensure that the right kind of agencies continue to have an ongoing process. As someone who has worked in the system, I have to confess that sometimes there is almost a competition to provide assistance and people fall over themselves. Alas, it is not the most efficient system. Having a single leadership, through a resident co-ordinator or a special envoy, which is what is happening in Haiti, is a much more useful approach. The point made by the noble Baroness will, I am sure, be taken on board when we decide internationally the best way of assisting Haiti in its reconstruction and beyond.

Baroness Knight of Collingtree: My Lords, when emergencies in which we have a moral responsibility to help are over, how, with the best will in the world, can we take on responsibility for difficulties of this kind in all countries which have them?

Lord Brett: The noble Baroness also makes a good point. The answer is that we cannot; we can do it only in concert with others, whether it is through the European Union, which will have a major part to play in assisting reconstruction within Haiti, or in the emergency tasks that we take on board. For example, we are looking at providing substantial support for the provision of durable shelters using locally salvaged materials and materials supplied by the Dominican Republic. Alas, road contact between Santo Domingo and Port-au-Prince may be a victim of the rainy season. We can be proud of what we are doing as a Government; we can be proud of the support that we have in both Houses; and, most of all, we can be proud of the British people, who have given more than £70 million for this task. Therefore, I think that we can respond.

Lord Roberts of Llandudno: My Lords, what is the Government's approach towards cancelling Haiti's debt and what action have we taken?

Lord Brett: I know that your Lordships implore Ministers to be brief in their answers. The answer is that we have already done it.

Fiscal Responsibility Bill

Second Reading

11.36 am

Moved By ***Lord Myners***

That the Bill be read a second time.

The Financial Services Secretary to the Treasury (Lord Myners): My Lords, I am pleased to open the debate on the Fiscal Responsibility Bill. I intend to provide a general overview of the key provisions of this important Bill and the background to it.

As my right honourable friend the Chancellor explained in the other place, the Government have set out consolidation plans to halve the deficit over a four-year period and put debt on a downward path. The Fiscal Responsibility Bill enshrines these targets in law, ensuring that the deficit is reduced at an appropriate and sensible pace that allows us to protect the economy and maintain key public services.

[LORD MYNERS]

Whatever the economic circumstances, Governments need rules and objectives for their fiscal policy. As part of the Government's reforms to macroeconomic and fiscal policy in 1997, we established a new fiscal framework with two clear fiscal objectives, which have been maintained since. The first is over the medium term to ensure that public finances are sound and that spending and taxation should impact fairly within and between generations. The second is over the short term to support monetary policy to help smooth the path of the economy. The objectives that we set out then remain today.

Between 1997 and 2007, the Government operated according to two fiscal rules, designed to deliver the following objectives: to balance the budget, excluding public investment, over the economic cycle; and to keep government debt at a prudent level. Those two rules were appropriate for the challenges that we faced at the time. Over the 10-year economic cycle, we balanced the budget and significantly increased investment in public services.

Those were sound rules for the time, but we are now operating in a completely different environment, and economic policy here and in other countries has adapted. Just about every country has been hit by a severe financial crisis, resulting in the worst global economic recession for decades. Borrowing and debt have risen in most countries, ours included. The recession has had a profound impact on the public finances, here and in most countries. This has resulted in a significant increase in government borrowing and public sector debt.

As my right honourable friend the Chancellor set out in the other place, we have had to be flexible in our response to these changing global circumstances. The Government had a duty to support the economy when the economy was weakened. The support provided has helped to limit the severity of the downturn and its impact on businesses and individuals.

There were costs to stepping in. However, not to allow borrowing and the deficit to rise to help people and businesses would have meant greater pain, more job losses and more damaged lives. As we look to the future and levels of uncertainty recede, the Government believe that it is appropriate to strengthen the fiscal framework. The UK is not alone in doing this. As Governments around the world work together in response to the downturn, many other countries are also looking at their respective fiscal frameworks. For example, Germany has introduced similar legislation, and the IMF has highlighted fiscal responsibility laws as a way to support fiscal adjustment by strengthening institutional arrangements.

The Fiscal Responsibility Bill should be viewed alongside other elements of the fiscal framework. In particular, Section 155 of the Finance Act 1998 and the code for fiscal stability, a revised draft of which was published on 19 January. The Finance Act 1998 sets out five key principles—transparency, stability, responsibility, fairness and efficiency—and the code explains how they will be applied to fiscal policy. The Fiscal Responsibility Bill effectively takes some matters which would otherwise be in the code and elevates them to primary legislation. The key example is that fiscal plans now and in the future must be set out in law. The code will be retained as part of the strengthening of the framework; in particular, it will provide important information about the nature of the Government's fiscal plans.

The Fiscal Responsibility Bill sets out the Government's first fiscal plan as a duty in primary legislation, which the Government are required to meet. It further requires that the Government set out future legislative fiscal plans for delivering sound public finances to be approved by the other place, and places a duty on the Government to meet those plans. This Bill gives Parliament a clear role in both setting and monitoring the Government's medium-term fiscal plans. Fiscal plans must be approved before they become law, and this Bill gives a new level of scrutiny to the Government's medium-term fiscal plans and means that Parliament should be able to hold the Government to account for them. The Bill represents a strengthening of the fiscal framework in response to new challenges. It will bind the Government and ensure that they deliver on the tough decisions to more than halve the deficit over four years and get debt falling.

Clause 1 imposes three duties on the Treasury: first, to ensure that government borrowing as a share of GDP falls in every year to 2015-16; secondly, to ensure that government borrowing is at least halved as a share of GDP over a four-year period to 2013-14; and, thirdly, to ensure that government debt as a share of GDP is falling by 2015-16. These three duties are in line with the Government's fiscal judgment, which was set out at the time of the Pre-Budget Report. In 2010-11, government borrowing starts to fall and continues to do so each and every year thereafter. Borrowing will fall to 5.5 per cent of GDP by 2013-14, so that we more than halve from the 12.6 per cent of GDP reached this year. With further consolidation thereafter, debt as a share of GDP is projected to fall in 2015-16. This is the sharpest reduction in the budget deficit for any G7 country. There is no power in the Bill to amend the duties in Clause 1. They can be changed only through new primary legislation.

Clause 2 requires that the Government must continue to have a legislative fiscal plan after 2016. It also makes provision to give the Treasury the power to add, by order, further duties to the Government's fiscal plan. Noble Lords will note that the Government published a draft order on the day of the Pre-Budget Report, requiring that borrowing, as a share of GDP, is reduced to 5.5 per cent or less by 2013-14. This goes further than halving the deficit in four years.

As we emerge from the global downturn we now need to ensure sound public finances.

Lord Lamont of Lerwick: I do not know whether the Minister noticed that the Chancellor of the Exchequer was quoted in the newspapers the day before yesterday as saying that Greece must reduce its deficit to 3 per cent within two to three years in accordance to what was agreed at ECOFIN. Why does what applies to Greece not apply to us?

Lord Myners: I am afraid that I did not see the newspaper interview to which the noble Lord, Lord Lamont, refers and therefore cannot comment on it. Quite clearly, however, there is a commitment contained

in this Bill and in our financial plans significantly to reduce the deficit. As I was saying, there can be no disputing the need to move towards ensuring sound public finances; this Government are clearly committed to achieving that outcome.

As growth resumes, and the economy is better placed to support tightening, fiscal policy will shift towards consolidation. Well timed and planned fiscal consolidation will support economic growth during the recovery. The Government's judgment is that tightening fiscal policy too much in 2010-11 would present risks to the recovery and a deterioration of the fiscal position. The Government are cautiously confident about the prospects for the economy and believe that it will be able to support a more rapid tightening in 2011-12, and subsequently. Growth will help us to reduce our borrowing and debt.

Clause 3 sets out the reporting requirements on the Treasury, which must report through regular progress and compliance reports. Those will be produced alongside Budgets and Pre-Budget Reports. Reporting at those times allows the reports to be set in the right context. Progress reports must set out the progress which has been made towards compliance with the plans. The reputational costs of not being on track are, clearly, significant. Compliance reports must set out whether the plan has been met. That must be based on information available at the time. If plans have not been achieved, the Government must set out why they were not met. The reputational costs of not meeting the targets are, clearly, significant.

Noble Lords will have noted that the revised *Code for Fiscal Stability*, published on 19 January, sets out that the Treasury must also report on what it will do to remedy the situation. Compliance reports will be made at the Pre-Budget Report after the target end date. This assessment is necessarily retrospective, so that out-turn statistics can be used rather than forecasts. All reports must be laid before Parliament; that is the means by which the Government are held accountable to Parliament.

Clause 4 makes it clear that it is Parliament alone to which the Government are accountable for the approval of, progress towards and compliance with their fiscal plans. At present, Parliament has no direct say in medium-term fiscal policy—that is, spending and taxation brought together—beyond the year ahead. However, fiscal policy, by its nature, is largely accomplished through setting medium-term targets. The Bill requires the Government to set out their fiscal plans for a reasonable period ahead into the medium term, establishes statutory requirements to report on those plans and gives the House of Commons the right to approve or vote down those same plans.

I note the amendment before the House. Although I shall respond in detail in my closing speech, perhaps I may explain that the Bill gives Parliament a new role in both setting and monitoring the Government's fiscal plans. It is right to give Parliament a formal, statutory role in holding the Government to account for their fiscal plans; that is what the Bill does. Furthermore, the Bill's provisions mean that there will be more, not less, scrutiny of fiscal policy in the future. That is a significant evolution of the extent to which the Government are held to account for their medium-term fiscal policy. Parliament is the right body to hold the Government to account for their plans for tax, spending and borrowing.

Fiscal policy is, ultimately, a judgment that brings together all taxation and public spending decisions that have an impact on the public finances. That is a particularly difficult judgment in the present climate. It is for that reason that the Government believe giving Parliament a role in holding the Government to account is beneficial. The Government's approach is to strengthen the existing fiscal framework and to enhance accountability to Parliament.

As my right honourable friend the Chancellor made clear in the other place, the Government expect to see growth in the economy this year, and that will pick up in 2011 and 2012. As growth accelerates, we must ensure that we have sound public finances. These are absolutely essential to economic stability, prosperity and the long-term health of the economy. An enhanced fiscal framework through this Bill will support this task and Parliament is being given a new role to hold the Government to account. I commend this Bill to the House. I beg to move.

Amendment to the Motion

Moved by ***Baroness Noakes***

> As an amendment to the Motion that the Bill be now read a second time, at end to insert "but this House regrets that the Bill may pass into law without consideration of Clauses 2 to 6 in either House of Parliament, and affirms that the principle of full parliamentary scrutiny of proposed legislation in at least one House of Parliament is conducive to the proper conduct of constitutional government".

11.50 am

Baroness Noakes: My Lords, I shall start by dealing with the Bill—I thank the Minister for introducing it—and then shall move to my amendment, which raises rather different issues from those raised by the Bill itself.

I shall try very hard not to be unkind to the Minister today. I know that he is not responsible for this silly Bill. The Treasury is not even responsible for this silly Bill. It was cobbled together by the Prime Minister and his old ally, the Schools Secretary, just before the Labour conference. It was clear that the Government had squandered the legacy they inherited in 1997 and there was nothing positive to say about the economy. The golden rules had turned out to be fool's gold. Boasts about leading the world out of recession were looking decidedly weak. So they dreamt up the wizard idea of passing a law that would pretend to achieve the fiscal responsibility which had been so absent from their time at the Treasury.

Back in 2002, Mr Balls co-wrote a book with a foreword from the Prime Minister. It was called—this is not a joke—*Reforming Britain's Economic and Financial Policy: Towards Greater Economic Stability*. These policies rested on three pillars. The first pillar was the independent Monetary Policy Committee, and this is the only pillar which is still standing. The second pillar was the creation of the Financial Services Authority

[BARONESS NOAKES]
to "ensure financial stability". The final pillar was a fiscal policy framework to deliver sound public finances through a code for fiscal stability, firm fiscal rules and better planned public expenditure. I promise that I have not made this up. As one commentator has observed, this book will now be sought only by historians with an interest in crumbling pillars. These were the men who fantasised that they had created a new way to run the economy. When that went belly up, they then invented a law which would make other people believe that they had succeeded rather than failed.

When Her Majesty the Queen delivered the gracious Speech at State Opening last November, the Government made Her Majesty say:

"Legislation will be brought forward to halve the deficit".

If anyone else had delivered that line, it would have brought the house down. It is risible to think that legislation can deliver an economic outcome. That is the fundamental weakness of the Bill. It pretends that to legislate for duties or targets is to make them happen.

Lord Lea of Crondall: The noble Baroness's colleague the noble Lord, Lord Lamont, referred to the 3 per cent target, to the Greek situation and, implicitly, I assume, to the now general support on the opposition Benches for the Maastricht criteria. If those sorts of things have been laid down, what is wrong with the things that we are laying down?

Baroness Noakes: My Lords, I try never to talk about the stability and growth pact and I shall not do so today. I was explaining the fundamental weakness of the Bill—namely, that it pretends that to legislate for duties is to make them happen. It ranks alongside the Climate Change Act and the Child Poverty Bill in diverting attention from underlying failure by seeking to bind a later Government to deliver what this Government's own policies have failed to do.

We agree with the direction of travel of the duties set out in Clause 1; achieving a reduction in borrowing and net debt would be a step in the right direction. As we have debated on other occasions, however, our policies would have greater ambition in clearing up the economic morass in which we now find ourselves. However, we do not need an Act to make this a duty, we need government action. Words in this Bill are not a substitute for action. The PBR, as we debated last week in the context of the Maastricht Motion, conceals beneath its surface a need to reduce spending by anything up to 24 per cent in some departments. But the Comprehensive Spending Review is on hold and the Prime Minster refuses to talk about expenditure cuts.

Clause 2 reaches the height of absurdity because it requires the Treasury to tell the Treasury to do things to secure sound public finances. Why do we need a statute to do that? Will the Treasury no longer do its job unless the law tells it to? It is sheer, arrant nonsense.

Clause 3 requires the Treasury to report on progress, but what substance does it add? It effectively requires the Pre-Budget Report and the Budget Report to show borrowing and debt figures. Have we never seen borrowing and debt figures in those reports? Of course we have. Have those reports ever given an honest explanation of why the Treasury's forecasts for borrowing and debt have been miles out? Of course they have not. Will this clause make any difference? I leave noble Lords to draw their own conclusion.

Clause 4 blows the whole Bill apart. We have these duties and reports, but there is absolutely no legal consequence for anybody or any organisation if they are missed. What on earth is the point of legislating if there are no consequences and the only outcome is reports which we already get?

As there is no commencement clause, the legislation will come into effect as soon as Royal Assent is received. The clever clogs in Number 10 Downing Street and the schools department will congratulate themselves that they have solved the financial problems of the country. But of course the Bill will make no difference at all. The most compelling bit of evidence for that is the impact assessment, which states:

"There are no monetisable benefits arising from the Bill".

That, at least, is an honest statement, because the Bill will make not one jot of difference to the real world. Either the Government will get a grip of the public finances or they will not. We rather think that the current Government will not do so in a month of Sundays, and that we will have to wait until the other side of the election for a new Government who will have to act.

This is a Bill of such stupidity that it is an insult to Parliament to use its time to process it. But the bigger insult to Parliament comes from the process which the Government have used to force the Bill onto the statute book. The Bill has come to your Lordships' House certified as a money Bill by the Speaker. We therefore cannot amend it. Sorely though we may be tempted, our House cannot challenge the Speaker's certificate, and I do not do so. Once issued, the Speaker's certificate is accepted without question, and this of course stifles consideration in your Lordships' House. It is perhaps for another day, in the context of wider parliamentary reform, to look at whether this convention continues to serve the public interest.

The bigger problem with the Bill is that the Government, through the deliberate use of their majority in the other place, have used the procedures of the other place to ensure that the Bill was not properly considered. The other place has the exclusive right, which we fully respect, to take decisions on its own business. However, as my amendment to the Motion suggests, wider parliamentary considerations arise when the other place decides not to examine a Bill in detail and the Speaker's certificate means that matters which will become the law of the land are not scrutinised by Parliament. What is Parliament for if not to scrutinise proposals tabled by the Executive? I submit, as my amendment to the Motion sets out, that it is part of the proper conduct of constitutional government for at least one House of Parliament to examine proposed legislation in detail before it becomes law. I do not believe that certification as a money Bill should alter that principle.

I remind the House what happened in this case. After the Bill's Second Reading in the other place, it had its Committee stage on the Floor of the House.

This enabled the Government to avoid the evidence phase that is now a feature of the Public Bill Committee procedure in the other place. It does not take a genius to work out that evidence sessions would have exposed the Bill as completely lacking in intellectual support or hard evidence.

The Government allowed only one day of consideration in Committee. The other place was able to consider amendments only to Clause 1: Clauses 2 to 6 were untouched. The debates on the amendments to Clause 1 revealed significant deficiencies. Clause 1 fails to mention the structural deficit; does not cope with a double-dip recession and lacks independent scrutiny such as we have proposed with an office of budget responsibility. Of course, the Government used their majority to make sure that these sensible amendments were defeated. The Government allowed no time for reflection, and no Report stage. The Bill went immediately to Third Reading and arrived here the next day. Why did the Government do that? It was one way to close down debate on the Bill. Put simply, the Government used their parliamentary muscle to squash dissent.

One other Bill has recently been treated in this way in the other place: the Personal Care at Home Bill. Fortunately, that Bill did not attract the Speaker's certificate, and I am sure that it will be dealt with in your Lordships' House in the way that it deserves. However, we cannot do anything to the Fiscal Responsibility Bill because it is a money Bill. It will go onto the statute book unamended soon after our proceedings today. The least that it deserves is to be amended, to have emptiness replaced with substance. The most that we can do is to hold it up for a couple of weeks.

We cannot amend the Bill, but we can amend the Motion approving its Second Reading. I hope that the House will agree that a Bill that has not been fully scrutinised in either House of Parliament offends against the proper conduct of constitutional government, and that we regret that the Bill will pass into law without full scrutiny. I beg to move.

The Lord Speaker (Baroness Hayman): The original Question was that this Bill be now read a second time, since when an amendment has been moved at the end to insert the words printed on the Order Paper. The Question is that this amendment be agreed to.

The noble Baroness, Lady Noakes, was extremely careful in the phrasing of her speech. However, her amendment deals with issues that are referred to in the *Companion*, and the House may be interested in paragraph 4.52, which concerns criticism of the House of Commons, when it comes to debate further.

12.03 pm

Lord Lawson of Blaby: My Lords, I strongly support the remarks made by my noble friend Lady Noakes. I will divide my own remarks into two parts, the first on the Bill and the second on fiscal responsibility. The only connection between the two is an inverse one: the appearance of this absurd Bill is nothing more than a pathetic political substitute for the much needed exercise of genuine fiscal responsibility.

I turn first to the Bill. I am all in favour of setting out medium-term fiscal projections and ambitions. It would be very odd if I were not, for these were an integral part of the medium-term financial strategy that my noble and learned friend Lord Howe, who I am glad to see in his place today, and I launched some 30 years ago in March 1980. The MTFS was a much more substantial affair than this wretched Bill. A declining path for public borrowing was only part of it. There was much else besides, including public expenditure projections over the ensuing five years, about which the present Government are conspicuously silent. It was also, unlike this Bill, economically literate, not least in its discussion of the effects of the economic cycle on public finances.

This ridiculous Bill, which is only marginally less absurd than if the Government had introduced a Bill to impose a statutory duty on themselves to provide good government, is touted as a means of improving accountability. This was also one of the objectives—but by no means the only one—of the medium-term financial strategy, but there are two important differences. First, the MTFS was introduced in the first year of a new Government, whereas this comes before us in the dying months of an old and discredited Government. Secondly, we chose not to dress up the accountability which published projections provide in a Bill in which the Government impose a statutory obligation on themselves, with no penalty of any kind for non-performance, as my noble friend Lady Noakes pointed out. That does nothing whatever to improve accountability but merely makes a mockery of the rule of law, which is quite a serious matter, as I think noble Lords on all sides of the House would accept.

Before I leave the past, perhaps I may be permitted to remind noble Lords of my own exercise of fiscal responsibility—"been there, done that", as they say—conducted, I may add, without any legislative vehicle of this absurd kind. During my own six-plus years as Chancellor, public expenditure as a share of GDP declined by 8 per cent, and I am using figures which include no help from privatisation receipts. Incidentally, it should be noted that we called it by its correct name of "expenditure" rather than "investment".

In no other six-year period within living memory, either before or since then, has a decline of this magnitude been seen, nor did any other country at that time achieve anything similar, which demonstrates that this was not a cyclical phenomenon. It was achieved by holding the growth of public spending in real terms down to little more than 0.5 per cent a year. As spending on several programmes, such as health and defence, rose by significantly more than that, it meant that elsewhere there had to be very considerable cuts. However, it was done, and the result was that the public finances went from deficit into surplus, and public sector net debt fell to less than 28 per cent of GDP, the lowest within living memory. It now stands at roughly twice that level and is rising fast. On the Government's own projections, it will move to more than 70 per cent over the next two years. According to the latest report by the OECD, in all its 28 member countries, public sector borrowing as a percentage of

[LORD LAWSON OF BLABY]
GDP in the UK was exceeded last year only by Iceland and, by a whisker, Greece. This year, it reckons that UK public sector borrowing will be the highest in the entire OECD.

That brings us to the crisis we now face and the urgent need for real fiscal responsibility rather than this pathetic paper substitute. I address these closing remarks chiefly to the leadership of my own party, which I hope will find itself in office in some 12 weeks' time, as I have long given up hope of any fiscal responsibility from this profligate and disastrous Government.

It is of the first importance not to be seduced by the Augustinian prayer, "Lord, give me chastity and continence, but not yet"—the mantra of the neo-Keynesians, to which the Minister implicitly cleaves. It is no accident that at no time since the war has fiscal retrenchment ever been embarked on too soon. The argument for delay is always seductive and invariably mistaken, sometimes disastrously so. Moreover, in the real world, there are inescapable time lags in the system, which mean that spending cuts announced immediately after the election will in any case take time to have their effect.

Although the world economic recovery is still somewhat anaemic—particularly in this country, sadly—it is important that the threat of a global banking meltdown, which is the very real danger, has been averted, as the markets have recognised, so there is no economic case for delay.

Lord Lea of Crondall: My Lords, the noble Lord, Lord Lawson, says that it is essential not to delay. How does that relate to the fact, as the distinguished commentator Sir Samuel Brittan pointed out the other day, that we have a huge output gap—to use the traditional phraseology—of productive potential? Unless the noble Lord thinks that we can magically reduce the output gap, is there not prima facie evidence that fiscal policy should not be tightened too soon? I am speaking in line with the article by Sir Samuel Brittan. Does the noble Lord not agree with that?

Lord Lawson of Blaby: No, my Lords, I certainly do not agree with that and nor do the Government agree with what is implicit in the remarks of the noble Lord, Lord Lea. The Government say that the fiscal tightening should start in a year's time—not now—and there will still be a substantial gap then; the 10 per cent gap will not suddenly have disappeared by then. I am afraid that the noble Lord is mistaken.

The idea that much needed fiscal retrenchment might be inflationary should, in any case, have finally been put to rest by the experience of 1981, when no fewer than 364 economists, some of them quite distinguished, wrote to the *Times* to warn that fiscal tightening in the depth of the then recession would condemn our economy to a self-perpetuating downward spiral. Of course, nothing of the sort occurred. However, there was a substantial tightening, rightly introduced by my noble and learned friend Lord Howe in his 1981 Budget. So far from activities spiralling downwards, shortly afterwards the economy began a prolonged period of expansion.

Today, as current events in parts of the eurozone remind us, there is above all the crucial dimension of confidence. That is even more important in the UK. If, in our present alarming and unprecedented fiscal predicament, a new Government are not seen to grasp the nettle of fiscal responsibility from the moment they take office, confidence both at home and overseas will be shattered, with potentially disastrous consequences. This is not a matter of spelling out an itemised list of savings now, any more than we did before we took office in 1979. If they have not already done their homework, which I trust they have, my friends in the other place who will take the responsibility after the election may be assured that Treasury officials will have done theirs, and will present them with a list of options to choose from. No, it is a matter of iron resolve and the courage to be hugely unpopular in the short term.

This Government have lost all credibility—that most vital of assets for any Government—which this farce of a Bill will do nothing whatever to restore. Sadly, once again, in the eyes of the world we in this country have become what we were in the 1970s, a second-rate nation. The task of rescuing our country from this fate now has to be embarked on all over again. The success or failure of the next Government in discharging that task will be determined to a very large extent by the decisions that they take, not merely in their first 100 days but in their first 50 days.

12.15 pm

Lord Desai: My Lords, it is always a privilege and a pleasure to follow the noble Lord, Lord Lawson. He has done part of my work because I, too, was going to begin by reminding your Lordships how difficult fiscal responsibility has been in our economy. The medium-term fiscal financial strategy that he mentioned was indeed a pioneering act which lasted quite well for a while. While the 364 economists are always mentioned, it is my great regret that I did not add my name to their letter as I was out of the country, but I would have had I been here.

The 1980s recession was longer than any other we have had, and the current recession is only about half its length. While the economy may have started to recover after the 1981 budget, it took a long time to attain the pre-1980 level of output. The rate of inflation, which was increased by the decision to double VAT—no, there was a promise not to double so it was raised from 8 to 15 per cent, which I agree was not quite doubling by a very truthful Government—took ages to come down. It was quite a severe recession, but a fiscal responsibility was achieved. As the noble Lord, Lord Lawson, reminded us, he achieved a considerable reduction in debt.

Then it all went awry. We will all remember how the 1992 election was bought by spending lots and lots of money. There was a recession and I do not know why it was caused. We were not even in power. Again, there was high inflation, but perhaps the gnomes of Zurich were doing something. That inflation and the big rise in the debt/GDP ratio had to be tackled by the noble Lord, Lord Lamont, who is in his place. I paid tribute to him the other day and I do so again because the reduction of that deficit was achieved with great difficulty.

In those days, we had to resort to entry into the ERM as an external straitjacket to force a British Chancellor of the Exchequer to abide by fiscal responsibility. I remember—I was there and I took part in those debates. Indeed, we thought that the ERM would be the perfect straitjacket. Alas, that too broke down and we had a bloodbath on an exchange rate that George Soros made lots of money out of. Then we steadily had to work hard again in the early 1990s until the Labour Government came to power. My right honourable friend, the then Chancellor and now the Prime Minister, achieved the biggest repayment of debt of any other Government in the first four years after coming to power.

Fiscal responsibility has been a cyclical thing in this country—it comes and goes. Then for a while we have to tighten our belts, behave ourselves and abide by what the Government say. But then every Government have been tempted by the good times—when they come, the system gets relaxed and we can start misbehaving again. Whatever the Opposition may say, the course of the economy after 1997 was thanks to the Finance Act 1998 and the strategy that it laid down.

It is not true to say that we have only recently thought of fiscal responsibility. In 1998, a strategy was laid down and we achieved an unprecedented continuous expansion of output for something like 40 to 45 quarters. We are in trouble again, because there has been a worldwide recession and financial breakdown. I will not deny that we entered the recession with a structural deficit; I have said so myself. The problem is that when this Bill comes before us the Opposition take the view that I attribute to Milton Friedman about trade unions; that they are ineffective and dangerous. The idea is that this is a useless and dangerous Bill. I do not think it is either of those things. The Bill puts the Pre-Budget Report into some kind of legislative framework. We had a discussion on the Pre-Budget Report not that long ago. In those projections, we were down by the terminal year of the convergence report to 3.2 per cent of GDP for our deficit, and the noble Baroness was objecting that we had not really achieved the Maastricht criteria of below 3 per cent. That is not very relevant at present. The Bill lays down what has been promised in the Pre-Budget Report, and there is no harm in laying it down.

There are two ways of thinking about it. Many of my strongly Keynesian friends will say that this is terrible; no Government should ever give promises like this about what to do about debt and spending, because you never know what might happen next. We could have a double dip recession or another crisis. Maybe in 2011-12, whichever Government are in power will find themselves bound by this Act—and what will happen? As the Minister explained, if whichever Government are in power then find that they cannot abide by this because economic circumstances have changed, they will have to bring forward primary legislation. That is the strictest requirement that the Bill imposes. I do not see anything wrong with that. As has happened in previous Administrations, both Tory and Labour, Governments abandon targets and change definitions; now you at least will have to have primary legislation that will be debated by Parliament. That is a good thing. That is a bit of discipline that the Bill imposes and which I welcome.

Let me say something about the amendment tabled by the noble Baroness, Lady Noakes. She has said that it is a pity that there has not been adequate discussion of the Bill. As the Lord Speaker has reminded us, we cannot say very much about what another place does. That is its business. But in the speech made by the noble Baroness, Lady Noakes, she did not say that there was much content to Clauses 2, 3 or 4, and Clauses 5 and 6 are clearly formal. I think she is objecting to the fact that another place did not discuss the clauses which she thinks are not worth very much. Indeed, another place concentrated on one important clause and we have its reactions.

Let us resolve that there are no perfectly virtuous people and no sinners in this respect. All parties have this problem. If we can again decide that we need some sort of fiscal structure, discipline or framework to abide by, and if the Bill is on the statute book, whichever Government are in power will have to remember to bring in new primary legislation if they want to change the rules. That should be welcome. That is why I welcome the Bill.

12.24 pm

Lord MacGregor of Pulham Market: My Lords, I hope to make a short speech, because the Bill deserves short shrift. I add my voice to the many criticisms of the Bill and support all that my noble friend Lady Noakes on the Front Bench and my noble friend Lord Lawson, with whom I had the privilege to serve as Chief Secretary in the mid-80s, have said about it.

There are so many criticisms of and clear flaws in the Bill. Most obviously, anyone can set targets, but without plans to reach them and without sanctions for breaching or failing to achieve them, the exercise, and hence the Bill, is meaningless. The Explanatory Notes state:

> "The purpose of the Bill is to ensure that there is always in place a duty on the Treasury to secure sound public finances for the United Kingdom".

We do not need a Bill to do that. I had always thought that every Chancellor and Chief Secretary had that high on their list of responsibilities and priorities. Is the Minister really saying that, up to now, no Chancellor, no Chief Secretary and no Treasury has ever regarded that as one of their duties? The more I read the Bill, the more it seems to me that it adds nothing to what any good Chancellor and any proper Treasury would do anyway. It adds nothing, especially as it has let-out clauses in its later part, which were not even looked at in the other place.

As for accountability to Parliament, surely that has always been the case. I challenge the Minister to tell us that, hitherto, the Government have regarded themselves as not being accountable to Parliament in numerous ways and through numerous mechanisms. The Bill adds nothing in that respect either. The way in which the Government railroaded the Bill through the House of Commons does not augur well for any parliamentary scrutiny arising from the Bill. It is a waste of parliamentary time.

The targets are worth little if there are so many let-outs and no penalties. They are no substitute for real, costed plans and real action. They are based on

[LORD MACGREGOR OF PULHAM MARKET]
the fantasy that wishing makes it so. This morning, the Minister talked about Clause 1 with a straight face when he described the targets as though, thanks to the Bill, they would just happen. As Richard Lambert, director-general of the CBI, said,

"it's a bit like me saying I'm going to join the gym and that means I'm fit already".

What does the Bill do that a Budget and the public expenditure review are not doing or should be doing already? It is meaningless. After the election, no one will pay any attention to the Bill; it is real decisions and real measures that will count.

Indeed, no one is paying any attention to the Bill now. Is it an attempt to convince markets, domestic and international? If so, it has failed, as is demonstrated by the current turmoil in international currency and bond markets and by the fact that it has been totally ignored by all the bankers, economists, financiers, speculators and commentators. Has anyone said, "It's all right, we have the Fiscal Responsibility Bill, and that will see us through"? No one has said that.

In conclusion, I made two comparisons. The first is with the fiscal rules, which were drawn up on the back of an envelope and trumpeted as part of fiscal discipline. In the period of prudence, until about 2000, when the then Chancellor was observing and constantly talking about prudence, the fiscal rules were observed. Increasingly, as public expenditure increased, the rules had to be stretched and fiddled—changing the date line and so on. They were increasingly broken and discredited and, finally, ignored, dropped and forgotten. This Government ended up with a massive fiscal deficit, leaving this country one of the least prepared to face the global credit crunch. The Bill, with all its let-outs, including Clause 4(3), could easily go the same way as the fiscal rules if this Government had to implement it.

The second comparison is with other recent actions dreamt up by the Prime Minister. After 13 years of opposing it, the Prime Minister has proposed a referendum on an alternative vote system—after the election, of course—in a blatant bribe to the Liberal Democrats. The Personal Care at Home Bill, described by one of the presenters on the "Today" programme this morning as a back-of-the-envelope piece of electioneering, has been devastatingly holed under the water by 79 local authorities in a letter to the *Times* today. In my view, it was shredded at Second Reading by the noble Lords, Lord Warner and Lord Lipsey, and, in particular, by my noble friend Lord Howe, speaking from our Front Bench. My local newspaper, the *Eastern Daily Press*, said that, given the realities of the country's finances, it could seem a promise plucked straight from cloud-cuckoo-land. This Bill follows the same process. The Prime Minister's frenetic activity and headline electioneering are no substitute for thoughtful policy and practical actions. The Bill is in the same vein, giving the pretence, rather than the practical reality, of tough action on the fiscal deficit.

In my 36 years in Parliament, I cannot recall an example of an affront to Parliament and an abuse of legislative process such as this Bill. I have a great deal of respect for the Minister who introduced the Bill. After a shaky start—I make no criticism of that, because it is quite a translation to come from the City to Parliament—he has demonstrated in all the things that he has been responsible for that his experience, expertise and authority count. Today, however, he had to have a straight face as he read out the nonsense that was put in front of him. If I were a Treasury Minister now, I would vigorously oppose the Bill within the Treasury and, if I had to put it forward, I would have my head down and my hands over my ears; I would read go rapidly as possible through the stuff that I was supposed to read out and hope that no one would follow me afterwards. There was something of that sort from the Minister today. He gabbled through. I suspect that he knows that he was talking gobbledegook without substance. In short, we should not be wasting our time with a Bill such as this.

12.31 pm

Lord Skidelsky: My Lords, as this is a money Bill, this House cannot amend it, but I shall discuss the motives and principles underlying it. My speech will not give satisfaction to the two opposing parties, but I hope that, for that reason, it may gain in coherence. As the noble Lord said, we shall see.

The Government are in a bind. The markets are clamouring for retrenchment. On the other hand, the Government know that retrenchment now would be fatal for recovery. This rather feeble measure is the result. It reminds me of nothing so much as the optimistic promises that I used to make to my bank manager when he called me to ask what I intended to do about my overdraft. This, of course, was in the days when I knew who my bank manager was. He was called Mr Gay and was a delightful man.

Deficit reduction will start in 2011 and proceed steadily year by year until 2015. By 2014, at least half of this year's deficit will have gone. By 2016, the national debt as a proportion of GDP will be lower than in 2015 and, after that, we are promised an era of sound public finances. It would be interesting to know the economic analysis underlying this rather random collection of figures and dates, because I have not found it. However, one thing is clear: as for St Augustine, virtue is for the future.

An interesting feature of the Bill is that these promises are set forth as duties. The Government seek to bind themselves to what they promise to perform, but these are not hoops of steel but hoops of elastic. As has been pointed out by other noble Lords, there are no sanctions for non-fulfilment of the duties; there is simply an extra duty to report to Parliament on progress towards and compliance with the other duties, or non-progress and non-compliance, as the case may be. The programme seems rule-bound, but it is at the discretion of the Treasury to be bound by the rules that it lays down. This ample escape clause is no doubt wise, given the fact that neither the Government nor anyone else can know whether they will be in a position to fulfil their duties. That depends entirely on what happens to the economy, and no one knows for how long it will have to be on a life-support system.

This being so, I would rather there had been no Bill at all than one that makes a mockery of the concept of duty. However, given that it may have been politically

necessary to have some statement of future intentions with a law-like look about it, I would have liked to have seen an independent fiscal policy committee set up as part of the machinery of the Bill and charged with the duty of reporting to Parliament on the validity of any reasons that the Government might give for non-fulfilment of their statutory duties as laid down in Clause 1. Such a committee, I suggest, should become a permanent part of our fiscal system. Talk about primary legislation and strengthened accountability to Parliament seems to me to be largely eyewash. This Government know that any Government with a reliable majority can always get their money Bills through Parliament.

I want to make a few more general observations. I notice that there is no duty laid on the Treasury to restore the much vaunted fiscal rules that were suspended in 2008. This interim period affords us an opportunity to rethink the content of these rules. The rules state that, over the cycle, the Government should borrow only to invest and that investment should not add to the national debt. In fact, these rules were being broken before the present downturn. Everyone knows that. I am surprised that the Minister said otherwise when he introduced the debate. Part of the doubts about the solvency of government finances today is due to previous cheating on the rules.

By 2007, after five years of GDP growth of 2.7 per cent per annum on average, which was widely accepted as the trend rate, or even above trend, there was no excuse for a deficit in 2007-08 of 2.6 per cent of GDP. Over the period, the Budget should have been balanced on the Chancellor's rules or even been in slight surplus. In fact, there have been only three years of surpluses—1999, 2000 and 2001—over 17 years of positive growth.

The so-called rules lent themselves to manipulation for two reasons. First, no one really knows when cycles start or how regular they are. One can only know for sure in retrospect. Secondly, and possibly more important, public sector investment is an inherently vague term, as the noble Lord, Lord Lawson, pointed out with his usual clarity in his book *View from No. 11*. His words are worth repeating:

"The current/capital distinction does not have the same meaning in the public as in the private sector. School buildings, for example—however desirable and productive in the larger sense—do not produce a cash return which will service debt interest. Nor are outlays on them inherently more productive than, say, expenditure on better teachers, which counts as current".

Therefore, I have considerable sympathy with his conclusion that,

"those who seek to assimilate the system of public expenditure control to the conventions and methods used in the private sector always remind me of small children playing at shops. It has little relationship to the real thing".

One could argue that we need fiscal rules, and I would agree, but if we are to have them I would prefer the following rule: that the Government should set taxes to balance the Budget when the economy is growing to trend, as measured by a moving average of outcomes over the previous five years, with a surplus accruing when the economy is growing above trend and a deficit when it is growing below. Of course, if a black swan, such as the meltdown of 2008, happens, all bets are off. The rules have to be suspended. There always have to be escape clauses in any financial rules, but that does not seem to be a sufficient reason for not having any.

My final point concerns a matter of economic theory. John Redwood remarked in the other place that,

"we cannot solve a crisis of over-borrowing by borrowing too much in the state sector".—[*Official Report*, Commons, 5/1/10; col. 97.].

That is definitely wrong. If every bank had started to deleverage simultaneously without any increase in public borrowing, the collapse in aggregate spending would have made the great depression look like a vicar's tea party. Keynes pointed this out years ago in his famous paradox of thrift. The Government are a qualitatively different borrower from a private sector borrower; to treat the private and public borrower as equivalent is like children playing at shops, to use the words of the noble Lord, Lord Lawson. Mr Redwood and most of his colleagues should go back to school.

One may argue about how big the output gap was and is and about whether the stimulus policies have been enough, too much, or well or ill designed, but I am absolutely sure that some stimulus was and remains necessary. The Government are therefore absolutely right to resist the austere spirits who are calling for draconian spending cuts and tax increases now. If this Bill, full of mirrors, is the price that needs to be paid for pretending to listen to them, I am content to support it.

12.40 pm

Lord Sheikh: My Lords, fiscal responsibility should be the first duty of any Government in macroeconomic matters. The entire credibility of our economy is founded on that, as is our ability to engage with other partners in a global world. No one can object to the principle of fiscal responsibility. Indeed, even the current Prime Minister, on taking office as Chancellor of the Exchequer in 1997, promised us that he would,

"introduce tough rules for government borrowing … meeting the golden rule for borrowing. Over the economic cycle, the government will only borrow to finance public investment and not to fund public consumption … alongside this golden rule commitment, we will keep the ratio of government debt to GDP stable on average over the economic cycle and at a prudent and sensible level".

Those were fine words, but I remain to be convinced that the Government have lived up to their own aspirations. We need to recognise that we as a country face a major problem of credibility, and that we will achieve credibility only by adopting a serious approach and by taking difficult decisions. Anyone who takes the complex decisions that will need to be taken in the highly charged global economic environment of the coming months will need to make fiscal responsibility a top priority.

Our current fiscal situation is truly dire, and we should all be very worried about the problems. Government borrowing over the next five years is projected to exceed the entire debt inherited from all previous Governments put together, and our national debt is set to double to more than £1.5 trillion. Debt as a proportion of gross domestic product is estimated to be around 43 per cent, but some project that this might increase to 80 per cent by 2013. Our credibility is at stake and we need to act.

[LORD SHEIKH]

However, I am not sure that the way out of this crisis is for Parliament to enact legislation that requires the Government to do what they should be doing anyway. The Prime Minister's ambition to halve the deficit within four years, as he announced at his party's conference last year, will still leave it at 7 per cent—the same ratio as when this country went to the International Monetary Fund in 1976. Even in those circumstances, we need to recognise that our markets are not going to be as attractive as they could be, which should alarm all of us who are interested in the well-being of our economy.

It is disturbing that our international credit rating could be put in jeopardy through the fiscal expansionism over which this Government have presided over the past 12 years. The consequence of that change in our credit-rating status may result in an increase in interest rates, which could only inflict further harm to our economy and prolong the suffering that we as a nation endure on the road to recovery from the recent recession.

I return to my original point; most economic actors and political commentators recognise the crisis that we face, but can another piece of legislation truly be the answer? The problems are more fundamental, and it is not clear what this legislation will deliver in practice beyond grand aspirations and worthy ambitions. What will this legislation enshrine that would prevent any Government breaking the rules, even after the legislation is passed? We need to have a clear and coherent answer, otherwise we risk the charge that this Bill does nothing but articulate fine aspirations.

To be fair to the Government, a recognised problem lies in the definition of the timings of the economic cycle in applying the golden rules. It does not help that the Government have changed the definition of the economic cycle on several occasions to suit the communications agenda and political conveniences of the day.

These changes have damaged our credibility internationally, as the Institute for Fiscal Studies has observed. It said:

"The perception that the Chancellor has moved the goal posts and has delayed the tax raising measures and cuts in spending plans that we and other independent commentators had been saying would be necessary until after the 2005 election undermines the credibility of the fiscal framework".

If this Bill can seek to restore that credibility, that can only be a positive step forward, but I am concerned that it will do little more than create yet another government target. In view of the country's present financial situation, parliamentary time could be used more productively by putting together a credible plan to reduce the increasing deficit and restoring our credibility in international markets. I hope that I am wrong, but I do not believe that the Bill will make a tangible difference to that course.

I do not underestimate the scale of the task that will face whoever happens to sit on the government Front Bench after the general election, but I commend the approach that my party has agreed to adopt. The economic model that has sustained the Government's fiscal expansion is damaged, having been constructed on the basis of a public spending boom, a confused regulatory mix in the financial services sector and excessive consumer borrowing that fed a housing-price bubble. We need to undertake a fresh analysis of where future economic growth will come from, and construct a firmer foundation for future economic stability.

I welcome the comments from my Front Bench over recent weeks that have painted an ever clearer picture of how we would build economic growth on a competitive tax system and new infrastructure. We should look to the growing economies of the east not to supply goods and services for our consumption and use, but to be partners in competition that will want to purchase what this country can offer and provide. We in this country have a great deal to offer the world economy, and restoring our position should be our prime focus.

The eight benchmarks on which the Conservative Party's policies can be judged are measured and sensible. We must act with urgency to protect our credit rating, without which we will face an even bigger task to recover from the unfavourable situation in which we find ourselves. We need a more balanced economy, which will involve increasing the role of the private sector in every region of the United Kingdom. We need to think seriously about wealth creation and not just about government intervention. The proposed reforms of the banking system have already attracted much attention and will deliver added strength to our economic growth. The banking system must serve the needs of the economy. We should all be concerned at the high level of youth unemployment. I am glad that my party takes this problem seriously and includes it in the eight key criteria on which economic policy can be judged. Tax competitiveness should also be a factor, as we need to ensure that we attract global wealth creation to our shores. We should not be afraid of creating a comparative advantage over our competitors, as we need to create an economic climate that thrives and creates wealth through dynamism and innovation.

We cannot expect to tackle the fiscal crisis without adequate reform of our public services, which will need to demonstrate value for money. In recognising the contribution that innovation can provide in supporting the green economy, we can exploit the advantages that will emerge in the international market. These are the eight critical steps that will restore the credibility that is so lacking in our current economic system. I do not feel that this Bill, on its own, will improve the situation regarding our credibility.

In conclusion, I am pleased that the Government appear to recognise the need for action in restoring fiscal responsibility to the top of our economic management; but a real programme of action to reduce the deficit and to make people want to invest here will do far more than another piece of legislation enshrining yet another target. Actions will count more than words, and it is time to stop talking and to start acting. If this Bill makes a positive contribution to that, it will be worth while, but I am not without doubts.

12.51 pm

Lord Peston: My Lords, at first sight the Bill appears to infringe one of the fundamental principles of welfare economics; namely, that reducing the size of the choice

set available to a decision-maker cannot improve the outcome of the decision he has to take. That is taught in first-year economics—or what the Americans call Economics 101. In so far as noble Lords opposite have any knowledge of economics at all, which I am now beginning to doubt, that limit must be Economics 101. But there is a vast amount more economics to be learnt than that.

Research and behavioural economics, together with the theory of games, show that the simple proposition that I have just mentioned is not always valid. The best analogy for our purposes today—albeit, like all analogies, it is imperfect—is addictive behaviour. A smoker would find it easier to give up the habit if severe limitations to the purchase of cigarettes were put in his way. If he were also able to take out a contract which penalised him significantly if he puffed on a cigarette again, that would, a fortiori, help him even more.

What concerns us here is the bad habit or, dare I say, the addiction to excessive public expenditure. The Government are committed to reducing public expenditure to a level and rate of growth that is sustainable in the long run. The Bill rightly seeks to reinforce that commitment by placing it on the statute book. That is an exactly correct move on the part of the Government. I am horrified that noble Lords opposite do not seem to have any glimmering of understanding, for obvious party political reasons, of what the Government are seeking to achieve.

Lord Hodgson of Astley Abbotts: The noble Lord used the analogy of the cigarette smoker and said that there was a necessity for sanctions. Could he outline the sanctions in this Bill?

Lord Peston: I have a whole speech to make and am glad that the noble Lord is at least sitting through it. Not everyone who has spoken seems to have felt the need to hear me. And now I have lost my place.

We have been reminded that we are in a difficult position because the Speaker has certified this as a money Bill, which is a judgment I find difficult to comprehend. But the Speaker's word is law and he has no need to justify what he says explicitly. The result is that we cannot amend the Bill, particularly in the direction in which I should like to go, which is my reference to the noble Lord who has just intervened. I should certainly like it to be tougher. But the fact that we cannot amend it is our problem. I do not know what the noble Lord's honourable friends and right honourable friends in another place were doing in their failure to bring the Government to account on this Bill, but perhaps we will learn about that from another speaker.

However, the Bill draws our attention to progress reports and compliance reports and, above all, it reinforces accountability to Parliament. We should remember that we are still part of Parliament. I therefore assume that when the Bill becomes law, we will be able to deal with the accountability side via our Finance Sub-Committee of the Economic Affairs Committee. In that committee, we could examine all the detailed points. Again, as it is a money Bill, the other place does not have to take any notice of us, but it cannot stop us saying what we have to say.

The noble Lord has asked about penalties, a matter which also bothers me. However, if the Government fail in their public expenditure commitments, the Prime Minister and the Chancellor will at least have to suffer the shame and indignity of living through it being pointed out. My difficulty—and this is my response to the noble Lord opposite—is that I cannot conjure up any other penalty for failing to hit the financial targets, and I have not heard anyone offer anything better. That is true of Parliament and the world generally.

Is the right solution—I say this as a joke—to include in the Bill a provision stating that if the Government do not meet their financial targets, the Chancellor and the Prime Minister must pay the excess out of their own pockets? That seems a bit much. It would also be incompatible with our constitution, unwritten as it is, to say that they must automatically resign. So I agree that the issue of penalties is a problem. I shall never be a Minister, let alone a Chancellor, but I would be ashamed if I had to live through putting out figures and then not achieving them because I was at fault. The commitment that the Government are making in the Bill is not trivial.

The objectives of economic policy are full employment on a sustainable growth path and a low and stable rate of inflation. The optimists claim that all of those are compatible and achievable while the pessimists deny that they are. The pessimists say that except in the long run, when we are all dead, we have to select one objective above the others. I have always been inclined to the optimistic end of the spectrum. But recent economic experience has moved me away somewhat. Everyone, including all the speakers today, supports fiscal responsibility; by which they mean reductions in the annual fiscal deficit and the government debt-to-GDP ratio. That requires a combination of public expenditure cuts and taxation increases.

However, in speeches in your Lordships' House, Peers always add a proviso when speaking of public expenditure. Without exception, they say: "I am totally in favour of cuts in public expenditure", except for whatever area is dear to their heart. That is true of farm subsidies, university finance, medical research, various parts of the NHS amounting to the NHS in toto, homecare for the elderly, poverty eradication and child support. The list is endless. I ask myself this: who except for me is in favour of public expenditure cuts, with no ifs or buts? In the cases I have referred to, Peers uniformly will tell us that if this bit of medical research is not done or the number of university places is cut down, the world will come to an end. I would say that if we do not get public finance in order, that is what will cause the world to come to an end.

I want to make another clear party political point. I long to hear anything from the Leader of the Opposition in the other place that gives any sort of indication of what he would actually cut. I know that he is desperate to win the general election and become Prime Minister, but if he really believes in fiscal responsibility—and let us not forget that we are talking about tens of billions here—he owes it to the country to say where he will find those tens of billions. Until he does, I for one am finding it impossible to take any advice from noble Lords opposite.

[Lord Peston]

I feel strongly that in producing the fiscal outcome we want, the right path is on the public expenditure side. I do not favour—with one exception which I am about to mention—the path of vast tax increases. Although we can talk about marginal rates in certain areas, we have broadly the right average level of taxation to GDP. But if there have to be some tax increases, the obvious place to look at is VAT. I would remove all the existing exemptions from the payment of VAT. The exemptions distort the price system. They do not and never have made any fiscal sense. Of course, if any Government did that the cries of pain would be deafening.

My last point is to disagree totally with the noble Lord, Lord Lawson, who I think was most irresponsible in his remarks, quite apart from giving us a misleading account of the past. The technical problem on public expenditure cuts is one of timing. The Government have to convince everybody that the cuts will definitely be made, which is the purpose of this Bill, but that they will not come into effect before the recovery is well under way. Although the recovery itself must be led by private investment and exports, we have to bear in mind that some of that will itself depend on public expenditure. We are therefore obliged to appreciate how difficult economic policy-making is, and let me say that I am extremely glad that I am not in charge of it.

In conclusion, what I would advocate is a suggestion made by my noble friend Lord Barnett, who has been the Chief Secretary. I mention this specifically to my noble friend Lord Myners. All government departments should be told immediately that they must plan to cut their expenditure for the next fiscal year. I would suggest a figure of 5 per cent. I have pulled that figure out of a hat, and if someone does not like it, I would say, "Let us try 10 per cent". That would focus minds, and if it were public knowledge—I am talking now about the next fiscal year, which the noble Lord, Lord Lawson, deplores—that would give confidence to the markets and others who have to take major decisions on these matters.

1.03 pm

Viscount Eccles: My Lords, it is a pleasure to follow the noble Lord, Lord Peston. I just want to record that although I am sure that my economics are out of date, I seem to remember that there was a day when savings equalled investment—not, I think, a formula which is followed by this Government. It is always a disappointment when the Minister follows his text because we have become used to enjoyable ad libbing, and it was not at all to the encouragement of enjoyment today that there was no departure. I suppose there will not be any departure now because the noble Lord, Lord Barnett, is not in his place. I want to make one reflection on the global recession. No one seems to have mentioned China and its role in perhaps throwing dust about before the whole thing started, or its role now, with the rate of growth that it is enjoying. Indeed, in a lesser but not insignificant way, no one seems to have mentioned India.

I am not sure that it would ever be worth spending any time on this Bill. It is like one of those games that children play, with rules that can be changed in the middle—in this case, by the Treasury for the Treasury and relying upon such woolly documents as the *Code for Fiscal Stability*, which is often mentioned in the Bill. This code carries a low index of credibility if Google's record of hits is anything to go by. There is also the annual Economic and Fiscal Strategy Report, with its strategy lost in a mass of detail, subsequently revised. When Governments run out of road, they resort to strategy. It is an uneasy haven where there are many academic practitioners but a scarcity of those who can implement. Again, I refer to the speech of the noble Lord, Lord Peston, and remind him gently that economics does get muddled up with politics. Indeed, these reports, which are not a popular read, contain little that can be recalled as successful strategy.

Nevertheless, behind this slimly virtual Bill lies an important principle. It is a gesture; it is said to convey a message. While it is true that messages can be important, they should not be delivered by legislation. Legislation should not be about gestures, or about messages, or about games whose rules are bound to be broken. In contrast, we depend upon respect for good law and our willingness to live within that law. Unenforceable legislation is by definition bad legislation.

As has already been mentioned in the debate by, I think, the noble Lord, Lord MacGregor, no respect has been shown for this Bill either inside or outside Parliament, and I do not feel that the speeches from the Benches opposite have shown great respect for the Bill itself. Indeed, there never will be respect for it, only speculation. Is it an ineffective attempt to send a message to the bond market? Is it a dithering attempt to fill in time before reality returns, or is it just designed to blow up in some four years' time amid an artificial media frenzy? That is silly season stuff. Playing this sort of frivolous game with Parliament does its shaky reputation no good at all. Legislation is meant to be reasoned and necessary, and thus to be both sensible and acceptably enforceable within the law. Not so this Bill. When it becomes an Act, it will need to be repealed as soon as possible.

1.08 pm

Lord Hodgson of Astley Abbotts: My Lords, I begin by offering my commiserations to the Minister. He has had a distinguished career in the City, as I have more reason than many in this House to know, and he has been sent here today to take the fig leaf and defend the indefensible. It is more than indefensible; it is also disreputable. In the progress of this Bill, there will be damage to the reputation of the country abroad and damage to the reputation of Parliament at home because both those audiences, whether abroad or at home, believe that it has no contact with reality. Along the way it will also do some damage to the reputation of the Labour Government, but that is something which I can regard with equanimity.

I shall come on to the disreputable nature of the Bill, but before doing so I would like to dwell for a moment or two on the way that the Government—I emphasise that it is the Government—have handled the proceedings of the Bill so far. On Second Reading, the Chancellor of the Exchequer placed great emphasis on the importance of the Bill. He said:

"There is no doubt that we face a huge challenge as a country. There will be difficult judgments over the next few years. I have said before that some tough decisions will have to be taken

…That is why it is important that we get it right … This Bill will help us to achieve that".—[*Official Report*, Commons, 5/1/10; col. 71.]

I read that as a ringing endorsement which emphasises the central nature of the economic issue to the country's future—who would demur from that?—and the role of the Bill in tackling it. It is therefore surprising that having emphasised the Bill so much, the Government should allocate only four hours and 45 minutes for its discussion in Committee—that is very short—and a further 45 minutes immediately after for Third Reading. The Bill began at 1.35 pm on 20 January and finished by 7 pm. For major legislation, that is quite a short time.

The Bill is organisationally disreputable from the Government's point of view. When you read the *Hansard* report of the Second Reading and the Committee proceedings, it is astonishing how little support for the Bill there is from the Government Back-Benchers; they either do not believe it or do not agree with it, or possibly both. Indeed, two of the three speeches made from the Government Back Benches at Second Reading were opposed to the Bill. In Committee, only one Back-Bencher, Mark Todd, the Member for South Derbyshire, felt able to make some vague noises of support. He said:

"I am puzzled by the reasons for using legislation in this way … I can see some value in at least facilitating an orderly debate on a subject … There is no common view of the data set on which we base our understanding".—[*Official Report*, Commons, 20/1/10; col. 335.]

By any stretch of the imagination, that is lukewarm support. Therefore, for the Government then to have a whipped majority of the size that they had, it is not surprising that the public regard the proceedings in Parliament with a degree of cynicism.

Turning to the Bill, my noble friend Lord MacGregor referred to Richard Lambert and the description of it being the fat man who after Christmas joins the gym. I saw this description in a leader in the *Times* and still thought it was apposite—either the *Times* heard Mr Lambert or Mr Lambert read the *Times*; I do not know which. The *FT* put it even better. It said that the Government believe in the "announce and it will happen" approach to government.

The Bill is disreputable because it is deceptive. It is deceptive about numbers, about accuracy, about relevance and about sanctions. How the Minister, for whom I have the greatest respect, could read out paragraph 3 of the Explanatory Notes about transparency, stability, responsibility, fairness and efficiency with a straight face, I do not know.

Let me deal with the deceptive nature about numbers, transparency and accuracy. Over the past few years we have had fascinating debates on the make-up of government finances. I recall my noble friend Lord Saatchi trying at some length to discover whether PFI projects form part of the public sector borrowing; not huge clarity was achieved. Of course, it is not only the PFI; there are also the public/private partnerships, Network Rail and the bank bail-outs. However, there is, I am afraid, a much larger elephant in the corner of the room because the Prime Minister, when he was the Chancellor of the Exchequer, drove a stake through the heart of private sector final salary pension schemes. Such schemes, I am sure, would have had a difficult time because of increasing longevity, but he did for them finally. He did so in three ways: he robbed the private sector pension schemes of billions by tax changes; he then created a private sector regulator with extensive and quite arbitrary powers; and, finally, he developed the perfect storm for pensions—low interest rates, so that the discounted value of liabilities was high, and low asset values, so that the value of assets held to discharge those liabilities was very low.

Meanwhile, in the public sector, where there are extensive inflation-proof final salary pension schemes, nothing was done. Preparations were undertaken but the union paymasters said no and everything was abandoned. The deficit in public sector pensions is truly terrifying; it runs to hundreds of billions of pounds—some people have said £1 trillion. I refer the Minister to the *Evening Standard* of Monday 1 February, which stated: "Black hole in London councils' pension funds grows to £10 billion". That is only London councils' pension schemes. To make the Bill credible, we need greater clarity and transparency about assets and liabilities.

Members of the House will have received the briefing from the Institute of Chartered Accountants in England and Wales and it is worth putting on the record two of the points it makes. The briefing states:

"However, significant problems with the transparency and accountability of UK public spending decisions remain to be addressed … In particular, sustained commitment is required behind the Whole of Government Accounts (WGA) initiative. WGA promises to provide robust, audited information across the public sector. WGA will make information more transparent and more accessible … It will be the only source of information where the public sector's assets and liabilities are brought together 'on balance sheet'".

We need to find a way to improve transparency and accuracy if the Bill is to have any value.

Secondly, the Bill is deceptive about effectiveness. When he introduced the Bill, the Minister said that the levels of uncertainty about our economic future are receding. However, let us suppose that his hopes—and probably all our hopes—are dashed and we face a double-dip recession. A large proportion of government spending is in the automatic stabilisers—social security payments, employment benefits and so on—and the idea that in a recession these could be reduced or removed is laughable. What will the Government do? They will abandon the Bill—the whole thing—just as they abandoned the golden rule. For years the Prime Minister lectured us about the golden rule and its sacrosanct nature. Now, coyly, paragraph 6 of the Explanatory Notes states:

"In the 2008 Pre-Budget Report the Government announced that it would temporarily depart from the golden rule and the sustainable investment rule until the global shocks had worked their way through the economy in full".

The noble Lord, Lord Peston, said that the answer to this Bill was to have some shame. There appears to be no shame in abandoning this central tenet that the then Chancellor, now the Prime Minister, has lectured us on over the years. This legislation will go the same way.

The Bill is also deceptive about sanctions. As my noble friend Lord Lawson said, statute law is only of value if it is enforceable. Unenforceable laws merely bring the law itself into disrepute, and Clause 4(3) gives the game away.

[LORD HODGSON OF ASTLEY ABBOTTS]

I have said that the Bill is deceptive in many places, but there is one group that the Bill is meant to deceive but has not deceived—those people who the Chancellor needs to buy all the gilts he will have to sell over the next few years. Unsurprisingly, they are not deceived and confidence in the Chancellor and the Government can be measured in two ways—exchange rates and interest rates, both of which, in the three short weeks since Second Reading, have moved against the Government and will lead to a much more expensive and difficult time in the future.

The Bill is the latest and one of the most egregious examples of cavalier government by new Labour. Initiative after initiative has been trumpeted with headline-grabbing announcements, all too many of which have run into the sand because little, if any, thought has been given as to how they should be implemented or what their consequences would be. As the *Financial Times* put it, "announce it and it will happen". Sometimes initiatives have even been recycled and relaunched with further trumpeting, but to no greater effect.

The Labour Party has said that it wants to dominate the agenda for years to come. Well, I think it has succeeded in this, albeit not quite in the way it intended, because the next Government will spend five or 10 years trying to repair the damage that it has left behind. This Bill is perhaps a fitting epitaph for a man who claimed to have abolished boom and bust and ended up delivering the biggest bust of all.

1.20 pm

Lord Lea of Crondall: My Lords, that was an uncharacteristically political speech by the noble Lord, Lord Hodgson of Astley Abbotts. Perhaps I can reply in kind. He mentioned the elephant in the room and alluded in that connection to the "union paymasters" of the Labour Party as regards pensions. That is peanuts when compared with the reliance of the Conservative Party on the City of London, which can do no wrong. It is because of that fact that David Cameron is now wriggling on the end of a hook. The hubris of the City of London, after all, caused the biggest hole in the economy since 1931. Since Lehman Brothers, we have been in what I would call a "Roosevelt moment". The fiscal balance, after all, can only improve as growth improves.

We all know that the real agenda of the party opposite is first to get elected and then to make "savage cuts"—as the widely used expression goes—from May onwards. The Conservatives are now being very careful, running scared as they are, about saying that. On whether we need savage cuts, Sir Samuel Brittan wrote last week:

> "My own view is that there is little case for action just yet. But the cat may jump in either direction … In any case, I would base policy on the state of the economy - real growth and inflation - rather than on a narrow view of the government's own finances, and avoid like the plague the draconian spending cuts and tax increases set out as 'options' by the Institute of Fiscal Studies".

I turn to remarks made yesterday by the Nobel Prize-winning economist Joseph Stiglitz, who generally takes the line that the Prime Minister, whom he met yesterday with the Chancellor, should ignore what he calls "fiscal fetishism", defy the markets or even extend the fiscal stimulus. I am not a paid-up member of the Joseph Stiglitz fan club, but he is surely right to warn that financial markets were like a "crazy man" that could not be appeased with cuts in public spending. He said:

> "You're dealing with a crazy man. You're asking what I can do to placate a crazy man? Having got what he wants he will still kill you".

He rejected the idea recently put forward by David Cameron that some symbolic trimming of the budget deficit in the current year might regain the confidence of the financial markets. He said that it was "unconscionable" for the ratings agencies to threaten to downgrade Britain's creditworthiness, given their poor record in the crisis. He also said:

> "Fiscal fetishism is really dangerous".

He believes that if financial markets refuse to buy British government bonds, or gilts, the Bank of England could buy them instead—that is the case for extending quantitative easing if the circumstances arise—because, as has been said, a premature withdrawal of stimulus is more likely to produce a double dip.

I cannot see why the party opposite, which has over the years bought into having frameworks of targets and supported Gordon Brown, when he was Chancellor, in a whole range of medium-term targets, now purports to believe that the targets in the Bill are not conscionable. Earlier frameworks were supported. I mention the example of the Maastricht criteria, which seem now to be supported with some numbers and guidelines. On that basis, the European Union—meeting, I think, today or tomorrow—will wish to toughen up its relationship with Greece. Toughening up a relationship begins with having some numbers. I am not sure that there was any legal significance—I do not remember; I stand to be corrected if I am wrong—in the famous five economic tests for joining the euro being supposedly written on the back of a cigarette packet. This Bill is a lot more nicely written out, but no one doubts that those were important criteria to have written down.

Lord Lawson of Blaby: Perhaps the noble Lord will allow me to correct him on a point of history. The whole point of the five tests, which were introduced by Mr Gordon Brown when he was Chancellor, was to make him the arbiter of whether we should go into the euro and to prevent Mr Blair moving to bring us in. It was done for political reasons; it had nothing to do with economic analysis. Therefore, it has absolutely no part in this debate.

Lord Lea of Crondall: As a version of history, that is pure invention. I think that the noble Lord, Lord Lawson, agrees with me that the tests were effective despite their not being of the type advocated—namely, all-singing-and-dancing sanctions connected with something—and despite there apparently being no value in a government policy statement of a framework. The noble Lord, Lord Lawson, has just kicked through his own goal.

The Explanatory Memorandum is very simple and clear; I do not know why people are having a go at it on those grounds. As has been said, points made in the House of Commons were mostly second-order; nothing landed a punch. The only one of note was a question about whether the overall deficit included the impact

of the automatic stabiliser. The answer, which I think the Treasury would confirm, is that the Fiscal Responsibility Bill includes targets for the overall deficit, rather than the structural deficit. Perhaps my noble friend will confirm that that is the case.

I would like to see a markets responsibility Bill alongside a Fiscal Responsibility Bill. That is the background to the blame-game being started by the Conservative Party—"just blame the Government". What about blaming its friends in the banks and the City of London generally, to whom it is totally in thrall to get its finance?

1.29 pm

Lord Ryder of Wensum: My Lords, although the Financial Services Secretary was as loyal as ever to the virtues of collective responsibility, it is no wonder that he lacked his natural ebullience today. His deadpan delivery, masking qualms about the Bill, reminded me of old Stone Face himself, the great Buster Keaton. Many of your Lordships will remember that Buster Keaton's final silent film was aptly called "The Railroader".

This pointless legislation has been railroaded through Parliament by use of a guillotine in another place. Only four and a half hours of debate were allocated to its Committee, Report and Third Reading stages. Committee scrutiny never stretched beyond Clause 1. So much for Gordon Brown's much trumpeted promise in his 2007 Green Paper on the governance of Britain that the Government would,

"act to ensure that it is answerable to Parliament".

He said those words at a press conference.

I note with an unusual form of admiration the Bill's certification as a money Bill, but observe with greater interest a masterpiece of irony in paragraph 31 of the Explanatory Notes, which states:

"There are no significant financial effects of the Bill".

I could not have put it better myself.

I fancy that this Bill was forced on a reluctant Treasury by Downing Street's teenage spin doctors posing as policy advisers. It has been disparaged across the spectrum as one more boneless wonder and one more headline. No Labour Back Bencher spoke in favour at Second Reading in another place. Charles Clarke, the former Home Secretary, ridiculed it as "vacuous and irrelevant". Paragraph 6 of the Explanatory Notes unveils the truth behind the Bill when it claims that in the November 2008 Pre-Budget Report,

"the Government announced that it would temporarily depart from the golden rule … until the global shocks had worked their way through the economy".

Thus it was inferred that the golden rule was fragmented by the collapse of the markets in September 2008. As most of us know, the truth is otherwise. The key date for the death of the golden rule was 18 July 2008, two months before the collapse in the markets. On that date, the Treasury sanctioned the golden rule's obituaries. The *Financial Times* splashed its front page, disclosing that the Treasury had extinguished the golden rule. Robert Peston, no less, with his impeccable links with the Treasury, confirmed its termination and David Smith, the economics editor of the *Sunday Times* declared it part of history's dustbin. These verdicts were reached on the basis of Treasury briefings on 18 July 2008, two months before the collapse in the markets, because by then our public finances were in disarray. No wonder this led the eminent economist, the noble Lord, Lord Desai, who is sadly not in his place, to declare that the golden rule had been, "fudged and fudged again" by Mr Brown, leaving Mr Darling an "empty kitty".

The blame for the crisis in our public finances lies squarely with Mr Brown, and begs the question that if our public finances were in such disarray in July 2008, thanks to him, why did the Government not introduce this paltry specimen of legislation then instead of now? Why do we have to wait two years for this Bill? This Bill is no more than a comical booby-trap, which merits instant disposal by an incoming Administration. It serves no purpose and fools only greenhorns. The next Government, irrespective of hue, must establish a more credible framework for tackling our public finances, which requires an immediate Budget followed swiftly by a public expenditure White Paper along the lines of the one published by my noble and learned friend Lord Howe of Aberavon in 1979.

Lord Peston: I found what the noble Lord said there most intriguing. Is he advising his right honourable friend the shadow Chancellor that he must immediately, were the misfortune to occur of him becoming the actual Chancellor, introduce major public expenditure cuts? Is it his view that that is the right path to go along immediately after this coming May, were he to be in power?

Lord Ryder of Wensum: I share the view expressed by my noble friend Lord Lawson in that respect. Of course, a lot of it will have to do with how the markets behave. As the noble Lord will realise, it is very often the markets that put pressures on new Governments, just as the markets at the moment are putting pressure on the Club Med countries. That is a flexible position that any Chancellor needs to be aware of, and I am sure that the shadow Chancellor is even more aware of that than the noble Lord, Lord Peston.

Lord Lea of Crondall: Can the noble Lord clarify further? When he refers to markets, does he assert that they are never politically motivated? For example, this week they have had people getting together to put huge bets against the euro, which has incidentally had a stable relationship with the pound sterling for several months. Is the market to be worshipped? Is that the point that he is making?

Lord Ryder of Wensum: If the noble Lord wants the real answer to that question, I advise him to go as fast as possible after this debate to the Library, where he will find remarks made earlier in the week and last week by the president of the Bundesbank. No one could claim that his words were political in the context of what is happening at the moment in Greece.

If an immediate Budget is followed swiftly by a public expenditure White Paper and a form of the MTFS, as described by my noble friend Lord Lawson, who put it together in 1980, further action is a necessity. As I said in part in my reply to the noble Lord, Lord Peston, first and foremost it should be carried out to avert a potential UK gilt strike. Sovereign debt contagion is lethal. We are experiencing the tensest spell in the gilt markets since the 1970s, and the markets will need

[Lord Ryder of Wensum]
to be certain that a British Government have the willpower—to use the word of my noble friend Lord Lawson—to slice our dangerous deficit. We have already witnessed pressure on Greece, where plans to cut the deficit are frankly implausible. In principle, Greece must raise $50 billion by 30 June to avoid default. Portugal lacks a consensus on austerity and the green light is still shown to the regions for mounting up further debts. Spain could of course be in the firing line soon. We hope and pray that these nations are acting as our proxies until polling day. After all, according to PIMCO, we are resting on a bed of nitro-glycerine.

Questions over our creditworthiness have also been raised by Fitch. Standard & Poor's, another agency, has amended its outlook of the UK from stable to negative. Of course, the chief executive of the Debt Management Office, an important figure, voiced concerns a fortnight ago. Last week the Institute for Fiscal Studies concluded that reductions in public expenditure would have to reach 18 per cent to 24 per cent in some non-protected departments to pacify the markets. Even if the next Government, whatever their hue, take action, the risks of inflation are clear and present, as I have twice sought to persuade your Lordships. Inflation overshot Bank of England forecasts for the whole of last year in every single month. Andrew Sentance, an MPC member, as well as Spencer Dale, the Bank of England's chief economist, have delivered warnings that inflationary pressures are lurking, in spare capacity, oil hikes, commodity prices as well as asset bubbles in the Far East. This leads to the question: can interest rates remain so accommodating if UK inflation breaks barriers? It also prompts the inquiry about whether we should retain the present measure of CPI. Whatever the consequences, however, the post-election Chancellor must insist on strict ceilings for inflation. Otherwise, bond yields will go haywire and the cost of borrowing will hamper our recovery. I was pleased to read recently that the shadow Chancellor has brought anti-inflation rhetoric back into the picture.

Our fiscal deficit runs at more than 13 per cent of GDP. It is worse than the Club Med countries. Everywhere, markets are querying the willpower or ability of the British Government to repay their debts. They are unimpressed with this Bill; it is an object of their scorn. As Buster Keaton would have put it in his great vaudeville days, it is about as much use as handing a comb to a bald man.

1.41 pm

Lord Northbrook: My Lords, this year the UK is set to record its largest budget deficit since the Second World War. It is one of the largest in the industrial world. The financial crisis has significantly increased the structural deficit, which means that, in the absence of large spending cuts and tax increases, borrowing will remain high and the public debt will rise to unsustainable levels. In other words, the fiscal situation is becoming very parlous.

The Government have form on the issue of fiscal responsibility. In his famous— or should I say infamous— Mansion House speech of 1997, the present Prime Minister set out his fiscal rules. He said:

"We will introduce tough rules for Government borrowing".

A year later, he told us:

"I will never let the deficit get out of control. We will not spend money that we have not earned".

Well, we all know what happened to those fiscal rules. With the golden rule, the Chancellor moved the goalposts three times between 2005 and 2007. He altered the start date of the current economic cycle once, and the end date twice—both backwards and forwards. The Institute for Fiscal Studies, or IFS, said in its March 2007 Budget briefing:

"The perception that the Chancellor has moved the goalposts and has delayed the tax-raising measures and cuts in spending plans that we and other commentators had been saying will be necessary until after the 2005 election has undermined the credibility of the fiscal framework".

Like other speakers, I have sympathy with the Minister for introducing the Bill here. I also absolve him and the Treasury from responsibility for a scheme dreamt up by the Prime Minister and Ed Balls. I looked for examples of other countries producing fiscal responsibilities; I could find only one, and that was Nigeria—not a very encouraging precedent. I am not sure how successful it has been. The other scheme, the Gramm-Rudman amendment, seemed to perish after several years.

What do independent experts think of the Fiscal Responsibility Bill? The IFS said that it was not immediately obvious why breaching the targets set out within it should involve a greater political or reputational cost than breaching or finessing the fiscal rules set out under the *Code for Fiscal Stability* that was enshrined in legislation in 1998. Independent economic observers had lost confidence in the fiscal rules well before the recent crisis. In its new year survey of the views of independent economists in January 2007, the *Financial Times* concluded:

"Almost none use the Chancellor's fiscal rules any more as an indication of the health of the public finances".

According to the journal *Public Finance*, Gemma Tetlow of the IFS added:

"The concept of it as a law is strange. There is usually a penalty for breaking a law, but it's hard to say what that might be. There really aren't any sanctions that can be applied on a chancellor or government if they fail to meet it, with the exception of embarrassment. It might be more credible if they set out their plans on spending"—

that is, setting out the total departmental spending and giving a date for the next spending review. Willem Buiter, one of the economists appointed by the Prime Minister to the Monetary Policy Committee, said:

"Fiscal responsibility bills are the acts of the fiscally irresponsible to con the public".

Finally, one leading City economist, Michael Saunders of Citibank, has said:

"The Government's plans for legislation to cut the deficit are not convincing, and probably just camouflage—a sort of fiscal fig leaf for the lack of genuine action".

Why are those independent experts so critical when, on the face of it, a Bill to control borrowing would seem to be sensible? Carefully considered legislation, debated in full—without a guillotine—and suitably amended, would give reassurance to the markets. That is particularly important as there needs to be some £180 billion of funding over the next year, and the prop of quantitative easing has been removed for the

moment. Other speakers have talked about the gilt market. One can see some of the demand for gilts being satisfied by the banks, but there could still be a funding gap of, say, some £80 billion.

Once the Bill is examined in more detail, the reasons start to become clear. Clause 1 says that by 2014, public sector net borrowing as a percentage of gross domestic product must be no more than half of what it was in 2010. Nowhere does it say how that will be achieved. I listened to the Minister carefully; he talked how the deficit will be decreased by means of growth, but I did not hear him say much about spending cuts or tax increases. There is to be no Comprehensive Spending Review showing in detail how spending will be cut, and there is unlikely to be one ahead of the election.

Placing duties on the Treasury to reduce public sector borrowing and the deficit is not a guarantee that that would happen. Every Budget and Pre-Budget Report produced since 2003 by the Chancellor and his predecessor has promised falling net debt at the end of a five-year horizon, and every one of those forecasts has been wrong. In times of boom and bust the present Chancellor, according to our shadow Chancellor in the other place, has had his total borrowing forecasts wrong to the tune of £560 billion since he entered 11 Downing Street. It is now four times higher than when he announced his forecast for the PBR in 2007, after the credit crunch began. How can we believe his latest forecast just because it is written into the Red Book?

John Redwood, in another place, pointed out a further anomaly within Clause 1. He said:

> "Clause 1 tells us that 'in each of the … years 2011 to 2016, public sector net borrowing expressed as a percentage of gross domestic product' has to fall compared with the preceding year. To ensure that it falls by a reasonable amount, there is the added rider in subsection (2) that it needs to halve by 2014".—[*Official Report*, Commons, 5/1/10; col. 98.]

While I am not an economist, it seems to me that there could be individual years when the economy was growing that the deficit could be permitted to increase even if the percentage decreased. However, if in that period we had another unfortunate period, when the economy was not growing, it would be necessary to reverse and cut borrowing in cash terms. Can the Minister give guidance on these points? The Government should change it and come up with a formula that recognises the economic cycle.

Clause 2, as other speakers have mentioned, contains the strange concept of the Treasury placing an order on itself, which does not seem a very daunting imposition that will make the Treasury sit up and take notice. Again, as other speakers have said, Clause 3 seems fatally flawed because there are no penalties if the targets are not met. As the shadow Chancellor said in another place:

> "This must be the first law introduced into Parliament that contains absolutely no legal sanction whatever for those who break it"".—[*Official Report*, Commons, 5/1/10; col. 74.]

Overall, the Bill is very disappointing and has the appearance of being cobbled together in a great hurry for election purposes. As other noble Lords have stated, only two Labour Back-Benchers spoke at Second Reading and they were both unable to support the Government. The Chancellor says that he has produced this Bill to cut the debt. At the same time the Government are irresponsibly increasing it by introducing the Personal Care at Home Bill. This measure, which would be laudable if the money was in the government coffers, will cost at least £670 million, and several expert organisations, such as the Association of Directors of Adult Social Services across 61 councils, believe that the full cost will be more than £1 billion. As I have said several times, the Bill is opposed by the noble Lord, Lord Warner, a former Health Minister, and the noble Lord, Lord Lipsey, a former member of the Royal Commission on Long-Term Care, both of whom have some knowledge on the subject. The strength of my argument is endorsed by the leader in today's *Times* in which more than 70 leaders of social care throughout England warn that the Government's plans to provide free homecare are flawed, unfunded and will force cuts to current services. The Minister has refused to comment on two previous occasions about my concerns over the financial implications of the Bill. Can he tell me why we can afford to spend £1 billion at this time of borrowed money, however laudable the project?

It is a shocking reflection of the way that the Government have programmed business in the other place that this Bill, which could have been important if discussed and amended properly, was, as other speakers have said, rushed through in two days without Clauses 2 to 6 even being considered by the other place. For that reason I shall support the amendment of my noble friend Lady Noakes.

1.51 pm

Lord Newby: My Lords, a paradox lies at the heart of today's debate. I suspect that everybody in the Chamber agrees with the aims of the Bill—to halve the deficit over the lifetime of the next Parliament—but, equally, everybody knows that the Bill is completely irrelevant to achieving that aim. There are a number of reasons for this irrelevance. First, it does not set out a path towards achieving the aim; it sets out only a distant goal. As the noble Lord, Lord Lawson, pointed out, it allows for the seductive Augustinian argument that it is indeed a very noble aim, and we must meet it, but we do not need to meet it now—we will wait until later because it is some distance into the future.

The second reason for the irrelevance of the Bill relates to sanctions. The noble Lord, Lord Peston, talked about the Bill in the context of an addiction. He said that if you have an addiction, increasing the costs of feeding it makes it less likely that you will continue with it. The problem is that if you have a serious addiction—for example, alcoholism—the costs of feeding it are almost irrelevant. The only way to tackle it is to have a fundamental change of heart and an iron will to maintain that change of heart through difficult times. As the noble Lord, Lord Peston, discussed, being ashamed is almost totally irrelevant. People who have an addiction very often are ashamed most of the time but that does not stop them having an addiction. Therefore, the Bill, by possibly making Governments feel mildly ashamed from time to time, will be ineffective in facing down the addiction of expensive expenditure.

Thirdly, the Bill does not admit the possibility of unexpected shocks to the economy blowing the Government off course. Suppose, for example, that

[Lord Newby]
the Government decide, as they will do—any Government will do—to back-end load the expenditure reductions towards the second half of the next Parliament. Suppose that in 2014 we find ourselves—God forbid—in another major foreign war, or the world is hit by some other economic storm and the automatic stabilisers take effect. In those circumstances, what power would the Bill have—or should it have—to prevent the Government increasing expenditure to deal with the crisis, even if it meant that the terms of the Bill were breached? The answer, obviously, is that in those circumstances the Bill would be ignored. The noble Lord, Lord Desai, said that primary legislation would be required in those circumstances. Perhaps it would, but in the absence of a sanction perhaps it would not. In any event, I should have thought that a clause in a Finance Bill would consign this Bill to the rubbish heap of history.

That does not mean that we on these Benches are totally opposed to fiscal rules. There is a value in rules but, as we have seen in recent months, rules must have a means of dealing with exceptional circumstances. Incidentally, I took to the Skidelsky rule, which I had not heard adumbrated before. That is an extremely good rule for public expenditure and I hope that we shall discuss it. But with any rules we have, we need to have a get-out clause in extreme circumstances. Interestingly, the Bank of England Act has such a rule, which enables the Treasury to override the inflation target in exceptional circumstances. Any set of rules that we contemplate introducing around public expenditure in future should have such a get-out clause.

In introducing the Bill, the Minister said that it would increase parliamentary scrutiny of government fiscal policy. I do not see how it achieves that. Virtually all the provisions of the code for fiscal stability are already covered by information provided by the PBR and the Budget itself. The so-called Economic and Fiscal Strategy Report contains information which is certainly largely published already. The only exception I could see was in paragraph 41D, which suggests that the report should present illustrative projections of the outlook for the key fiscal aggregates for a period of not less than 10 years into the future. I think that is quite sensible, but that in itself does not justify a Bill and is something that the Government could do and should have done in any event.

The Government are missing an opportunity in terms of information being provided to Parliament—this was referred to by the noble Lord, Lord Hodgson—in the whole of government accounts project, the purpose of which is to enable parliamentarians to get a better handle on what on earth is going on in government expenditure. That project has, in the somewhat diplomatic language of the Institute of Chartered Accountants, been faltering. The Government should put some effort behind that project so that, at the very least, Parliament has a better view of what is really going on.

I agree that Parliament should have a greater role in the scrutiny of public expenditure, but this Bill will do absolutely nothing to effect this. A sustained period of detailed work undertaken by Parliament is required if Parliament is to exercise any scrutiny at all. I understand that the conventions of the House mean that it would be improper for me to suggest how the Commons might begin to do this although, if one talks to Members of another place about the scrutiny of public expenditure, it is clear that there is near universal agreement that it is not effectively done at the moment. It would certainly be possible for the Economic Affairs Committee of your Lordships' House to set up another sub-committee to look expressly at public expenditure. The area within that general ambit which I think needs particular attention and where Parliament could play a useful role is looking at themes which have a cross-cutting impact. I attended an event last week at which the chief executive of the British Library explained how she had cut sickness among staff at the library from 11.5 days per year, which is about the public sector average, to 6.5, which is slightly better than the private sector average, by taking a series of small steps which any public sector body could take but which most public sector bodies are not taking, with a possibility of huge savings in expenditure. That is the kind of issue on which Parliament could shine a light and a sub-committee of your Lordships' House could certainly do that.

At the moment, the Treasury is giving a lot of thought as to how best to undertake "fiscal consolidation", which to me is a lovely new euphemism for public expenditure cuts. The Treasury has undertaken a survey of all the fiscal consolidations that have taken place in recent decades. The document on this has been obtained, in part at least, under freedom of information action. It reports that the IMF identified that, of 74 fiscal consolidation periods from 1974 to 1995, only 14 could be counted as successful. The document then sets out the common features of those successful consolidations, and contains a section called "Emerging themes", which no doubt draws lessons from international experience. Unfortunately, that section has been blacked out in the document available to your Lordships and anyone else. While we can get some basic intelligence about what has been going on, the Treasury's conclusions on what all these fiscal consolidations have shown are kept within the Treasury. Will the Minister consider publishing at the time of the Budget this document with the "Emerging themes" section available for public view, and the rest of the world could see what the Treasury thinks can be learnt from a whole raft of initiatives to cut public expenditure in an effective way that have been taken in recent decades?

We have spent very little time today talking about what happens next and the substance of the cuts that will be made. The noble Lord, Lord Lawson, strongly advised that an incoming Conservative Government needed to take action within the first 50 days. Although it has a ring of truth, this is pretty different from at least the mood music coming out of the Conservative Party leadership in terms of the action that it will take.

Last week, we discussed at some length the substantive issues around fiscal consolidation and I shall not repeat today any of the arguments I made then. I will, however, repeat my conclusion. We will not have the much needed serious discussions about how we actually undertake fiscal consolidation and reduce the budget deficit until after the next election. That election cannot come soon enough.

2.03 pm

Lord Myners: My Lords, I thank all noble Lords who contributed to the debate. It has been a very wide-ranging debate in which many issues have been raised, all of which I found very interesting and have noted. One feature common to all the speeches was a clear commitment to the need for fiscal consolidation, a commitment which is of course at the heart of the Bill. As we have debated, the financial crisis and global recession has had a profound and persistent impact on the public finances in many major countries, resulting in a significant increase in government borrowings and, as a result, government debts. These severe economic shocks have hit every country in the world and have meant that we have had to be flexible in our response to changing circumstances—the noble Lord, Lord Skidelsky, referred to "black swan" events. Therefore, in the face of these shocks, as the Chancellor set out in the other place, the Government's first priority has been, and will continue to be, to provide support to the economy.

Costs were of course incurred by stepping in; but not to have intervened would have meant even higher costs, burdening the economy over an even longer period. The Government have always been clear that support must be followed by steps to secure public finances. Our fiscal stimulus was deliberately time-limited to increase its impact during the downturn, bringing forward expenditure on capital projects and supporting sustainable public finances over the medium term.

The Government are confident but cautious about the prospects for the economy. As growth resumes and the economy becomes better placed to support tightening, fiscal policy will shift significantly towards consolidation. Well timed and planned fiscal consolidation will support economic growth during the recovery. As many noble Lords suggested, there is an issue of timing. The noble Lords, Lord Lawson and Lord Ryder, among others, pointed to the need to act swiftly. On the other hand, we heard contributions from my noble friends Lord Desai and Lord Peston and from the noble Lord, Lord Skidelsky, cautioning us against moving too quickly. My own view, as I said last week, is that the risks of moving too early considerably outweigh the risks of moving too late. They are asymmetrical in the sense that a premature move which tips the economy back into recession will not deliver the benefits that those advocating such a move would suggest.

The scale and quantum of the likely cuts is also a matter for judgment. I invite the noble Baroness, Lady Noakes, to talk a little in her closing speech about the scale of cuts that a Conservative Government would wish to introduce. It is clear to me from contributions from the other side that there is a lust for savage cuts in public expenditure, notwithstanding the lessons that we learnt from both the 1930s and the 1980s. We heard talk last week of the UK being the sick man of Europe. That is absolutely preposterous, but it is entirely consistent with a softening-up for the scale of cuts that I am sure a Conservative Government, if we have one, would have in mind. Indeed, to his credit, the noble Lord, Lord Forsyth of Drumlean—in a contribution which I read on a website with the somewhat curious name of Conservative Intelligence—suggests that there need to be cuts of £75 billion in government expenditure. That is quite extraordinary in terms of the consequences for the lives of British people and the prospects of British business. The sooner we have clarity of message—and I am looking to the noble Baroness to provide it—about the scale of cuts that a Conservative Government would contemplate, the better.

Lord Lawson of Blaby: I am sure that the noble Lord wants to be fair. If he expects my noble friend Lady Noakes to outline the scale of cuts that a Conservative Government might want to introduce, will he first say what scale of cuts the present Government, of whom he is such a distinguished member, have in mind?

Lord Myners: I thank the noble Lord, Lord Lawson, for that intervention. The scale of the Government's approach to fiscal management is made very clear in the supporting schedules to the Pre-Budget Report. There is absolute clarity there about the glide path to fiscal responsibility that my right honourable friend the Chancellor of the Exchequer has in mind.

The Government have set out measures that reduce borrowing by £57 billion by 2013-14 and contribute to more than halving the deficit over four years. This Bill embeds this deficit reduction in legislation and also sets further targets to reduce the deficit in each year to 2015-16. The fiscal consolidation plan extends from 2009-10 to 2015-16 and requires the Government to take very real and serious action to commit to going back towards fiscal consolidation and fiscally sustainable policies. By putting explicit targets in the legislation, the Government are demonstrating their commitment to delivering consolidation and the importance they place on action to ensure sound public finances in the medium term. These plans contribute to ensuring sustainable public finances in the medium term. Legislating provides certainty and stability for businesses and individuals regarding the future path of fiscal policy. Parliament is being given a new role in setting and monitoring the Government's fiscal plans. In particular, Parliament must approve fiscal plans.

Lord Hodgson of Astley Abbotts: I am grateful to the Minister for giving way. I take it that he is on his peroration. If so, will he reassure the noble Lord, Lord Newby, and me that the whole government accounts project will take place; and will he give us the timing, so that we have the transparency and accuracy that he says is so important?

Lord Myners: I was going to come to that point when I dealt with the interventions of the noble Lord, Lord Newby. I had already written on my notepad that this was clearly a matter into which I should look, and that I will owe a letter to the noble Lord. I will of course send a letter to all noble Lords who participated in the debate. To my shame, this is not a project on which I have been required to focus a great deal of time over the past 12 months, so I need to become more familiar with the issues. I thank the noble Lord, Lord Hodgson, for his intervention.

Parliament is being given a new role in both setting and monitoring the Government's fiscal plans. In particular, Parliament must approve fiscal plans before they become law. This is a significant evolution of the

[LORD MYNERS]
extent to which the Government are to be held to account for their medium-term fiscal policy. I listened with great interest to the speech of the noble Lord, Lord Lawson of Blaby. His contribution towards encouraging Governments to set out with greater clarity their medium-term thinking is commendable: we have learnt and benefited greatly from the pioneering work in this sphere done by the noble Lord himself and by the noble and learned Lord, Lord Howe of Aberavon. We build upon that and seek to improve it, and to embody such requirements in law.

A number of noble Lords raised the question of selecting the pace of consolidation. This is a very difficult assessment. The Government's judgment is that tightening fiscal policy too quickly in 2011 would present risks. The Government's judgment is that the economy will be better able to support a more rapid tightening in 2011-12. The projected tightening will be a significant consolidation and, as I said, will represent the sharpest average annual reduction in the budget deficit of any G7 country over the next four years.

As the Chancellor made clear in the other place, if growth proves to be stronger than we are forecasting—here I answer a point raised by the noble Lord, Lord Northbrook, in his thoughtful contribution—the first priority must be to get structural borrowing down even further. This is allowed for in the Bill, which sets fiscal ceilings but not floors. The legislation sets targets that the Government judge appropriate, but is drafted to allow overachievement. The ceilings are hard and binding. They are designed to provide certainty that the Government will deliver their consolidation plans, which are based on cautious assumptions.

As was debated in the other place, flexibility is important. It is worth noting that, subject to making progress in reducing borrowing every year, there is flexibility over the profile by which the deficit is halved by 2013-14. For example, if growth is lower and the impact of the automatic stabilisers is greater, there is the flexibility to accommodate this, as long as progress continues on reducing borrowing. That answers a point raised in the helpful contribution from my noble friend Lord Lea of Crondall, whose economic observations I support, although I could not possibly go as far as he did in his comments about the activities of bankers, many of whom are close personal friends as a result of my intimate engagement with them over the past 12 months.

In the event of significant and sustained economic shocks, such as those that we have faced over the past 18 months, the Chancellor would have to consider carefully what path of fiscal policy was appropriate for the economy. This would happen in the round, considered alongside other changes that affect the level of borrowing. Given the importance of these consolidation targets, the Bill has been designed so that any decision to depart from them would require new legislation. The Government would have to come back to Parliament if it were necessary to amend the targets set in the Bill.

Transparency is essential as an element in promoting wider understanding of the Government's objectives and as part of their fundamental democratic accountability. The Bill strengthens transparency. Parliament will take an active interest in the various reports produced in accordance with the Bill. That will stimulate debate and understanding. To the extent that the Government deviate from the path that has been set, noble Lords should not underestimate the shame, embarrassment and humiliation that would result. There are undoubted and very real sanctions in the Bill that would hit the pride of men and women of great standing.

The noble Baroness, Lady Noakes, and the noble Lord, Lord MacGregor of Pulham Market, asked what the point of legislating was. I hope that I answered that in my opening address, and again in these comments. Parliament's role is being enhanced. In particular, Parliament must approve fiscal plans before they become law. This gives Parliament an oversight that it has previously not enjoyed. The IMF has set out that the strengthening of frameworks, including through fiscal responsibility laws, should support the global financial and fiscal adjustment that is necessary. I note the support of my noble friend Lord Desai for the value that will arise from the Bill.

The noble Lord, Lord Lawson of Blaby, made the point, to which I have already referred, that consolidation needs to start earlier. However, the Government's judgment is that the economy will be able to support much more rapid tightening in 2010-11, as GDP is forecast to accelerate from 1.5 per cent in 2010 to 3.75 per cent in 2011-12. There will be greater space for the MPC to use interest rates to manage any potential disinflationary impact. I note and appreciate the positive comments from the noble Lord, Lord Skidelsky, on the issue of timing.

The noble Lord, Lord Lawson, also asked why the UK has one of the worst fiscal positions of any developed economy. It is a perfectly reasonable question. The UK entered the downturn with a starting point of very low public debt—well below the G7 average. That was a consequence of effective economic management, before we found ourselves confronting a two-standard deviation global circumstance—the first year for 60 years in which global economic growth contracted. Governments across the world, along with institutions such as the IMF and the OECD, recognise that it is right to allow fiscal policy to support the economy in such difficult times. Global economic developments have had a profound impact on all countries, including the United Kingdom. However, our current estimate is that the UK's borrowing requirement will still be below the G7 average as a percentage of GDP at the end of the crisis period.

The noble Lord, Lord Skidelsky, asked why we were not simply going back to the old rules from which we had departed. He asked what was happening to the old rules. The noble Lord, Lord Newby, has now christened a new set of rules the Skidelsky rules, which one must look at very carefully because, as I listened to the noble Lord, they had a certain appeal. The old fiscal rules were right for the time, and the Government met them. However, with unprecedented levels of economic uncertainty, the temporary operating rule was right for its time, too. Now the priority is to get public finances on a sustainable path and undertake fiscal consolidation.

I have already answered the question from the noble Lord, Lord Lea, about the operation of the automatic stabilisers. The noble Lords, Lord Hodgson, Lord Lawson of Blaby and Lord MacGregor of Pulham Market, and the noble Baroness, Lady Noakes, all observed that the law was not enforceable and did not have consequences. The most powerful consequence is the one of embarrassment for being called to account in Parliament, in a context in which Parliament will have much greater responsibility for fiscal matters than in the past.

The noble Lord, Lord Hodgson, talked about whole of government accounts. As I said, the Government are apparently committed to the principle of transparency, in which this Bill plays a part, and they fully support the publication of whole of government accounts. These will provide Parliament with enhanced information about all government income, expenditure, liabilities and cash flow. Something that I did not know but can now advise the House is that whole of government accounts will be published for 2009-10 once central Government have moved to the International Financial Reporting Standards and once the necessary legislation is in place. I hope that that gives some comfort to the noble Lords, Lord Hodgson and Lord Newby.

The noble Lord, Lord Ryder of Wensum, in a somewhat political speech—in which I thought he was doing extremely well until he was knocked off balance by my noble friend Lord Peston, although he very quickly regained that balance—asked why the old fiscal rules were not in legislation. The old fiscal rules are effectively embodied within these rules. Their abandonment was on a temporary basis, which is not to say that at some point my right honourable friend the Chancellor of the Exchequer might not seek to refer to them formally in his policy thinking.

I am afraid that the noble Lord, Lord Northbrook, was simply incorrect in suggesting that Nigeria is the only other country with a Fiscal Responsibility Bill. I am told that a tax break was enshrined in the German constitution in June 2009 and that a similar debt break is in place in Switzerland. In the US, the legislative fiscal framework between 1990 and 2002 provided by the Budget Enforcement Act—a piece of legislation to which I think the noble Lord referred by name—is credited with contributing to successful fiscal consolidation over that period.

Lord Lawson of Blaby: Perhaps I may interrupt the noble Lord before he finishes his very full answers to everyone who has spoken, for which we are very grateful. He said a little while back that, although our deficit in the coming year is projected by the OECD to be the highest of all 28 countries, by the end of the fiscal consolidation, we will be below the average. On what basis does he make that assumption? Is he assuming that no other country is going to undertake fiscal consolidation? If so, that is totally unreasonable.

Lord Myners: Noble Lords would not expect me to come to Parliament on the basis of number work that I had done on my own. They would be suspicious that I had started with the answer I sought and that I had done the arithmetic to arrive at that answer. The information that I gave was of course based on IMF statistics and projections.

The noble Lord, Lord Northbrook, also mentioned Mr Willem Buiter, who is now an economist with Citibank. The noble Lord regularly mentions Mr Michael Saunders, although it looks as though he is going to have to patronise some other banks in addition to Citibank for his sources of information. I think that we have already set out that Mr Willem Buiter—I almost referred to him as "the noble Lord" but perhaps he will become a noble Lord in due course—is mistaken in some of his thinking about international practice.

I am not going to be drawn into how we justify expenditure on care at home, the legislation for which is currently going through Parliament. However, I can say that we regard it as a priority and as worth while. All those who benefit will appreciate the Government's commitment to helping those who need care at home and will have the comfort of being in their homes. They will also note that the Conservative Party is very opposed to that.

In closing, I want to come back to the point that I was proposing to make to the noble Baroness. I continue to wrestle with the exact positioning of current Conservative fiscal thinking. Certainly, at the time of the Manchester party conference we were being prepared for an age of austerity. That then changed, with the Conservatives saying, "We don't have to do very much and we shouldn't move too soon. We might just make a start", but then last week the noble Baroness told us that we should prepare ourselves for an age of austerity. I also heard her say that she could not possibly be precise about where cuts would be made because she had to wait until they had seen the books. However, Members of the Opposition are perfectly able to submit Written Questions or freedom of information inquiries to find out what they need to see in the books. Speaking as someone who has come relatively late in life to this job, I have to say that one does not discover many things in the books that are not already in the public domain, and some of them do not get into the public domain through the official channels.

I suggest to the noble Baroness that she should not hold back from sharing her thinking with the House. As one of her colleagues said—it may have been the noble Lord, Lord Northbrook—the IFS is suggesting that cuts for non-protected programmes will need to be in the region of 20 per cent or so. Of course, the Conservative Party has said that it is going to go further and faster. I should like the noble Baroness to tell us whether that is true. Is the Conservative Party committed to an early cut in public expenditure on the scale of cutting one-fifth of all public expenditure? It is a very simple question. In this House I have always tried to give straightforward answers to questions. If I have not been able to do so, I hope that I have been punctilious in writing to Peers with explanations and answers to their questions. Therefore, I put a very simple question to the noble Baroness: is the Conservative Party so committed? I know that she might need briefing—indeed, the noble Lord, Lord Northbrook, was briefing her just now and I am sure she was very grateful for his contribution—because last week she was very wobbly in answering a question from the noble Lord, Lord Dykes, on whether the Conservative Party would never join the euro. I think that that is where she started off in her reply. She then backed off

[LORD MYNERS]
from that position and qualified it a little, saying that she had always been told never to use the word "never". However, Mr Cameron is now saying that if he is Prime Minister we will never join the euro. Perhaps she could clarify that point as well.

What else can I say? I think that I have covered just about everything. The noble Viscount, Lord Eccles, has given me the Google index of credibility. He says that the number of hits on the *Code for Fiscal Stability* suggests that not many people are reading it. That is probably evidence of the fact that they think it is so universally wise, profoundly significant and important that they do not need to read it, but I shall be using the Google index of credibility to establish how credible Conservative Party policies are in a number of areas.

The noble Lord, Lord Ryder of Wensum, talked about a gilt strike. I am afraid that that is absolute nonsense. In fact, we have just had another auction, which was excellently covered, and gilts continue to be funded at less than 4 per cent over a 10-year maturity. That is extremely attractive by comparison with the past. Certainly when the noble Lord was himself a Minister, such funding was taking place in the mid-teens, and I can see no evidence of a gilt strike. The noble Lord also referred to a Buster Keaton film, suggesting that "The Railroader" was appropriate. With this important piece of legislation, I should prefer to say that the Buster Keaton film to which I would look is "The Navigator". Once again, our inspired leader, the right honourable Gordon Brown, is navigating us through troubled waters on a path to fiscal sustainability, consolidation, safe and secure national financing, and prosperity for ever more.

2.28 pm

Baroness Noakes: My Lords, I thank my noble friends for their support in this debate. I was going to say that I was glad that so many of them were kind to the Minister, as I tried to lead them to be at the beginning of my speech. However, having listened to the last five or 10 minutes of his speech, I am not quite so sure that they should have been. Of course, while my noble friends were kind to him, they were quite properly very unkind about the Bill. Many of them emphasised the importance of credibility and confidence in markets, in which the UK will need to fund the massive deficit that we face. They agreed that markets have paid, and will pay, no attention whatever to this Bill.

Several of my noble friends, led by my noble friend Lord Lawson, emphasised the need to start to tackle the deficit earlier and more forcefully than this Bill appears to require. That makes this Bill of marginal interest to us, but we still object to it on the grounds that it is damaging and disreputable, to use the words of my noble friend Lord Hodgson.

The noble Lord, Lord Myners, tried to tempt me to talk about our approach to what is now coyly referred to as fiscal consolidation. I shall follow the lead of my noble friend Lord Lawson and say, "I'll show you mine if you show me yours". The fact is that, for all the talk of glide paths, the Government have not set out what they will do. All of this is beyond the scope of today's debate, as is our position on the euro. However, I thoroughly endorse Mr Cameron's views on whether and when we should join the euro.

My purpose in tabling my amendment today was to draw attention to the lack of parliamentary scrutiny of this dreadful Bill. The noble Lord, Lord Desai, suggested that perhaps not scrutinising Clauses 2 to 6 did not matter, but Clauses 2, 3 and 4 at least should have been scrutinised and the supposed duties, reports and accountability—

Lord Peston: My Lords, does the noble Baroness recall that, at the beginning of our debate, the Lord Speaker read a passage from the *Companion* about what we cannot do? I thought that she said that we must say nothing that would implicitly criticise the Speaker in the other place or criticise the way in which the other place conducted its business. The noble Baroness seems to be going down the path of criticising the way in which the other place conducted its business. I am not sure who can read out the relevant bit of the *Companion* that was read out earlier. I mention this partly because I had intended to criticise the other place but, the moment I heard what the Lord Speaker had to say, I thought that I must not do it. I am now worried about the path that we are on, but I am not sure who is in a position to advise us on this.

Baroness Noakes: My Lords, perhaps I can help. When I spoke earlier, I was at pains to point out the lack of scrutiny that the Bill received in another place; I was at pains not to criticise the other place but to criticise the Government for the way in which they used the procedures of the other place to achieve the result that this Bill had virtually no scrutiny. I stick to that. I do not believe that I have departed from that in these concluding remarks. If I have, that was wrong and was not what I intended. I think that I have made plain what I intended. That was my purpose and I believe that the clauses that were not scrutinised—they deal with duties, reports and accountability, which in statutory terms is a nonsense—should have been exposed to scrutiny. In the normal case, your Lordships' House can remedy insufficient scrutiny in another place with its own careful deliberations but, of course, we cannot do that on a money Bill. I hope that today's debate has illustrated the desirability of full scrutiny of at least one House of Parliament in the context of good, constitutional government. If it has, I have achieved my purpose. On that basis, I beg leave to withdraw my amendment.

Amendment withdrawn.

Bill read a second time. Committee negatived. Standing Order 47 having been dispensed with, the Bill was read a third time and passed.

Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010

Motion to Approve

2.34 pm

Moved By ***Lord Myners***

That the order laid before the House on 19 January be approved.

Relevant document: 6th Report from the Joint Committee on Statutory Instruments.

The Financial Services Secretary to the Treasury (Lord Myners): My Lords, it is good to see your Lordships again. It is also good to see such refreshing, young faces—not the sort who had to be brought in to be seated behind Mr Cameron when he spoke to so-called university students at a lecture earlier this week, who subsequently proved not to be students of the institution in question. These certainly are students of the institution in question: the Opposition.

This order seeks to make a change to the definitions regime for regulated activities, as laid out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. Specifically, the order seeks explicitly to exempt alternative finance investment bonds from the current collective investment scheme regulations and to create a new specified investment under the regulated activities order. The order further seeks to introduce a unique regulatory definition of alternative finance investment bond for this purpose.

This change will benefit institutions looking to issue corporate sukuk by creating regulatory clarity and reducing potential legal and compliance costs. In the Finance Bill 2009, we introduced relief from stamp duty land tax and tax on capital gains for any transactions undertaken as part of the issue of alternative finance investment bonds. The purpose of this legislation is to remove further obstacles to the issuance of corporate sukuk in the UK. The FSA has estimated that these regulatory changes would reduce the overall costs of corporate sukuk issuance by around £35,000 for sukuk of five years' duration.

It may help the House if I briefly outline what alternative finance investment bonds are, how they are currently treated within the regulatory framework and the background to this order. Alternative finance investment bonds refer to a type of financial instrument commonly known as sukuk, or Islamic bond, but can also refer to any financial instrument with similar characteristics. These instruments replicate the economic effects of conventional bonds. Sukuk aim to do that in a way that conforms with the principles of Sharia. Sharia compliance is not a requirement for an instrument to be treated as an alternative investment bond under the order. The Sharia-compliant features of sukuk, which include the principle of mutual co-operation and risk and profit-sharing arrangements, mean that in some cases these would fall within the broad regulatory definition of a collective investment scheme in Section 235 of the FSM Act 2000. Arguably, that puts alternative finance investment bond issuers at a disadvantage to issuers of conventional debt securities, as authorisation as a collective investment scheme involves application fees, ongoing supervisory fees and, more importantly, internal and third-party costs associated with compliance procedures. Although the structure of sukuk may be such that they do not fall within the collective investment scheme regulations, this uncertainty was cited by the Islamic finance industry as a barrier to the issuance in the UK of corporate sukuk.

In December 2008, Her Majesty's Treasury and the FSA launched a joint consultation into the regulatory treatment of alternative finance investment bonds. Four policy options were identified. Option 1 was to introduce legislative amendments to exempt explicitly these instruments from collective investment scheme regulations and create a new specified investment under the regulated activities order and to introduce a unique regulatory definition of alternative finance investment bonds for this purpose. Option 2 was the same as option 1, but with alternative finance investment bonds being defined by the existing tax definition. Option 3 would be the same as option 1 but would include alternative finance investment bonds under the existing specified investment of creating or acknowledging indebtedness. Option 4 was to do nothing.

HM Treasury proposed that the first of those—to introduce legislative amendments to exempt explicitly these instruments from collective investment scheme regulations and create a new specified investment under the regulated activities order and to introduce a unique regulatory definition of alternative finance investment bonds for this purpose—be taken forward. The 20 responses to the consultation paper showed that there was broad industry support for that course of action. The views of the industry were summarised and the authorities' feedback given in a second document, published in October 2009. We received three responses to this during a second consultation phase and took these views into account in our further refinement of the statutory instrument. We intend that the legislation will come into force on 24 February so that the legislative changes and the changes to the FSA's handbook can take effect at the same time.

The effect of the order before the House today will be to make alternative finance investment bonds a specified investment for the purposes of the Financial Services and Markets Act 2000 and to afford them equivalent treatment to conventional bonds. I beg to move.

Baroness Noakes: I thank the Minister for introducing the order. I shall be brief, because this is all that stands between the Lenten Recess and those of us who deal with Treasury business in your Lordships' House.

My party supports the adaptation of UK regulatory and tax law to accommodate Sharia-compliant instruments. The UK's financial services industry is famously innovative and has adapted to the demand for Sharia-compliant products. We would not want to stand in the way of that, provided that any costs imposed are proportionate and risks are capable of effective regulatory oversight.

If it is the FSA's judgment that its regulatory oversight of the relevant products is unimpaired by this reclassification, clearly there is no problem. However, I could not find that clearly stated in the paperwork accompanying the order or in the consultation that preceded it. Perhaps the Minister could today give that confirmation.

The original consultation in December 2008 showed that the FSA had not yet calculated the costs. If the costs of option 1 in that document, which is the solution being put forward in the order, were unavoidable and material, the FSA, it was said, would examine other legislative solutions that would avoid such costs. The document did not say what sort of level was

[BARONESS NOAKES]
material. The October 2009 summary of responses noted the support for option 1 but was silent as to the FSA's costs.

The impact assessment for the order shows that the one-off costs for the FSA amount to £175,000. That seems rather a large amount of money to add one specified investment to the FSA's systems, although in the context of the FSA's budget of around £300 million it is clearly small beer. Can the Minister say who pays the £175,000? Will it be borne by those who issue relevant bonds or will it be lost in the general pot and therefore be borne more broadly?

Finally, we seem to be dealing with Islamic finance on a piecemeal basis. That may have been appropriate in the past, with low demand and transaction volumes but, if the UK is to capitalise on its strength as a financial centre, is there a case for a wider review of the ways in which the tax and regulatory regimes might be modified further? I have absolutely no idea whether further changes would be desirable and would certainly need the assistance of my noble friend Lord Sheikh on that. I am pleased to see him in his place. However, I want to see the UK being more proactive, rather than reactive, so that we can capture as much of this global business as possible. Perhaps the Minister will comment on that.

Lord Newby: My Lords, I shall start where the noble Baroness finished. Just over a couple of years ago, the Prime Minister, then Chancellor, said that it was his aspiration that the City should be the global centre for Islamic finance. As with so many other government initiatives, the Treasury has had—on a charitable viewing—other things to do over the past couple of years. However, the assertion having been made, there has been precious little activity to support it. I strongly support the noble Baroness in putting further impetus behind that aspiration.

As luck would have it, yesterday morning I somewhat improbably found myself at a breakfast seminar on Islamic finance. One of the questions raised was whether the Government were contemplating, or had contemplated, issuing sukuk-compliant orders as a partial way of meeting the deficit. The speakers said that they understood that the issue had been actively considered by the Treasury until a couple of years ago. At that point, it appears, active consideration stopped. Given the size of the market and the strait in which the Government find themselves, it seems to me that having sukuk-compliant products of their own might be an extremely good way of tapping into a market that is currently unaccessed by the Government and their debt office. I would therefore be grateful if the Minister could respond today on that or look further into it. The order seems eminently sensible and we support it.

2.45 pm

Lord Sheikh: My Lords, I certainly welcome our increasing involvement in Islamic finance. We have the largest finance industry in the western world and are very keen to promote this. I see us as being the stepping stone into more penetration into Europe. Islamic finance is taken not only by Muslims but by non-Muslims because of its ethical nature and the fact that it is mutual. Therefore, the idea of promoting sukuk is marvellous. There is a large Islamic banking sector here—not only wholesale but retail banks. We are also keen to promote Takaful Islamic insurance because there is a demand for it. I repeat that this change will appeal to Muslims and non-Muslims. If the world had followed Islamic Sharia principles, perhaps we would not have had such a drastic credit crunch. Islamic finance is based more on mutuality, assets and transparency. We need to promote the order and I welcome the Minister's comments.

Lord Myners: My Lords, we believe that alternative finance investment bonds should, as far as possible, be afforded a level playing field with their conventional equivalents. We have said that the aim of the order is to create clarity over the regulatory treatment of corporate sukuk and to reduce potential legal and compliance costs that may have been a barrier to increased issuance. The joint Treasury and FSA consultation concluded that the most appropriate way forward was to introduce legislative amendments to exempt explicitly these instruments from collective investment scheme regulations and to create a new specified investment under the regulated activities order. The FSA estimates that these regulatory changes could reduce overall costs of sukuk issuance by around £35,000 for a sukuk of five years' duration. The responses that we have received to our consultation have been generally supportive.

The Government believe that the additional cost of around £175,000 to upgrade the FSA's technology is justified by the increased prospect of corporate sukuk issuance in the UK and related developments in the UK market. We see these as a public benefit for many who will, potentially, be able to access them. The HMRC impact assessment for the amendment of tax legislation on alternative finance investment bonds, published in April 2009, estimated that there will be up to 20 issuances per year under the revised tax and regulatory framework. As the market gains momentum, as the noble Lord, Lord Sheikh, has suggested it could, and London becomes Europe's centre, we could see a much more active market that will attract the involvement of other agents who have no previous skill or knowledge in this area.

We have dealt with the £175,000. The noble Baroness, Lady Noakes, asked whether FSA assurance on the regulation of alternative finance bonds is appropriate and whether treatment would be the same as for conventional bonds. Alternative investment ensures that economically equivalent instruments are afforded equivalent regulatory treatment. That is to say that sukuk are the same in substance as conventional bonds and accordingly it is appropriate that they should be treated as such. The Treasury and the FSA engage with industry on an ongoing basis to take views about the opportunities and challenges in the area of Islamic finance. In particular, I would welcome an opportunity to discuss this further with the noble Lord, Lord Sheikh.

Baroness Deech: My Lords, this may display my total ignorance about Islamic finance, but can we be assured that the Islamic finance industry in London

treats women in every respect as equal and that there are no discriminatory obstacles to the progress of Islamic finance?

Lord Myners: This is a matter on which you would expect the Minister to reply, but if the noble Lord, Lord Sheikh, thinks it appropriate, I would be delighted to hear a contribution from him. I think that there is nothing in the regulations that would in any way prejudice or adversely affect the treatment of people of either gender under the law of this country or under Sharia law. To some extent, that point is slightly off the centre of the rather specific order that we are discussing today.

We have a group that regularly meets to discuss Islamic finance, tax and technical issues and the noble Lord, Lord Sheikh, may wish to share his considerable knowledge in this area with that group. As I said before the noble Baroness on the Cross Benches asked her question, I was much taken by the speech made by the noble Lord, Lord Sheikh, about the importance of the ethical dimension, which the House will know has been lacking in much of our financial sector for some time. He also talked about the concept of mutuality.

Whether the Government will issue in the sukuk market is a matter that we will monitor and continue to keep under assessment. In deciding to date not to issue a sovereign sukuk—it would be reasonable to say that there are no plans at all for an issue to take place in the foreseeable future—the Government took into account the current situation in world financial markets, including the sukuk market, and the fact that the Government's debt management policy is doing admirably well, with a range of conventional instruments of a depth of maturities and duration that have been sold through both the tender process and syndications and which are proving to be attractive to investors. I think that I have covered everything that has been raised. I commend the order to the House.

Motion agreed.

EU: Directive on the Protection of Animals Used for Scientific Purposes (EUC Report)

Motion to Take Note

2.53 pm

Moved By ***Lord Carter of Coles***

That this House takes note of the Report of the European Union Committee on the revision of the EU Directive on the protection of animals used for scientific purposes.

Relevant Document: 22nd Report, Session 2008-09, HL Paper 164.

Lord Carter of Coles: My Lords, I am pleased that the House has the chance to consider the proposal to revise the EU directive on the protection of animals used for scientific purposes, particularly at a time when discussions are still under way in the European institutions.

The most recent statistical report by the European Commission shows that just over 12 million animals were used in scientific procedures in the 25 member states that made up the European Union in 2005. France, Germany and the United Kingdom were the member states with the highest numbers of animals used, accounting for half of the 12 million. This is not a new state of affairs. In 1986, the European Community adopted the first directive on the protection of animals used for experimental and other scientific purposes. Also in 1986, in the United Kingdom, the Animals (Scientific Procedures) Act was enacted, which put in place the current system of controls in this country regulating scientific work on living animals, as well as implementing the 1986 directive.

In carrying out our inquiry, it was made clear to us that since 1986 the UK has maintained controls which have promoted good standards of animal care and use. However, we were left in no doubt that the 1986 directive has not been implemented consistently across all member states and that the standards achieved in the UK are not replicated in all parts of the EU.

When the European Commission published the proposal in November 2008, it highlighted the following objectives: to strengthen the protection of animals used in scientific procedures; to promote the replacement, reduction and refinement of the scientific use of animals, the so-called three Rs; and to put right the wide variations in the implementation of the 1986 directive, to ensure a level playing field across the EU.

As a committee, we supported those objectives, and we agreed on the need to revise the 1986 directive. Since 1986, there have been developments in science and in the understanding of animal welfare which, after 24 years, should be taken into account in new legislation. The process of revision provides an opportunity to put in place some really effective safeguards, to ensure that the new directive will be implemented consistently across all member states.

We are grateful to all those organisations which sent us evidence or appeared in person and made some very powerful arguments. I should also record our thanks to our special adviser, Dr Jane Smith, who enabled us better to understand a subject of some complexity. I also acknowledge the work of my colleagues on the committee, who ensured that the inquiry into this challenging subject was carried out with vigour and insight. It is right for me to pay tribute to my predecessor, the noble Lord, Lord Sewel, who I see in his place, for whom this inquiry was his swansong as chairman, after guiding the committee through many perceptive and influential inquiries.

In chapter 2 of our report, we deal with a number of general issues, including the proposed extension of the scope of the directive. The proposal of November 2008 was that the directive should apply not only to vertebrate animals, but also to certain classes of invertebrates, including cephalopods, such as octopus and squid, and crustacean decapods, such as crabs, lobsters and shrimp. The arguments for extension of the scope turn on the issue of whether such creatures feel pain and can suffer; that is "sentience". We concluded that, on

[LORD CARTER OF COLES]
the basis of current scientific knowledge about sentience, cephalopods should be included in the directive, but decapods should not.

In the UK, under the 1986 Act, protection is provided to animals from half way through the gestation or incubation period for the relevant species. The November 2008 proposal for a revised directive foresaw extending its scope to embryonic forms of animals from the last third of their normal development; that is, at a later stage than half way. We saw no evidence to suggest that the UK's approach was unjustified, but in the interests of EU-wide consistency we supported the proposal.

The November 2008 proposal provided that scientific procedures should be classified according to the severity of pain experienced by animals, but it failed to include definitions of the four categories proposed: "up to mild", "moderate", "severe" and "non-recovery". We welcomed the steps which the Commission took to fill that gap. During the course of our inquiry, an EU expert working group made proposals for relevant definitions, which we endorsed. We also made the important point that, regarding the reuse of animals, the provisions needed to be carefully considered to avoid unintended consequences for animal welfare.

As your Lordships would expect, we received a good deal of often conflicting evidence on the issue of the care and accommodation standards proposed. The standards in the EU proposal presented as mandatory requirements had previously been formulated as non-mandatory guidelines by the Council of Europe, but much of the explanatory text accompanying the Council of Europe guidelines had not been included in the EU proposal. We were told that this meant that the resulting provisions of the proposal could be misleading, so we concluded that the some of the text had been "lost in translation" and needed to be restored.

In the face of evidence that the standards proposed for reduced stocking densities for rodents and rabbits would not necessarily offer any measurable benefit for the welfare of animals, we concluded that the timescale for introducing the revised densities should be extended, and in particular we recommended that the timescale for the academic sector to implement the range of new standards should be extended.

In chapter 3, we looked at the use of non-human primates in research. The primates in question are essentially macaque, marmoset or tamarin monkeys. The use of non-human primates accounts for less than 1 per cent of all procedures, but such is the particular concern of the general public that this is an important area. In the UK, the use of non-human primates is already more tightly controlled than the use of other animals. It is authorised by the Home Office only if there is sufficient justification, if there is no alternative, and if purpose-bred animals are used.

The Commission's proposal of November 2008 provided that all use of great apes—such as gorillas, orangutans, and chimpanzees—should be prohibited. This is already the case in the UK. However, going beyond that, it also proposed that the use of other non-human primates should be limited to research related to,

"life-threatening or debilitating conditions in human beings".

Again, our witnesses were divided on the justification for that additional limitation. Representatives of the pharmaceutical industry said that, in stipulating that research could be justified only if it related to a specific disease, the additional limitation appeared to show a misunderstanding of the way in which research operated. Conversely, witnesses from animal protection organisations argued that special provisions were appropriate, and that progress needed to be made towards phasing out the use of non-human primates altogether.

Evidence from the European Commission suggested that, in practice, the proposed limitation could be applied less restrictively than was feared by the pharmaceutical industry—allowing the use of non-human primates for research into infertility, for example.

In the light of that evidence, we concluded that the proposed limitation struck the right balance between animal welfare and scientific research. We recognised that it could be helpful to clarify the wording of the limitation to make its range of application clearer, but we stood clearly by the desirability of placing tighter limits on the use of non-human primates than on other species.

The November 2008 proposal also contained provisions aimed at limiting the use of non-human primates to the offspring of animals bred in captivity—so-called F2 animals. The proposal specified deadlines, varying according to species, after which only F2 animals could be used.

Here again, as your Lordships would expect, there was a sharp division of views. Representatives of the RSPCA, for example, stressed the power of deadlines for bringing about changes in industry practice, citing experience with the cosmetics directive, which meant that from March 2009 no animal testing of cosmetics was allowed in the European Union. Conversely, witnesses from the pharmaceutical industry and the research community questioned the animal welfare benefits of the F2-only policy, and underlined the practical difficulties of moving to self-sustaining F2 colonies over a relatively short timescale. We supported the aspiration of restricting use of non-human primates to F2 animals, but we recommended that the feasibility of the time limits proposed for each species should be reviewed for practicability.

In chapter 4, we looked at some generic procedural aspects of the 2008 proposal. The first relates to sharing of data from the use of animals in scientific procedures. Two types of data were in the Commission's sights. The first was data from tests required under Community legislation. We agreed with many of our witnesses that mutual acceptance between member states of such data is highly desirable. The second was information generated by scientific procedures conducted more generally for both academic and commercial research. We heard the concerns of the pharmaceutical industry and the research community and, in the absence of cogent evidence of widespread duplication of procedures, we made it clear that we too had reservations about the proposal for sharing the second type of data.

However, most of chapter 4 relates to the authorisation of scientific procedures using animals. In broad terms, the November 2008 proposal provided that authorisation

arrangements similar to those in place in the UK should apply across the EU. We were therefore interested to hear comments from our witnesses on the effectiveness of the UK control regime. We were not persuaded by the concern expressed by representatives of the pharmaceutical industry and research community that, although high standards of animal welfare in the UK had been achieved and should be maintained, the operation of the UK system of controls was slower and more complex than elsewhere. Not only the Home Office but other witnesses pointed to publicly available information that, for applications under the 1986 Act, the evidence did not chime with claims of tardiness. In fact, 85 per cent of project licence applications were awarded in 35 days, with an average of 18 days.

For us, however, the most important consideration is to ensure that the system of authorisation set out in the proposed revision of the directive should be effectively and consistently implemented across the EU. We were concerned to hear that negotiations on the proposal under the Swedish presidency might allow for the concept of tacit approval of certain procedures. In the UK, all procedures have to be authorised under the 1986 Act. Tacit approval, on the other hand, might allow procedures to go ahead without specific reference to the regulatory body concerned. We made it clear that we were opposed to any such change to the proposal, and we have been reassured to hear from the Government that the concept of tacit approval is not being taken forward.

Finally, I come to what we regard as the central issue: the measures proposed to ensure effective and consistent implementation. Member states will have primary responsibility for implementing the requirements for the authorisation of scientific procedures. They had that responsibility under the 1986 directive, but the significant differences in the way in which the 1986 directive has been implemented in practice make a prima facie case for increasing the pressure on member states to act fully on that responsibility.

The November 2008 proposal provided that member states should carry out two inspections of relevant sites each year, and that the Commission would monitor national inspection arrangements. When the European Parliament gave a First Reading to the proposal in May 2009, it agreed amendments to oblige the Commission to undertake controls of the infrastructure and operation of national inspections. In our report, we voiced firm support for all those provisions. We are deeply concerned that the tendency of negotiations on the proposal during the latter months of the Swedish presidency has been to weaken them by reducing the required frequency of national inspections, and by limiting the monitoring role of the Commission.

The committee supports the objectives which the Commission says that a new directive should serve: strengthened protection for animals in scientific procedures and, importantly, a level playing field across the EU. However, if the new directive does not contain effective safeguards to ensure consistent implementation, animal welfare standards will vary, and different member states will require those involved in the use of animals in research to expend different degrees of effort. We hope that this will not be the case, and we look to those involved in the current negotiations—in particular, the UK Government—to ensure that they take the opportunity of agreeing the new directive to secure high standards of animal welfare across the EU and, most importantly, at the same time place all concerned on an equal footing.

3.11 pm

Lord Soulsby of Swaffham Prior: My Lords, I join Her Majesty's Government in welcoming the House of Lords EU Select Committee report and its findings. In doing so, I declare several interests. I have a long-term interest in the protection of animals. I held a Home Office licence from 1950 until my retirement from the university. I have been a member of the Animal Procedures Committee of the Home Office and I am currently a patron of the Fund for the Replacement of Animals in Medical Experiments, otherwise known as FRAME.

Over the past 50 years or so, the United Kingdom has been in the lead in laboratory animal practice legislation, development and welfare. Many years ago, it was well recognised that good welfare for laboratory animals equated with good science, good research and reliable results that were important in understanding and treating diseases of man and animals. Some countries have been slow to adopt laboratory animal regulation believing that it would be prejudicial to biological research in general and to the development of biological research. An example is the United States of America where, until relatively recently, there was strong opposition to the regulation of laboratory animal work. It was only in the 1960s that federal regulations and financing projected laboratory animal welfare on a federal scale. In 1981, the Johns Hopkins Center for Alternatives to Animal Testing—CAAT—was established. It gave strong impetus to the production of federal regulations.

In the United Kingdom, there are three main stages governing laboratory animal work. First, an institution needs to have a certificate of designation; secondly, there is a project licence in which a research worker or group details the work to be done and which is approved by the Home Office inspectorate; and, thirdly there is a personal licence for the individual to undertake the research. Each institution must also have a named veterinary surgeon who advises on standards of animal health and welfare and on experimental technology and may assist in certain surgical procedures and the rest. In addition, each establishment is required to have a permanent, independent ethical review committee whose duty is to review proposals for a project licence and to promote the three Rs—reduction, refinement and replacement—which I shall come to later.

An important strength of the United Kingdom system is the inspectorate. It currently consists of 27 full-time professionals, of whom 25 are veterinarians and two are medically qualified. There are approximately 200 establishments in the United Kingdom where animal research is conducted, and the inspectorate undertakes about 2,000 visits a year. Apart from its inspectoral duties, it also plays an important advisory role, and many of its members are specialists in given fields and may be called upon to advise on issues of physiology, pathology and sentience, for example. It is important that the inspectorate be maintained as well as the professionalism of its members. The inspectorate

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has recently been audited under the Hampton principles of better regulation, and the auditors' report praises it for the strong advisory role it plays in supporting the science community while assuring high standards of animal welfare.

It is therefore disappointing that the proposed EU directive considerably reduces the role of a professional inspectorate, under pressure, I believe, from other member states that currently have no inspectorate, a much less focused inspectorate or a less professional inspectorate. The proposed directive does not require inspectors to be veterinarians or medically qualified persons. An indication that the United Kingdom takes this issue seriously is the fact that the Royal College of Veterinary Surgeons has recognised certificate and diploma qualifications in laboratory animal science that are required for appointment as a named veterinary surgeon in an institution. Furthermore, several veterinary faculties in this country have specific courses on laboratory animal welfare in preparation for those who might serve in various capacities up and down the country.

I have mentioned the promotion of the three Rs, the concept of which was introduced by Russell and Burch in 1959 in the seminal publication, *Principles of Humane Experimental Techniques*. This was a landmark publication, and the concept has spread globally. There has always been a need for research to advance the three Rs. Initially, any work to advance them was almost a secondary issue for the Home Office committee, although they were considered a better way to undertake research and investigation.

In 2003, the House of Lords committee that dealt with laboratory animals proposed a national centre for the three Rs, which was established; the noble Lord, Lord Turnberg, was its first chairman from 2004 to 2007. The important point about the centre was that specific provision was made for funds to be provided to advance the three Rs in all their aspects. This has made an important difference to the development of the three-R concept.

Another important issue in laboratory animal work is public confidence. The committee took evidence on animal welfare, on the care taken in research and on secrecy about what research was being done. Its report in 2003 indicated that research work should be published, at least in summary. This is now done and will, I hope, allay the fear that so much is done in secrecy. Of course a degree of confidentiality must be maintained by, for example, pharmaceutical companies, but it is necessary to assuage the charge of secrecy that is often levelled at the Home Office and the research establishment, and the numbers and the work that is undertaken by research workers are published regularly.

The advisory Animal Procedures Committee and the new centre for the three Rs will do much to determine the extent of the need to study the sentience of laboratory animals in more detail. Sentience issues for a number of species have been referred to already this afternoon, and this is where the three Rs will take particular effect. We have heard that cephalopods, such as the octopus, are now included as protected animals in United Kingdom legislation. It took several meetings of the Home Office advisory committee to reach this conclusion, and much evidence was given by physiologists and people connected with pain transmission and sentience before it did so.

Although other invertebrates are not included at this time, as physiological sciences advance in the coming years, other animals, such as decapods, might be added to the list of protected animals. I am informed that although cephalopods are now protected animals and can be used in experimental work, very few, if any, have been used so far. The animals whose sentience is also under question are the foetal forms of non-human vertebrates, which are now included and are protected species. Given the three-R situation and the fact that the committee is allocating funds, it is likely that we will go ahead and will have a much firmer basis for study.

In conclusion, I welcome the report and the directive should be implemented. I hope that it will be consistent across the member states and that laboratory animals are used across what is often called a level playing field.

3.24 pm

Lord Sewel: My Lords, I declare an interest in so far that my wife is employed by a university where research is conducted on animals, although she does not do that herself—except on me. I thank my noble friend Lord Carter of Coles for his generous comments. I should let him into the secret that you should make sure that you have enormously able Clerks and committee specialists behind you. In that, I was enormously fortunate. I have many happy memories of my time as chair of the sub-committee. Perhaps my most fond memory is of the refreshment—a Scottish term—that unfailingly appeared, thanks to the noble Earl, Lord Arran, when we went to Brussels. We had a wonderful refreshment to accompany our rather dry sandwiches.

The case for a new directive boils down to one simple argument; namely, that the old one failed. It failed because it was inconsistently applied across the EU. In judging the proposed new directive, the criterion must be whether it meets the test of being able to ensure consistent application across the EU. I wish to concentrate on two areas, authorisation and inspection.

Authorisation has two basic legs—ethical reviews and prior authorisation. Great emphasis rightly has been placed on ethical reviews, but ethical reviews in themselves cannot carry the whole burden of authorisation. There needs to be prior authorisation in order to get full and proper scrutiny of the details of the projects being considered. As my noble friend Lord Carter indicated, during the passage of the evidence that we took, we were particularly concerned that there was a weakening—a dilution—of prior authorisation, with the idea of tacit approval gaining currency. Fortunately, that has been rejected, but quite rightly.

However, it has been replaced by something which I understand is called simplified administrative processes. I have a concern when I read about such things in this context. Obviously, one wants the most simple administrative process available. But is it possible that we are opening the door to the very thing on which we tried to close it; namely, that by simplified administrative processes, inconsistent application will be allowed to

rear its ugly head again? That is my concern. It is not necessary or inevitable, but we should be concerned about it and look at it. The test will be to ask when the simplified administrative process becomes an inconsistent application. We need to be alive to that issue.

As my noble friend has already indicated, the original text allowed or required two inspections at each establishment a year. It is quite worrying that that was viewed by many member states as being too onerous, too resource-intensive and too prescriptive. It is difficult to see how you can have an effective inspection regime unless there is a minimum requirement for the number of inspections that will be carried out and a number of inspections are carried out on an unannounced basis. That is fundamental and I am concerned that we seem to be moving away from it by introducing the concept of a risk-based approach. Again, that is something which needs a little more definition and a little more flexibility left in the hands of the domestic operators, if I may put it that way.

The most worrying thing of all is that the number of inspections, in terms of the proportion of unannounced inspections, is described as "appropriate". We all know that "appropriate" is one of the principal weasel words in the administrative lexicon. Can the Minister confirm that zero could be an appropriate proportion in some cases? If so, that is worrying. I am afraid that there is a need for a degree of specificity that the directive fails to deliver.

I turn now to the role of the Commission itself. It has a fundamental role to play in ensuring that although the enforcement processes and mechanisms are the responsibility of member states, to put it bluntly, the Commission ought to be making sure that they do the job by checking that there is an effective regime in place on the ground. During the latter part of the discussions under the Swedish presidency, that was significantly weakened. The amendment from the European Parliament quite rightly would have obliged rather than merely permitted the Commission to undertake control of the monitoring of national inspections throughout the member states, but it has not been adopted. Instead, the Commission will be under an obligation to carry out controls where there is reason for concern. Again, this is a slight weakening of the position. Given the fact that the Commission sees its role as one that ought to be resource neutral—so no more resources are going to be put into this activity—it is difficult to see how the Commission will play a stronger role now than it did in the past, yet in many ways it was the failure of the Commission to play an effective role that lay at the heart of the failure of the 1986 directive.

I make no apology for concentrating at some length on these two points because this is a fundamental issue that lies at the heart of whether the new directive will be as effective as we want. The rest of the detail set out in the draft directive is perfectly acceptable and commands general support but, in these two areas and particularly on inspection, there is a real concern that the very objective of trying to remove inconsistent application will actually bring it back into the system, and therefore the strength and justification for the directive will be fatally undermined.

In closing, I should say that this is not important only to this particular draft directive. It has a more general application throughout the EU. That is because what undermines confidence in the EU among its citizens is when it becomes clear that directives are being implemented in wholly inconsistent ways across the Union. That leads to scepticism and cynicism which undermines the very Union itself. The answer must be for a greater role for the Commission. I understand that some member states may not welcome that, but in this context it is worrying that the Commission itself does not wish to seize the challenge.

3.35 pm

The Earl of Caithness: My Lords, I thank the noble Lord, Lord Sewel, who has said much of what I was going to say and has got right to the kernel of what the directive is about. I also thank him for the wonderful way in which he chaired the committee. Although we were considering a serious and interesting subject, we did, as he rightly said, have a little bit of fun as well which made the work all the more pleasurable. I also thank all those who helped us. I am grateful for what the noble Lord, Lord Carter of Coles, said, and I echo his thanks for the work of our special adviser and support team.

I look forward to the day—I cannot see it in the foreseeable future but I hope it will come—when we do not have to carry out experiments on animals. In the mean time, while that work is necessary, we owe it to animals to keep them in the best conditions and to inflict on them the least possible suffering and stress. The committee set out on its inspection of the directive with the high hope that this would be the result of what the Commission proposed.

The noble Lord, Lord Soulsby of Swaffham Prior, gave a detailed account of the UK procedures. We are wonderfully blessed in this House that we have experts such as the noble Lord. He will recall the Select Committee on Animals in Scientific Procedures, on which he sat in 2001-02. I should like to draw the Minister's attention to some of the matters contained in that Select Committee's report, and I would like him to contrast, as I have, what the noble Lord, Lord Soulsby, said about the UK procedures and what is happening overseas.

Not much has changed since the report was published on 16 July 2002. I draw the Minister's attention to the evidence that the committee took in France. On page 61, the report states:

> "Not all inspectors were trained in laboratory animal science, and those that were had only taken the same 15 day course as potential personal licence holders".

That is a marked difference to what happens in the UK. On page 14, in paragraph 1.27—again this relates to France—the report states:

> "We were told that this makes the enforcement of care and welfare standards difficult. The Veterinary Inspectors considered that the system was essentially based on trust".

As the noble Lord, Lord Sewel, said, the directive was proposed because the 1986 directive failed.

In arriving at its proposals the Commission took a great deal of evidence. I refer the Minister to the evidence that our committee took from Susanna Louhimies, who is policy officer at the Directorate-General

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Environment, European Commission, on Wednesday, 3 June last year. I draw his attention in particular to question 10, which was asked by the noble Lord, Lord Sewel, and concerned the need to have a sufficiently rigorous and robust inspection regime. Ms Louhimies replied:

"The Commission is ambitious but we have to say that we based our proposal exactly on the results of the Technical Expert Working Group, which was agreed with the Member States".

She went on to say:

"The recommendation from that working group was to have two-yearly inspections covering not only the user establishment but, also, breeding and supplying establishments, and have one of those inspections unannounced. That, it was felt, would give enough security and assurance".

With that evidence, why has the UK changed its position? What is the Home Office up to? The proposed directive will not be worth the paper that it is written on. The only country to implement it will be the UK. The Home Office has not gold-plated this directive as it did the 1986 directive, and there is clear evidence that it is being less bureaucratic, for which I am grateful, but there is no doubt that the continuing stress and suffering of animals will be at varying levels throughout Europe. That cannot be seriously challenged. Why did Meg Hillier, the Parliamentary Under-Secretary of State, permit the UK to resile from the original text of Article 33 and go to a risk-based approach? That is a severe backward step which compromises the whole directive.

There are many good things in the directive—of course the law needs updating, and there needs to be flexibility for the future, as the noble Lord, Lord Soulsby, said—but if the Minister takes away nothing else from today's debate, he must take away the certainty that this directive will fail if the UK does not take a much stronger view and support the Commission. I do not expect the UK Government to support the European Parliament in its amendment, as I would, but they should at least go back to the original text of Article 33, because without that, this is all just a load of rubbish.

3.42 pm

Lord Winston: My Lords, I declare an interest in that I have held an animal-operating licence in various guises since 1970. I have about 40 years' experience of being an animal researcher in various university circumstances, in the United Kingdom, to some extent in Europe—where I worked in Belgium—and, most recently, in California in the United States, where I still conduct animal research.

Having read the report last night—I offer my congratulations to the committee and its chairman on the common sense in it and on how it has been laid out—I decided to go through my own curriculum vitae and look at the number of my publications which were purely animal-based concerns in peer-review journals. There are more than 100 publications of research which I believe could not have been done without the use of animals. While we support reduction and refinement, one has to say that reduction is only reduction. Perhaps unlike the noble Earl, Lord Caithness, who expressed worthy thoughts, I do not believe that we will ever find it very easy to abolish animal research completely. Those are great sentiments, but it is not the case in practice.

It has been interesting to make a list of the research that I have been involved with. For example, the research that we did on foetal lung development in premature infants, using a rat model, was crucial to understanding lung development; it could not have been done in humans. Some of the work done in contraception was benign work in rabbits. Fertility and IVF were largely animal research-based projects which could not have been done with a human egg. Work on ovarian function and the infections caused by chlamydia, which I have done in the United States, and refinements of pelvic surgery could not be done in human subjects; it had to be done in animals first. Ageing and the genes which affect it are much easier to study in the mouse model, but very difficult to study in the human. The same goes for gene expression in human development. Screening for fatal genetic diseases to prevent children dying of them essentially had to be done in animal models first of all. Xenotransplantation may offer great hope for transplantation in the future—it is worth bearing in mind that, every 15 minutes, somebody is put on a waiting list for an organ transplant. The idea of being able to use animals of human size for transplantation must be a humane endeavour.

One reason why I mention this is because the report points out that the breeding and killing of animals for their organs should not be part of a licence. I agree with that completely. It seems to me that it is essentially no different ethically from eating animals for dietary purposes, and if one is to use animals at all for farming one might be better off using them for their organs to save human lives.

Finally, I mention the work that Carol Readhead and I have done on humanised organs, which might make it easier to develop drugs that are not going to fatally attack the human immune system, as happened in Northwick Park hospital two or three years ago.

On reduction, which the report refers to, one should point out that there is likely to be, and perhaps there should be, a continued rise in the number of animals used, particularly of the mouse model. There is no question that if one looked at all the biological developments in the past 30 or 40 years, at least in my view, the human genome sequencing is really quite trivial compared with understanding how genes work. That was made possible only by the use of mouse transgenic models, whereby we can either remove or replace genes or make their expression inactive in various mouse models. That has been perhaps the most colossal development in biology in the whole of my lifetime as a medic, researcher and scientist. It seems inevitable that this work will continue to be important. It is worth bearing in mind that human children's lives have been saved from leukaemia and that cancer victims are saved as a result of using transgenic models. It is likely in future that more and more drugs will be needed to try to prevent different types of cancer and prolong lives in cancer victims. Some 40 per cent of us will eventually develop cancer and it is possible in future that we may live longer and almost normal lives with cancer, like diabetics. But

that is likely to be possible only if we can continue to use the mouse model and similar models to develop those drugs. This is something that we have to bear in mind when we talk about reduction, as we do in this report.

The report also focuses on the use of primates. While all of us agree that there are massive ethical problems in dealing with non-human primates in research, there is no doubt that the continuing use of non-human primates in specific experiments is very desirable indeed. There are two examples that I would give. First, in the field of neuroscience, many of these things are quite benign, and the witnesses who sometimes spoke against the use of primates in the report did not quite do justice to the full scope of experimental procedures—particularly single-neuron recording, which cannot be done easily in the human but provides very useful evidence in animal models and is likely to be of extreme in the use of the rhesus macaque, which is a common non-human primate source.

Secondly, recently I made a visit to Singapore, which is rather different in its use of primates from most other developed countries, where there are quite large primate colonies, some of which are bred using F2 animals and some of which are brought in from other Asian countries. One of the most interesting and important aspects of the research in Singapore is the development not of genetics but the new field of epigenetics—how gene expression and gene working is changed by early developmental and environmental changes. That will be a very important area for human medicine in the next 10 or 20 years. If that sort of work were abandoned and we could not observe primates having a regulated diet or other environmental influences during early development, it would be a serious drawback to the pursuit of good human medicine.

The human genome on its own is useless, unless we understand the function of the genes within the genone, which will require huge investment in epigenetics. That is something that cannot just be done in humans because we cannot regulate the environment in a controlled way, as we can in a rhesus monkey. There is no question that the work in Singapore means that the Singaporean people, along with many interested people from Canada, America and New Zealand as well as British workers, because of those colonies, will lead in that field. It does not matter who leads in the field—I am not suggesting being in competition here—but it is important to understand that this work has a fundamental importance in pursuing the best human health under all circumstances, particularly for our children in future.

I want briefly to draw attention to data sharing. Dr Mark Walport told the committee that, in his view, data sharing would not reduce the suffering of animals, nor would it increase transparency—and Mark Walport, who is an absolutely honourable and honest scientist, is right to say that. It is worth bearing in mind that science is not black and white. We often think of science as portraying the truth, yet it is possible to do two experiments with diametrically opposing results but for both experiments in those cases to have valid results, which we can learn from. It would be ludicrous to suggest that we start taking action as a result of one or two experiments. Experiments always need to be replicated if we are to make sure that we get the best and safest information, particularly when it comes to human health.

Another issue that was briefly referred to is that of changing an experiment and its protocols during its course, because new data have come up. That has been a particularly difficult issue for human researchers and I hope that, with the Home Office, we can find ways to make sure that it is possible to modify an experiment more easily during its progress. Otherwise, I fear that the use of animals will become more prolific rather than less.

Finally, I mentioned that some of my work has been done—and is still being done—in the United States. Here, we are of course looking at a European directive, but it is very interesting to look at the animal research at, for example, the California Institute of Technology in Pasadena. It is interesting that it is actually much easier to get a licence or an authorisation to do work there. Certainly, my impression is that, if anything, animals are treated with absolute humanity in that establishment. It is highly effective, and what is also impressive about American institutions is the quality of the environment in which animals are kept and in which research is done. We could do well not merely to look in the rest of Europe, but to consider particularly what is happening across the Atlantic in the United States.

3.52 pm

The Earl of Arran: My Lords, I, too, congratulate the noble Lord, Lord Sewel, on chairing our committee so very ably, and I thank him for his generous remarks about me as a barman in Brussels. It is always a great privilege to serve on one of your Lordships' Select Committees, since our discussions frequently touch upon issues in which the public have a very considerable interest. Today is no exception.

Opinion polls suggest that a majority of people in Britain are conditional accepters of animal experimentation for medical purposes—that is, they can accept at least some forms of animal research, provided that there is no unnecessary suffering and/or that no alternative will do. It is very clear that people place importance on avoiding the use of animals where possible, with a majority of those polled—70 per cent in the most recent survey—also agreeing that there needs to be more research into alternatives. Clearly, it would be wrong to carry out an animal experiment if another method, not using animals, could achieve the goal. That ethical imperative is recognised in both the UK and EU laws, which prohibit the use of laboratory animals if another method is available. Yet what if another method has not yet been identified or developed? How can we enhance progress in finding substitutes for the use of animals?

One key aim in revising the EU directive on the use of animals for scientific purposes is to promote,

"the development … and implementation of alternative methods".

Those methods span all the three Rs, namely: the reduction, refinement and replacement of animal use. The Commission has shown ambition in asserting that,

"the ultimate goal should be to replace the use of animal experiments altogether",

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but is also realistic in its view that,

"with current knowledge a complete phase out of animal experimentation is not yet achievable".

As witnesses called to our inquiry emphasised, future progress will need to capitalise on new technologies such as tissue engineering, advances in computer technology, non-invasive imaging techniques and understanding of gene function, to name but a few. Identifying, adapting and bringing new approaches on stream will in large part depend on the proactive efforts of researchers themselves. The scientific challenges should not be underestimated. Further progress will require lateral thinking, bringing a wide range of expertise to bear.

For this reason we took the view that the Commission's initial proposal that each member state should set up a national reference laboratory for the validation of alternatives would not provide the required impetus towards reducing the use of laboratory animals across the EU. It is unlikely that a single centralised laboratory can provide the breadth of scientific experience upon which any further progress will depend. More fundamentally, a focus on validation ignores the need to develop new methods in the first place. Instead, we were persuaded that a system of national centres across the EU would be a better approach, each working as a forum, aiming, like the UK national centre 3Rs, to bring together a wide range of experts and other interests to explore the potential of new technologies to reduce the use of animals; to think creatively about potential new approaches; and to serve as a source of inspiration and information about alternatives.

Since our report was published, the requirement for national reference laboratories has been removed from the draft directive. In the current draft, Commission and member states will be required to contribute to the development and validation of alternative approaches, the Commission to consult member states in setting priorities for validation studies, and member states to assist the Commission in placing validation studies in suitable laboratories. There will also be a Community reference laboratory covering all 3Rs.

It is my hope that these provisions will lay the foundation for an overarching strategic approach to the development of non-animal methods across the EU, which ultimately will help further to reduce the need to use animals in scientific research and testing. I noted very carefully the wise and experienced words of the noble Lord, Lord Winston, but I hope and think he will agree that it is most important that science and society continue to concentrate on this highly sensitive issue.

3.58 pm

Lord Addington: My Lords, when it fell to me to respond to this debate from these Benches, I felt that I was once again dipping my toe into traditionally choppy waters in which I had never thrashed before. However, I was rather relieved when I started to prepare for the debate, because the basic principle that research on animals should be kept to a minimum and carried out as humanely as possible seemed to run through the report and the responses to it. The concepts that you should not do anything more often than you need to and should avoid duplicating experiments ran through the report and reassured me as I read it. I think that theme has been reiterated by everybody who has spoken. Having said that, the noble Lord, Lord Winston, rightly asked what the minimum standard would be and how much of this you have to do at any one time. We do not know. As regards scientific research, sometimes we do not know what we do not know. We have to carry on working. Because something has worked once, it may work better next time. The need for expertise and a revaluation of evidence was at the centre of what the noble Lord said. However, I still felt that data sharing may well cut this over time. The idea of looking at that to make sure that we can reduce testing over time, as the number of models and the base of knowledge are increased, can be taken on.

I considered the interesting definition under which certain types of seafood are included or not included, and my attitude to crustaceans and octopuses. We went through the report discussing the various types of procedure. I can understand how people would find distressing the acceptance of the various types of suffering that an animal must undergo in certain types of experiment. I should be reassured if the Minister stated the Government's attitude towards reuse and said that they would give as much support as they could to the idea that an animal should not have to suffer at any level more than once. That would make me feel a little more comfortable about what is said in the report about continuing experimentation.

There is not too much that we disagree with on care and accommodation standards. Whether the use of non-human primates, which is more distressing, is logical or not, I do not know. I would enhance the position that work on primates should be looked at very closely. As the noble Earl, Lord Arran, has said, the idea of what is acceptable to society must go hand in glove with scientific evidence.

However, I find myself in total agreement with the noble Lord, Lord Sewel, on authorisation and enforcement. Unless you are going to be rigorous about the directive and enforce it, there is no point in having directives. Unless the Community is prepared, at whatever level of direction you do it from, to be slightly irritating to people or very intrusive, there is no point in having these directives. Unless we have some standards across the Community, there is not much point in having the Community. Unless we are prepared to interfere and occasionally cause trouble, there is no point in being there. This is a bit like health and safety—everyone thinks that there is too much of it until it is their son on the scaffolding. Unless we try to ensure that these standards can be enforced and the Government give their full weight behind making sure that they are enforced, and that inspection takes place at realistic intervals to make sure that those undertaking experimentation have a realistic idea that there will be control and punishment if they do not conform to a standard, there is no point in having the standards.

I should be very interested in what the Minister says on that for the simple reason that, unless there is enforcement, it does not really matter what we put down in any form of legislation. We have to be prepared to annoy people sometimes.

4.03 pm

Lord Skelmersdale: My Lords, I congratulate the noble Lord, Lord Carter of Coles, on securing this debate so promptly after the report was issued. Unlike the noble Lord, Lord Addington, I should perhaps declare an interest in this subject. When I was comparatively green in your Lordships' House, I sat on the Select Committee on the late Lord Halsbury's second Private Member's Bill, entitled the Laboratory Animals Protection Bill. I should also perhaps declare a non-interest in that my daughter is a junior lecturer at Sheffield University, working in the cancer lab. It will perhaps be instructive for this debate if I say that, as she had neither training in laboratory animals nor, unlike my noble friend Lord Soulsby and the noble Lord, Lord Winston, a licence from the Home Office, she had to get someone else to pursue her PhD research.

At first blush, it may seem a surprise that responsibility for consideration of the subject, and therefore of the report, falls to the Home Office. However, I quickly reminded myself that the Animals (Scientific Procedures) Act 1986 was a Home Office creature, as was its predecessor by 110 years, the Cruelty to Animals Act 1876—the first law passed anywhere in the world aimed at regulating animal testing. This country should be proud of that. However, given the subsequent changes in ministerial responsibilities, it remains surprising that the Home Office is still the sponsoring department.

Leaving that aside, it is legitimate to reflect that the United Kingdom has led the world in legislation that promotes and protects animal welfare. I tell my noble friend Lord Arran that we spent a lot of time investigating mathematical techniques, with a view to the ultimate abolition of animal testing. We came to the conclusion that we could not envisage such a thing happening. That may please certain noble and scientific Lords who have spoken this afternoon.

The 1986 Act was designed to implement an EC directive that harmonised measures to regulate any experimental or scientific procedure applied to a "protected animal". As the noble Lords, Lord Carter and Lord Sewel, told us, the harmonisation has not been realised. It was intended to set a common minimum standard across the Community, and it is arguable—indeed, I do argue, and I hope that noble Lords will agree—that our 1986 Act went further than was strictly required by the Commission.

We are now confronted with proposals to update the 1986 rules. I congratulate your Lordships' European Union Sub-Committee D on giving such close scrutiny to the European Commission's proposed revision of the 1986 directive. I agree that the changes in scientific methods and understanding in the past 20 years mean that the rules on animal experimentation are due for an overhaul. I also agree that the exercise should be a levelling-up, as the noble Lord, Lord Winston, reminded us, rather than a search for the lowest common denominator, and that the high standards achieved and observed in the UK should not be diluted. Therefore, I have no objection to a process that seeks to raise standards across the EU to create a level playing field.

As I have indicated, there is a long-standing acceptance in this country that the testing of animals is regrettably necessary to help advance our understanding and treatment of diseases, but also that it must be conducted in as humane a manner as we are able to achieve. Unless we have a common approach to protecting animals used for scientific procedures, there is a risk that the good practices espoused in this country may be undermined if research is simply transferred elsewhere in the EU to places with less stringent standards. The question that my noble friend Lord Caithness put into my mind, therefore, is: what would be our legal position if our arrangements in this area went further than the directive? Are we likely to be taken before the European Court? I cannot understand how harmonisation will be achieved without a central EU inspectorate. I hope that the Minister will tell us how the Government reached their conclusion.

The draft revised directive is a step forward from the original proposals, and I am heartened to see in the Government's response to the report of your Lordships' sub-committee that the positions espoused by the directive, held by the Government and advocated by the sub-committee are becoming aligned. Some of the more objectionable measures have been reined in. For example, the idea that projects that should be subject to prior authorisation might be permitted by,

"tacit approval instead of authorisation",

has been dropped. I welcome that step. Ideally, when implementing the changes in the directive, administrative burdens should be kept to a minimum, and those that are imposed must be justified by a gain in animal welfare. This must be the right approach.

As we have heard this afternoon, the sub-committee and the Government both support the promotion of the three Rs—the replacement, reduction and refinement of the scientific use of animals—and so do we on these Benches. The updating of animal welfare legislation is necessary as scientific procedures and our understanding of the physiology of animals advance. It is my hope that, by taking into account such advances when we put these rules in place, we are increasingly able to reduce the need for animal experimentation. An example of this responsiveness can be seen in the inclusion of new categories of protected animals.

That said, I am curious to know why, in the list of protected animals, decapods are excluded but cyclostomes are to be included. Decapods include creatures such as lobsters and crabs, which I am well aware can meet an unfortunate, if sudden, end in restaurants, but is it proven that they feel less pain than cyclostomes? Indeed, do they feel any pain? Our researches all those years ago on the late Earl's Bill concluded that fish, including hagfish, did not feel pain That was accepted by the scientific community at the time, so what has changed since, or perhaps what scientific physiological progress have I missed in the intervening 30 years? I cannot be so certain that the absence of a sense of pain is true of cephalopods, such as the octopus, which are also included in the list. I may be incorrect in that assessment but it is an interesting distinction none the less, and I should be grateful if the Minister could enlighten me further.

My major concern with the directive, which the sub-committee has highlighted and which I do not think has been adequately dealt with in the government response, is how any future changes to the control

[Lord Skelmersdale]

regime in the directive will be made. If new scientific understanding emerges that necessitates protection being extended to other categories of animals, how will this be effected? The Government admit in their response to the sub-committee's report that comitology will not allow changes to an essential element of the directive, but that the Government will,

"explore further whether this might be achievable".

Can the Minister please elaborate on what the Government have done, or intend to do, to allow flexibility into the system where it would plainly be beneficial?

I was the Whip on the Bench in 1985 when my noble friend Lord Glenarthur introduced the Animals (Scientific Procedures) Bill to your Lordships' House. I was struck then, as I am reminded now, of a dictum of the RSPCA, which as long ago as 1980 observed in a written response to the late Lord Halsbury's Private Member's Bill that the aim of any new legislation should be to provide a comprehensive system of control which can easily be interpreted, is readily applied and is applicable to current animal usage. I believe that that is what we should be striving for in applying any changes to the directive, and I congratulate noble Lords on the sub-committee who have sought to untangle the provisions of the updated directive and officials who have evidently worked hard to make sure that the standards that are to be applied across Europe will rise to meet the high standards of animal welfare that we expect of our scientists here. I therefore concur with the sub-committee that this new directive should now be agreed and implemented effectively.

4.13 pm

The Parliamentary Under-Secretary of State, Home Office (Lord West of Spithead): My Lords, I am also extremely grateful to my noble friend Lord Carter of Coles; to his predecessor as chairman of EU Sub-Committee D, my noble friend Lord Sewel; and to all the Clerks and members for the committee's very well balanced and perceptive report and for organising this debate. I am also grateful to all noble Lords who spoke, many of whom have a very detailed knowledge across this area. I mention, in particular, the noble Lord, Lord Soulsby, who seems to have been working in this field for some 60 years and has a remarkable depth of knowledge. Rather like the noble Lord, Lord Addington, I feel that I am dipping my toe into something that is a little tricky. I am no deep expert in this area, although I have a team who brief me very well. However, at least when the cephalopods were mentioned, I felt that I was getting a little closer to salt water and was a little more at home than I would otherwise have been.

On cephalopods, decapods and so on, the noble Lord, Lord Skelmersdale, asked me a specific question about pain and what research had been done. Perhaps I can get back to him in writing, as it might take a long time to answer him now.

Science and animal welfare have progressed significantly since 1986, as a number of speakers have mentioned, and no doubt a revision of the directive on the protection of laboratory animals is overdue. I share the view of the noble Lord, Lord Skelmersdale, that since 1876 we have led the world on issues of animal welfare. In this country, we have nothing to be ashamed of on that aspect. We have, quite rightly, put in a huge effort and that reflects what we expect.

Despite the progress on developing alternatives, animal use continues to be necessary to develop improvements in healthcare and in protecting man and the environment. The National Health Service could not function without treatments developed through research using animals. Almost every form of modern medical treatment has relied, in part, on animal use, as was so eloquently and clearly articulated by my noble friend Lord Winston.

It is vital that new European legislation is practical and proportionate and does not delay the scientific progress and benefits brought through animal research. As my noble friend Lord Sewel clearly pointed out, it is certainly required because the old directive was quite inadequate. It is essential that it does not undermine the success of UK researchers or our own high animal-welfare standards. At the same time, we have to develop proactively, validate and implement alternatives to animal use to deliver better welfare and better science.

The Commission's proposal is premised on three high-level objectives, all of which we support. The first is to rectify variations in the implementation of the current directive by member states—that has been seen by some member states, including the United Kingdom, as adopting stricter measures and providing a high level of protection for animals. Meanwhile, other member states provide for only the minimum requirements of the current directive. We fully support harmonisation, which is essential to create a level European playing field for researchers in industry and academia.

Secondly, the Commission sought to strengthen the protection of animals by making better provision for their welfare. Good animal welfare and good science are inseparable and it is right that the European Community should set high welfare standards. That is also essential if we are to maintain public support—as touched on by a number of speakers—for the important research that still requires animal use. Confidence in the regulatory framework is an important component of our strategy to eliminate animal rights extremism.

Thirdly, the Commission sought to promote the three Rs: the development, validation, acceptance and implementation of methods and strategies that replace, reduce and refine the use of animals. That was mentioned by a number of speakers, particularly the noble Lord, Lord Soulsby, and the noble Earl, Lord Arran. The UK plays a leading role in this area. I strongly support the desire of the noble Earl, Lord Caithness, that one day we will not have to use animals. I am sure that all of us would like that, but my noble friend Lord Winston gave us a blast of reality that one cannot see that at the moment. However, that does not mean that we should not aspire to it. The three-Rs framework was developed in the United Kingdom, is a key component of our current harm/benefit assessment, and is supported by our National Centre for the Replacement, Refinement and Reduction of Animals in Research, something which is not replicated across Europe, unfortunately.

Of the European Commission's proposal published in November 2008, a number of the provisions were acceptable in principle. Indeed, many were variations of current UK provisions. However, there were a number of concerns: for example, the inclusion of invertebrate species; poorly thought-through mandatory care and accommodation standards and humane killing methods; the absence of detail of severity classification, as mentioned by the noble Lord, Lord Carter; inadequate provision for the reuse of animals; and proposed restrictions on the use of non-human primates. Many detailed provisions would increase the administrative burden without benefiting science and, more importantly, animal welfare.

I can report that many concerns, including those identified in the committee's report, have been remedied by negotiation. Only the arrangements for delegating and implementing acts under the Lisbon treaty remain to be finalised. I shall mention some key changes in the revised text; many were covered either in correspondence with the noble Lord, Lord Roper, or in the Government's response to the committee's report.

As regards the use of non-human primates, the draft text now includes a definition of "debilitating clinical condition" which encompasses almost all current uses of non-human primates in the UK. This has allayed our earlier concerns that work to remedy unmet clinical needs might be prohibited. Borderline cases can be provisionally authorised by a member state and subject to final decision by the Commission via comitology. In addition, the Commission has given a commitment to convene an expert working group to provide guidance on the interpretation of restrictions on primate use.

We believe that the new definition, the safeguard clause and the promised guidance provide the clarity we require and a suitable mechanism to resolve any areas of uncertainty about the use of primates, such that well justified use can continue. Although not a current EU requirement, only captive-bred non-human primates are currently used in the UK. The revised directive will go further and make the use of non-human primates which are themselves the offspring of captive-bred animals—so-called F2 animals—the European norm. The revised text requires the Commission to conduct a feasibility study to ensure that the timetable for this move will be adjusted if it is found to be unrealistic. The draft also requires the Commission to conduct a further study to establish the feasibility of sourcing non-human primates exclusively from self-sustaining colonies. This is also welcome.

Details of a severity classification system are based on the work of an expert working group which met in July 2009, as mentioned by a couple of speakers. The draft directive also sets an upper limit to the severity of procedures that may be authorised by member states without reference to the Commission. To go above this threshold would be to permit animals to be used in procedures which would involve long-lasting, severe pain, suffering or distress. We are disappointed that the possibility to allow such procedures remains within the scope of the new directive. However, we cannot foresee any circumstance whatever where we would permit this to happen in the UK.

We and the Committee were concerned that the framework for the reuse of animals in the Commission's proposal would have increased the number of animals used and the suffering caused to the additional animals, a point raised by the noble Lord, Lord Addington. Changes made during the negotiations make better provision for the responsible reuse of animals, reducing the total suffering caused without causing unreasonable cumulative suffering to the animals used. That is consistent with the principles of reduction and refinement. It is with those principles in mind that the reuse requirements will be implemented in the UK.

The annexes setting out standards for the care and accommodation of animals and specifying humane killing methods have been substantially amended to correct the many faults in the original text. The deadline for implementation of the care and accommodation standards has been set at January 2017, allowing projects up to six years to adapt their facilities. Complying with these requirements will not compromise any of the UK's very high welfare standards.

It is now agreed that all projects will be ethically evaluated prior to authorisation, which is already standard practice in the UK. Proposals for "notification" and "tacit approval" of projects, which were of significant concern to the committee, have been dropped.

The requirement for data sharing has been removed, and my noble friend Lord Winston gave a clear exposition of why that is not particularly damaging. The requirement for national reference laboratories for the validation of alternative methods has also been dropped. Instead, much more practical requirements are placed on the Commission to consult member states in setting priorities for validation studies, and over the allocation of tasks to the laboratories nominated.

Not everything in the negotiation has gone as we would have wished. The revised text would allow the use of great apes in exceptional circumstances—something we do not permit. Again, we cannot foresee any circumstances when this would be permissible in the UK.

Surprisingly, as commented on by my noble friend Lord Sewel, many member states, but not the UK, saw the requirements for at least two inspections at each establishment each year as too ambitious. The revised text requires a risk-based approach to inspection, but it requires only a minimum of one-third of users to be inspected each year. That is significantly less than the current United Kingdom inspections regime.

The noble Lord, Lord Soulsby, and my noble friend Lord Sewel both spoke well about the value of our inspectorate and how important it is. In addition, the Commission will be under an obligation to carry out controls, but only where there is reason for concern. Notwithstanding the comments made by the noble Earl, Lord Caithness, we are pleased that the principle of regular, risk-based inspection has been established through the EU, which is something that we believe requires more than the specified minimum inspection frequency, and that the Commission is under an obligation to oversee and enforce this aspect of the directive. My honourable friend Meg Hillier pushed to the limit what the market would bear. The risk-based approach will require that we work above the minimum and that others do likewise to satisfy the Commission and to

[LORD WEST OF SPITHEAD]
make sure that its responsibility is being properly discharged. The latter point is significant, and the committee rightly noted that weak enforcement by the Commission was one factor contributing to the ultimate weakness of the current directive. I cannot argue with that; that was one of our concerns.

The Earl of Caithness: My Lords, could the noble Lord expand on this a bit? Why was what was agreed by the technical expert working group beforehand—so the Commission came up to the level in Article 33—resiled on when it was agreed by all the member states? The Minister has already given examples of where there are going to be differences in treatment in the UK compared to the rest of Europe. Why in this instance has there been such a resiling from the position of the expert working group?

Lord West of Spithead: My Lords, if I may, I will come back on the detail of that. As I understand it, we went as far as the market would bear. I do not think that it was a problem for us, but I will get back to the noble Earl about the details of the negotiation, as I cannot speak to them at the moment.

We have negotiated to develop practical, proportionate and enforceable legislation that makes proper provision for the welfare of laboratory animals and can adapt to further technical progress. My noble friend Lord Sewel asked whether we can guarantee unannounced inspections. The rigour of the current system and unannounced inspections will be maintained. We sought to avoid inflexible or disproportionate measures that would damage or undermine the competitiveness, sustainability and success of the UK and European research base or unnecessarily delay the healthcare benefits that animal research and testing continue to support.

Overall, we are satisfied that the revised text provides a sound and practical framework for the regulation of animal experimentation and testing in Europe. It is certainly better balanced, more flexible and less prescriptive than the Commission's proposal and will allow the United Kingdom to maintain its traditionally high standards of welfare and animal protection. The noble Lord, Lord Skelmersdale, asked whether we can maintain current standards, so I hope that that answers that. Article 2(a) of the text will permit that and it will be done.

We welcome the fact that the revised proposal will allow member states to retain existing, additional animal welfare measures that do not distort the internal market. My noble friend Lord Sewel asked whether all projects will still be ethically evaluated and authorised. Simpler applications may be subjected to a lesser bureaucracy, but I can assure my noble friend that animal welfare and the quality of decision-making will not be compromised. The revised proposals avoid unnecessary bureaucracy and offer opportunities to reduce the current UK regulatory burden without harming animal welfare.

I have a response from the Box to the question asked by the noble Earl, Lord Caithness. The response says exactly what I said already, which is that I will write and explain the matter in detail. The Box has nothing further to add; clearly it knows as much as I do.

To summarise, we have a position in the UK to be proud of. I think that the negotiation has been successful. The European standard has been raised across the board. We can be proud of that negotiation. Could more be done? Probably, and we must keep doing it, but we have a good record in this country and it is important that we keep pressure on all these areas, because this matter is so important. Finally, I thank the committee again for its work and for bringing this report for debate.

4.29 pm

Lord Carter of Coles: My Lords, I thank all noble Lords who have taken part in today's debate, which was enriched by the highly authoritative and informative contribution from the noble Lord, Lord Soulsby of Swaffham Prior. He set out clearly what has been achieved in this country by a control regime of many years' standing. He talked at length about the three Rs—replacement, reduction and refinement—as have many other noble Lords. The committee took evidence from the UK's NC3Rs and we were clear that it offers a model for wider application throughout Europe.

The noble Lord, Lord Sewel, and the noble Earl, Lord Caithness, both made powerful points. The noble Lord, Lord Sewel, as my predecessor, gave a clear and compelling explanation of the risks and gaps that we see in the proposed requirements for inspection and monitoring—a recurring theme. The noble Earl, Lord Caithness, with his depth of understanding and recall of things past, highlighted some of the recurring issues that we will have to continue to tackle and keep an eye on.

I was pleased to hear the welcome that the noble Lord, Lord Winston, gave to the committee's report. The important part of his remarks related to the possibility of a reduction in the use of animals in scientific procedures. He gave several compelling examples of important research to which animals were essential. It is relevant to note that such research has been possible within the UK regime of controls. We should be concerned that a new directive will ensure that similar controls—this theme again—apply across the whole of the European Union. The noble Earl, Lord Arran, spoke eloquently about the importance of the NC3Rs, the UK's national centre, and, importantly, about the continued need to search for alternatives to the use of animals.

The issue of consistent implementation of the directive's requirements was raised by the noble Lords, Lord Addington and Lord Skelmersdale, and was addressed by the Minister, the noble Lord, Lord West, in setting out the Government's view. We were pleased to hear the points that the Minister made, but the whole issue of risk-based assessment and the need constantly to monitor how it is being applied will be a matter of great focus going forward.

In our debate today, we have again brought out the strength of arguments surrounding the use of animals in scientific procedures and the importance of agreeing a regulatory framework that strikes the right balance—a point that many have made—

between animal welfare and the interests of scientific research. As our report makes clear, the proposed revision of the EU directive provides an opportunity to get that balance right across all member states. We urge all those involved not to waste this opportunity.

Motion agreed.

Royal Assent

4.33 pm

The following Acts were given Royal Assent:

Terrorist Asset-Freezing (Temporary Provisions) Act,
Fiscal Responsibility Act.

House adjourned at 4.34 pm.

Written Statements

Wednesday 10 February 2010

Armed Forces: Medical Treatment

Statement

The Minister for International Defence and Security (Baroness Taylor of Bolton): My honourable friend the Parliamentary Under-Secretary of State for Defence, Kevan Jones, has made the following Written Ministerial Statement.

The Defence Medical Rehabilitation Centre, Headley Court, provides first-class rehabilitation treatment for service personnel, most notably for operational casualties at the present time, but also for a range of other patients. Many of its patients, particularly those who have suffered severe injuries, need to return to the unit for further treatment at intervals, often over a period of years.

We keep the numbers of beds required under regular review. The unit's facilities currently include 66 ward beds and 120 other beds for patients. As prudent contingency planning, we propose to increase the number of ward beds available in the near to medium term. We are therefore now working on plans to provide up to 30 extra ward beds later this year, as well as updating and expanding our existing clinical facilities at Headley Court in the longer term. Planning permission for new buildings will be sought in the normal way.

We are determined to ensure that the Defence Medical Rehabilitation Centre continues to provide the excellent service that our Armed Forces deserve. I shall inform the House when final decisions on our requirements for additional ward beds have been made.

Employment: Liability Insurance

Statement

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): My right honourable friend the Secretary of State for Work and Pensions (Yvette Cooper) has made the following Written Ministerial Statement.

I am today publishing a consultation document on proposals to improve the tracing of employers' liability insurance policies and establish a fund of last resort to make payments in cases where employers are insolvent and insurers cannot be traced.

Today Britain is rightly recognised as having one of the best health and safety records in the world. This was not always the case though and good health and safety has not always been a priority for business. A key step for employees was therefore the introduction of the Employers' Liability (Compulsory Insurance) Act 1969. This landmark legislation has helped to ensure that the vast majority of those who are injured or made ill as a result of employment are able to receive appropriate compensation.

We know, however, that in some cases—particularly cases where a disease develops many years after exposure—it can be very difficult to identify the relevant insurer. This includes some of the most serious industrial diseases, such as pneumoconiosis, caused by exposure to coal dust, and asbestos-related cancers.

In 1999 we launched, in conjunction with the insurance industry, a voluntary code of practice to help trace these policies where other routes had failed. The code has led to some improvements but too many people are still not able to secure the compensation they deserve. This is not acceptable and we believe that more must be done. The consultation document sets out two further measures to improve this situation.

We believe that an essential first step is the creation of an employers' liability tracing office to manage an electronic database of EL policies and to operate the tracing service. We will be seeking to work with the Association of British Insurers and others to drive this forward, informed by the outcome of the consultation. We envisage that the database will initially be voluntary, but become mandatory in time to ensure that all insurers publish the relevant policy details. We expect the Financial Services Authority to consult shortly on ways to make the provision of policy information mandatory.

A tracing office will initially have to be populated with existing trace data but new and renewed policies will be included shortly afterwards. One of the issues explored in the consultation is the extent to which historic insurance records can be added to the database.

While a tracing office will ensure that, in future, more people can obtain civil damages for industrial disease, we also know from experience that it may still be very difficult to trace historic policies, especially for those individuals suffering from long-tail diseases such as mesothelioma. We therefore also propose to establish an employers' liability insurance bureau, which will provide a fund of last resort in cases if all other efforts to trace an employer or insurer have failed. This will, for example, give peace of mind to many workers who know that they were exposed to asbestos but who do not now have symptoms. They will have confidence that if they later develop an asbestos-related disease, they will be able to claim the civil compensation to which they are entitled.

The consultation launched today will examine what the bureau should cover; the impact on insurers and employers; how much should be paid by way of compensation; and limitations on claiming from the bureau. The Government will consider fully the responses to the consultation before determining next steps towards the bureau's introduction.

We believe that the changes we are proposing will make a real difference to the lives of people who suffer from these terrible work-related diseases, and to their families.

The consultation will run from 12 weeks from today, in line with the government Code of Practice on Consultation.

The consultation document is available on DWP's website at www.dwp.gsi.gov.uk/consultations. Copies will be placed in the Vote Office and be deposited in the House Library.

Foreign and Commonwealth Office Finances

Statement

The Minister of State, Foreign and Commonwealth Office (Baroness Kinnock of Holyhead): My right honourable friend the Secretary of State for Foreign and Commonwealth Affairs (David Miliband) has made the following Written Ministerial Statement.

The House has recently expressed interest in the financing of the Foreign and Commonwealth Office. The FCO is working to manage the impact on the purchasing power of its budget next year caused by changes in the value of sterling. That impact is over £100 million in the current financial year and an estimated £110 million in the year ahead.

The FCO has now agreed with Her Majesty's Treasury a range of measures to help manage these pressures in the next financial year:

an additional £25 million from asset sales will be recycled into the FCO's budget;

a further £35 million to the FCO will be made available from the Reserve, of which £20 million would form a foreign exchange adjustment account to manage the impact of currency movement to be drawn on in agreement with Her Majesty's Treasury; and

a further £15 million in end-year flexibility will be made available, focused on restructuring and modernisation costs subject to a business case being made.

In addition I have agreed with other parts of the FCO family, including the British Council, BBC World Service and FCO Services Trading Fund, that they will make a contribution to help manage these pressures. A broad programme of streamlining and cost savings will also be implemented within the FCO's own operating spending to reduce further back-office costs, implement more innovative working practices, and review staff allowances. This package of measures will substantially offset the foreign exchange pressures on the FCO budget.

In common with other government departments, the FCO is committed to delivering increased efficiency which will require further cost reductions and rigorous prioritisation, including in areas of programme spending. Good progress is being made. On this basis, I am confident that the FCO will continue to deliver a world-class and comprehensive diplomatic service for the UK, and that the Government's highest foreign policy priorities, including our counterterrorism programme, will continue to be funded effectively.

Immigration: Charging for Immigration and Nationality Services 2010-11

Statement

The Parliamentary Under-Secretary of State, Home Office (Lord West of Spithead): My honourable friend the Minister of State for Borders and Immigration, Mr Phil Woolas, has today made the following Written Ministerial Statement.

On 20 January 2010, I laid the regulations that set fees for immigration and nationality services that are above the normal administrative cost of providing the service. I am today laying regulations for fees that are set at or below the cost of processing. The Government review the fees on a regular basis and makes appropriate changes as necessary. These fees are set out in regulations and are subject to the negative procedure. The fees contained in these regulations are set at or below the administrative cost of an application or process in line with the Government's charging model. By charging below the administrative cost of delivery on the application types referred to in this instrument, the UK Border Agency is able to support wider government objectives, particularly where it is believed that a cost recovery fee would be so high as to damage international competitiveness in this area, e.g. for short term visit visa applications or Tier 5 Temporary Work applications. To help enable this, the UK Border Agency sets fees for other application types above the cost of delivery. For transparency, I have included the estimated unit cost for each route so that it is clear the degree to which certain routes are set at or below cost.

We have succeeded in limiting the extent of our general increases by taking a more targeted approach to fees adjustment which is consistent with both the UK Border Agency's strategic charging principles and broader government objectives. We have made amendments to the Tier 4 (Student) visa fee, introduced a fee for sponsor action plans and we have proposed a nominal 10% fee for all applications for UK-based dependants to reflect the fact that each individual brings a processing cost to us. Finally we will continue to generate revenue to fund the transitional impacts of migration. The Migration Impacts Fund has played a vital role in helping ease the pressures on certain communities. Full details of all fees changes are outlined in the Explanatory Memorandum accompanying these regulations.

I believe our proposals continue to strike the right balance between maintaining secure and effective border controls and ensuring that our fees structure does not inhibit the UK's ability to attract those migrants and visitors that make a valued contribution. It is right that those who benefit directly from the immigration system should pay to meet the costs of securing the UK's borders. This will help to support the immigration system, maintain public confidence and ensure that migration is managed for the benefit of the UK. Full details on how to apply for all of these services will be provided on our website, www.ukba.homeoffice.gov.uk.

The table below details fees for 2010-11 for immigration and nationality services that are set at or below the normal administrative costs of the service.

Visa fees

Products	*2009/10 Fees (£)*	*Estimated Unit Cost for 10/11 (£)*	*Proposed Fee for 10/11 (£)*
			Non PBS Visas
Short-term visitor visa	67	140	68
Transit Visa	46	94	47
Certificate of Entitlement	215	244	220
Vignette Transfer Fee	75	93	75
Call out/out of hours fee	£128/hour up to a max of £922 a day	134/hr	130/hour up to a max of £939 a day
			PBS Visas
T1 (Post Study) *	265	344	315
T1 (Transition)	250	332	256
T1 (Transition) CESC	230	332	235
T4 **	145	242	199
T5	125	173	128
T5 (CESC)	110	173	112

* The fees for these applications include a contribution of £50 per person to the migration impacts fund.

** The fees for T4 applications include a contribution of £20 per person to the migration impacts fund.

In UK – Leave to remain and nationality fees

Products	*2009/10 Fees (£)*	*Estimated Unit Cost for 10/11 (£)*	*Proposed Fee for 10/11 (£)*	*Dependents Fee*
				Non- PBS Routes - Migrants Inside UK
Certificate of Approval (Fee not charged)	295	318	0	0
Transfer of Conditions Postal	165	381	169	16
Travel Documents Adult (CoT)	215	246	220	N/A
Travel Documents Adult CTD	72	246	77.5	N/A
Travel Documents Child (CoT)	135	231	138	N/A
Travel Documents Child CTD	46	255	49	N/A
Replacement BID	30	35	30	N/A
Call out/out of hours fee.	£128/hour up to a max of £922/day	134/hr	130/hour up to a max of £939/day	N/A
Work Permit Technical Changes	20	116	20	N/A
				Nationality applications - Migrants Inside UK
Renunciation of Nationality	395	208	208	N/A
Nationality Right of Abode	140	149	143	N/A
Re-issued Certificates of Nationality	75	178	76	N/A
Nationality Reconsideration Fee	0	100	100	N/A
Status Letter (Nationality)	75	107	76	N/A
Non Acquisition Letter (Nationality)	75	107	76	N/A
Status Letter (Immigration)	75	107	76	N/A

In UK – PBS fees

Products	*2009/10 Fees (£)*	*Estimated Unit Cost for 10/11 (£)*	*Proposed Fee for 10/11 (£)*	*Dependents Fee*
				PBS - Migrants Inside UK
T4 - Postal *	357	357	357	80
T5 – Postal	125	359	128	12
T5 CESC Postal	110	380	112	11

* The fees for these applications include a contribution of £50 per person to the migration impacts fund.

PBS sponsorship fees

Products	*2009/10 Fees (£)*	*Estimated Unit Cost for 10/11(£)*	*Proposed Fee for 10/11 (£)*
T2 Sponsor licence - small business	300	880	300
T4 Sponsor licence	400	950	400
T5 Sponsor licence	400	880	400
T2&4 Sponsor licence - small business	400	950	400
T2&5 Sponsor licence - small business	400	880	400
T4&5 Sponsor licence	400	950	400
T2, 4 & 5 Sponsor licence - small business	400	950	400
T2 & T4, T5 Licence – Medium/Large Sponsor, where they currently hold T4 &/or T5 Licence	600	950	600
T4 &/or T5 Licence – Small Sponsor, where they currently hold T2 Licence	100	950	100
T4 Certificate of Acceptance of Studies	10	25	10
T5 Certificate of Sponsorship	10	25	10
Sponsorship Action Plans	0	600	600

Immigration: Pre-Screening Pilot for Tuberculosis

Statement

The Parliamentary Under-Secretary of State, Home Office (Lord West of Spithead): My honourable friend the Minister of State for Borders and Immigration, Mr Phil Woolas, has today made the following Written Ministerial Statement.

I would like to take this opportunity to update the House on the progress of the UK Border Agency pilot to pre-screen entry clearance applicants for active cases of tuberculosis to address the problem of imported infection. The pilot was initiated in late 2005 and has been testing pre-entry screening as a possible alternative or supplement to the long-established practice of X-ray screening passengers arriving at UK ports from high-risk countries. The pilot has been managed with the Department of Health and the Health Protection Agency, and requires those wishing to come to the United Kingdom for more than six months from specified countries where there is a high incidence of TB to undertake screening prior to applying for a visa overseas. The countries concerned are Bangladesh, Ghana (which also takes applications from Burkina Faso, Cote d'Ivoire, Togo and Niger), Kenya (which also takes applications from residents of Eritrea and Somalia), Pakistan, Sudan, Tanzania, and Thailand (which also takes applications from Cambodia and Laos). The International Organization for Migration, which runs similar projects for other countries around the world, was contracted to provide the screening facilities.

We are presently carrying out a final evaluation of the pilot and expect to reach decisions about the future of pre-entry screening in the near future. Screening was implemented in pilot countries on a phased basis, and the screening methodology was strengthened during the pilot as a more reliable sputum culture process for detecting active tuberculosis became available.

I want to share with the House the principal statistical information produced by the pilot to inform subsequent thinking and discussion about the screening arrangements. The following table provides the total number of positive TB cases identified through the pre-entry screening programme since inception in 2005 against the total number of individuals screened.

Pre-entry TB screening (October 2005 – September 2009)

	Total Screened	*Total Positive*
Pre-entry TB screening Oct 2005 - September 2009	325,507	191

To place these figures in context, there were a total 8,655 cases of active tuberculosis cases in the UK in 2008. The evidence suggests that in the majority of these cases the infection originated overseas, but the available data do not show whether the carriers were returning UK residents who had visited countries with a high prevalence of TB, EEA nationals or persons subject to immigration control. Data are not currently collected centrally on the number of active TB cases detected amongst arriving passengers as a consequence of community health referrals made by port medical inspection teams. The advice from the Health Protection Agency is that many of those who develop actively infectious TB do so more than two years after their last entry to the United Kingdom. There is no scientifically recognised screening method for predicting whether individuals will go on to develop active TB during their lifetime. We intend to take stock of the available evidence, together with comparative data from other countries which screen for TB as part of their immigration control arrangements, later this year. The Department of Health has in place a comprehensive action plan to detect and combat TB in the community.

Immigration: Student Visas

Statement

The Parliamentary Under-Secretary of State, Home Office (Lord West of Spithead): My right honourable friend the Secretary of State for the Home Department (Alan Johnson) has today made the following Written Ministerial Statement.

Following the Prime Minster's announcement of a review of tier 4 (the student route under our points-based system for controlling migration) on 12 November 2009, I am today announcing a balanced and targeted package of measures to tackle the abuse of tier 4 by economic migrants whilst at the same time continuing

to safeguard the ability of genuine international students to come to the UK to benefit from our world-class education system and bring benefit to our economy.

The measures outlined below target abuse seen amongst adult students coming here to study below degree level in the further education and English language sectors. There are no changes for students who come here to study a foundation degree, courses at degree level or above or for those coming here as child students at our independent schools (except for a reduction in the number of hours a child student aged 16 or 17 may work to 10 hours per week) and the changes set out do not apply to these groups.

The review highlighted concerns about the numbers of individuals who were not serious about studying in the UK but who were primarily using tier 4 as a route to work. There were also concerns about dependants who have also historically enjoyed the right to work in the UK. Whilst it is right that students should be able to undertake some work while in the UK to support themselves during their course, we need to ensure that the route is not abused by those whose primary intention is to enter the UK labour market. I am therefore today laying changes to the immigration rules which will:

halve the amount of time students can work during term time from 20 to 10 hours a week;

ban students who are studying on courses of six months or less from bringing their dependants with them to the UK; and

ban students' dependants from working unless they qualify in their own right under tier 1 (general) as a highly skilled migrant or as a skilled worker under tier 2 (general, sportsperson or minister of religion).

All of these changes will come into force on 3 March 2010 and all tier-4 applications submitted on or after this date will be subject to the new restrictions.

In respect of English language courses, I am also announcing today that, from 3 March, we will change tier-4 guidance to raise the minimum level of English language course which can be studied under tier 4 from A2 on the Common European Framework of Reference (CEFR) to B2—this is roughly the equivalent of GCSE standard. This is to ensure that tier 4 is less open to abuse from economic migrants seeking to exploit English language courses which have low entry requirements. There will, however, be exemptions from this for students sponsored by overseas Governments and for students on pre-sessional English language courses which prepare them for full degree courses, as these students are lower risk.

For the future, we also want to improve the security of the tests by which English language students are asked to demonstrate proficiency in English language. We are currently reviewing the criteria that approved providers will be required to meet, and will be introducing new arrangements for formal English language testing for tier 4 by early summer.

The review also looked fundamentally at the levels and types of courses which foreign students should be able to come to the UK to undertake through tier 4 of the points-based system. It concluded that changes needed to be made in a number of areas.

First, the review highlighted concerns that students were coming to study below degree level with a very low level of proficiency in the English language. This cannot be right. In addition, therefore, such students, in addition to those coming for English language courses, will be required to undertake a test with one of our approved test providers to demonstrate English language proficiency to at least level B1 on the CEFR when we introduce this in the summer.

Secondly, in respect of lower level and work placement courses, the Government has previously set out its intention to introduce a new category of "highly trusted sponsor" under the points-based system sponsorship arrangements. This new category of sponsor will be implemented on 6 April following a period of consultation with the education sector on the criteria against which sponsors wishing to be rated as "highly trusted" will be judged. In the first instance, publicly funded institutions will be treated as "highly trusted" but removed from this category should the UK Border Agency judge that they do not meet the criteria set; privately funded institutions will need to apply to the UK Border Agency to become highly trusted sponsors.

Following our review of tier 4, I can also announce that, from 6 April, only those with highly trusted status will be able to offer courses at National Qualifications Framework level 3 (and its equivalents) and courses with work placements below degree level. Such courses are attractive to economic migrants and as such we believe they should only be offered by sponsors with a strong record of student compliance.

These measures will improve our control of tier 4 but should do little to deter genuine students whose main focus is study.

Local Government

Statement

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): My right honourable friend the Minister for Local Government, Rosie Winterton, has made the following Written Ministerial Statement.

On 8 December 2009 I informed the House that the Boundary Committee had provided the advice requested on certain matters respectively relating to the unitary proposals (the "original proposals") made by Exeter City Council, Ipswich Borough Council and Norwich City Council. In its advice the Boundary Committee put forward alternative proposals for a single unitary county authority for Devon, Norfolk and Suffolk, and in addition in the case of Suffolk proposed a further alternative of two unitary authorities covering the county area.

Following the end of a period for representations on 19 January 2010 to be made to the Secretary of State about the Boundary Committee's advice and original proposals, we have now taken our statutory decisions under Section 7 of the Local Government and Public Involvement in Health Act 2007 on the unitary proposals relating to Devon and Norfolk. For the reasons explained below we decided not to take

our statutory decisions on the proposals relating to Suffolk, and to invite the councils in Suffolk through a county constitutional convention to work together with their Members of Parliament to reach a consensus on a unitary pattern of local government for that area.

Under Section 7 of the 2007 Act we can decide to implement, with or without modification, any of the unitary proposals before us, or to take no action on them. Owing to family connections with the Devon area, to avoid any perception of bias, the Secretary of State remitted decisions on unitary proposals for Devon to me.

We have considered each of the unitary proposals before us, both the alternative proposals made by the Boundary Committee and the original proposals, on its merits. We have sought to balance a number of factors in each case. We have had regard to the Boundary Committee's advice, all the representations we have received, and all other relevant information.

In the case of each proposal we have reached a judgment on it by reference to the five criteria: affordability, broad cross-section of support, strategic leadership, neighbourhood empowerment and value for money and equity on services. Our presumption has been that where for an area there is one unitary proposal that meets the criteria, we will implement it, unless there are compelling reasons for the contrary; if there are several such proposals we will implement the one we judge to meet the criteria on leadership, neighbourhood empowerment and value for money, to the greatest extent. Where we judged that a proposal does not meet all the five criteria, our presumption has been not to implement it unless there are compelling reasons to the contrary.

Our assessment is that contrary to the Boundary Committee's views the alternative proposals for unitary county councils in Devon and Norfolk do not meet all the criteria. Our judgment is that there is not a reasonable likelihood, if these proposals were implemented, of their delivering the outcomes specified by the broad cross-section of support criterion. I also judged that if a unitary council for Devon were implemented there is also not a reasonable likelihood of it delivering the outcomes specified by the neighbourhood engagement criterion. Accordingly, we have decided to take no action on these proposals.

In his statement to the House of 5 December 2007 (*Official Report*, Commons, 2/12/07; col. 66 WS) the then Minister for Local Government stated that the Secretary of State judged that the unitary proposals for Exeter and Norwich would, if implemented, not be reasonably likely to deliver the outcomes specified by the affordability criterion, nor in the case of Norwich the outcomes specified by the value for money services criterion. She also judged that these proposals, if implemented, would be reasonably likely to deliver the outcomes specified by the other criteria.

We have considered these proposals afresh against the criteria and our assessment is the same as my right honourable friends in December 2007. However, we consider that in both cases there are compelling reasons to depart from the presumption that unitary proposals which do not meet all five criteria are not to be implemented.

In both cases these reasons are twofold.

First, the Government's priorities today are above all for jobs and economic growth. Local government has an essential role to play in delivering these economic priorities, and this role is of a significance that could not be contemplated in 2006 when the criteria were developed. We believe, as has been made clear to us by the representations we have received, that a unitary Exeter and a unitary Norwich would each be a far more potent force for delivering positive economic outcomes both for the city and more widely than the status quo two-tier local government.

Secondly, with today's approach to developing public service delivery, as envisaged by our command paper—*Putting the Frontline First*—announced by my right honourable friend the Chief Secretary to the Treasury on 7 December 2009 (*Official Report*, Commons; col. 1 WS), including the Total Place approach, a unitary Exeter and a unitary Norwich could open the way for improvements to the quality of public services. Through innovative shared services and partnership arrangements the public services for the cities will be able to be tailored to the needs of the urban area whilst still being able to achieve the economies of scale that are possible under the countywide delivery of such services as adult social care and children's services.

Accordingly, the Secretary of State in the case of Norwich, and I in the case of Exeter, have decided, subject to parliamentary approval, to implement a unitary council for each of these cities from 1 April 2011. In accordance with the 2007 Act we are thus laying before Parliament today drafts of orders, which if approved by Parliament, we will make to give effect to our decisions to create a unitary Exeter and a unitary Norwich.

The draft orders make provision not only for the creation of the new unitary councils, but also for appropriate transitional arrangements. These arrangements reflect both the experience we have gained from implementing the nine new unitary councils on 1 April 2009, and also the discussions we have offered this year to all councils potentially affected by any of the unitary proposals before us. In particular the draft orders are providing for the 2010 elections to Exeter and Norwich city councils to be cancelled and for subsequent whole council elections to the new unitary councils to take place in 2011.

Preparations for the new unitaries will be the responsibility of an Implementation Executive made up of existing councillors from both the city and county councils. We are committed to applying the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) which will ensure that employees who transfer to the new unitary councils will do so with their terms and conditions protected on transfer. We expect the affected councils to have early discussions with the trade unions on staffing issues arising from restructuring.

Recognising the importance and scope for innovative service delivery, we will be inviting all existing councils in Devon and Norfolk to work together and with Government to develop the new service delivery models which, with the advent of unitary councils for the cities, will enable the best quality and most efficient

public services to be provided both to the cities and the wider county areas. In developing these models we will be looking to maximise the new freedoms and flexibilities on offer in our command paper.

We share the Boundary Committee's assessment that the alternative proposals it has put forward for Suffolk meet the criteria, the proposal for a single unitary county to the greater extent. We have also assessed afresh the unitary proposal made by Ipswich Borough Council and have concluded that we share the view the Secretary of State reached in December 2007 that this proposal, if it were implemented, would not be reasonably likely to deliver the outcomes specified by the affordability criterion.

From the representations we have received it is clear that there is wide agreement across the county that there should be a unitary solution in some form. However, it is equally clear that neither of the unitary proposals which we consider meet the criteria is supported by all the principal councils in the county. Accordingly, we have concluded not now to take a statutory decision on the Suffolk proposals before us, and to invite all the Suffolk councils, with their Members of Parliament, consulting other stakeholders and through a county constitutional convention, to reach a consensus on a unitary solution for that area.

We are clear that the decisions that we have taken are in the best interests of the people for the areas concerned. They recognise the genuine local appetite for unitary government in the cities of Exeter and Norwich. They provide a robust framework for the future prosperity of those cities and surrounding county areas. They open the way to better and more efficient public services. This potential will be delivered through the commitment and collaboration of all councils involved—this is what local people will rightly expect.

Royal Botanic Gardens

Statement

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Davies of Oldham): My honourable friend the Minister for Marine and Natural Environment, Huw Irranca-Davies, has made the following Written Ministerial Statement.

I wish to update the House on recent developments related to the Royal Botanic Gardens, Kew (RBG, Kew). I announced the start of a review of the Royal Botanic Gardens, Kew on 16 July 2009 (*Official Report*, Commons, 16/7/09; col. 55WS). Today I am publishing the report of this review.

The review was part of a government recommendation that public bodies are subjected to periodic study to ensure that they are still delivering high quality services and are adequately resourced. The review was carried out by independent consultants led by Sir Neil Chalmers, warden of Wadham College Oxford, on behalf of Defra, who gathered evidence from individuals and organisations with an interest in the work of the RBG, Kew.

The report focused on whether Kew has been effectively fulfilling its statutory obligations under the National Heritage Act 1983 since 2001 (the date of the last review), considered sustainable funding options in the present economic climate, examined the effectiveness of the delivery of Kew's science programme, issues of maintaining the heritage buildings and improving the visitor experience and aspects of governance and sponsorship by the Government. It concluded that Kew has been fulfilling its statutory functions since 2001 and that Defra should remain lead sponsor for Kew but put forward a number of recommendations for financial and organisational remedies to sustain Kew as a centre of world class science and as a major, iconic visitor attraction and a World Heritage Site.

The report does not constitute Defra policy. Defra officials will now examine the recommendations proposed in the report in more detail and will explore their financial and organisational implications, including consultation with other government departments. I intend to publish a government response later in the year.

Copies of the full report will be placed in the Libraries of both Houses and an electronic copy can be downloaded from the Defra website at www.defra.gov.uk/corporate/about/partners/kew/index.htm.

Written Answers

Wednesday 10 February 2010

Afghanistan

Questions

Asked by ***Baroness Northover***

To ask Her Majesty's Government how many (a) Afghan women, and (b) women of other nationalities, will be at the main table at the London conference on Afghanistan. [HL1517]

The Minister of State, Foreign and Commonwealth Office (Baroness Kinnock of Holyhead): The spokesperson for the Afghan Women's Network was the only Afghan woman who attended the main London conference. She gave a presentation on behalf of Afghan women and circulated a written statement on this to all conference participants. A delegation of Afghan female leaders was also involved in a series of events in the run up to the conference. They took part in a civil society conference where they made statements, and questioned and lobbied FCO Ministers. Members of the delegation also attended a reception on the eve of the conference, where they used the opportunity to lobby President Karzai, Angela Merkel, Hillary Clinton and other Foreign Ministers. In addition, the delegation attended a parliamentary meeting which took place at the House of Commons to discuss gender, peace and security in relation to Afghanistan.

Other conference attendees were Foreign Ministers from ISAF partners, Afghanistan's immediate neighbours and key regional partners together with representatives from NATO, the World Bank, IMF and other international organisations. Three of these participants were women.

The UK is fully committed to gender equality and fully supports implementation of UNSCR 1325, to protect the rights of women and girls in areas suffering conflict and to incorporate their perspectives in conflict resolution and peacekeeping planning. To encourage the Afghan Government to implement this resolution we are funding various programmes, to promote women's equal participation in governance and to build awareness of women's rights among civil society and policy-makers. This includes funding of £200,000 to support the Afghan Independent Human Rights Commission; £737,000 to UNIFEM's Elimination of Violence against Women Special Fund; and £500,000 to a five-year women's empowerment programme.

Asked by ***Lord Astor of Hever***

To ask Her Majesty's Government how many Pashtun speakers there are (a) serving in Her Majesty's Armed Forces, (b) serving in Her Majesty's armed forces and deployed to Afghanistan, and (c) locally engaged in Afghanistan alongside Her Majesty's Armed Forces. [HL1788]

The Minister for International Defence and Security (Baroness Taylor of Bolton): There are approximately 150 service personnel registered as fluent Pashtun speakers serving in HM Forces. The number of personnel deployed to Afghanistan varies and currently stands at nine. A variety of other languages are spoken across HM Forces and the vast majority of personnel receive a basic level of language training before deploying to Afghanistan. We currently employ approximately 525 local civilians as interpreters in support of HM Forces in Afghanistan.

Armed Forces: Combat Clothing

Questions

Asked by ***Lord Astor of Hever***

To ask Her Majesty's Government how many sets of multi-terrain pattern combat clothing will be distributed to (a) members of Her Majesty's Armed Forces in Afghanistan, and (b) the Army, (1) by the end of 2010, and (2) by the end of 2011. [HL1792]

The Minister for International Defence and Security (Baroness Taylor of Bolton): 28,000 sets of multi-terrain pattern (MTP) combat clothing are expected to be delivered to military personnel in Afghanistan by the end of 2010 and another 28,000 by the end of 2011.

As combat clothing is a personal issue item, service personnel return to the UK with their MTP at the end of their tour of duty.

As a four-year rollout plan, it is anticipated that MTP will be issued to all other UK personnel from April 2011.

Asked by ***Lord Astor of Hever***

To ask Her Majesty's Government how many sets of mark 7 helmets will be distributed to (a) members of Her Majesty's Armed Forces in Afghanistan, and (b) the Army, (1) by the end of 2010, and (2) by the end of 2011. [HL1793]

Baroness Taylor of Bolton: 15,000 mark 7 helmets will have been delivered to Afghanistan by the end of 2010; and another 15,000 will have been delivered by the end of 2011.

There are no plans to issue the mark 7 helmet to troops not deployed on operations, who will continue to be issued with the mark 6a helmet; however, because helmets are a personal issue item, personnel retain and will continue to use their helmet after their tour of duty.

Armed Forces: Suppliers

Question

Asked by ***Baroness Byford***

To ask Her Majesty's Government further to the Written Answer by the Parliamentary Under-Secretary of State for Defence, Quentin Davies, on 3 November 2009 (*Official Report*, Commons, 3/11/09; col. 832 WA), who has been awarded catering, retail and leisure contracts for feeding service personnel living in United Kingdom units; and in respect of which bodies other than United Kingdom service units are such contracts used. [HL1917]

The Minister for International Defence and Security (Baroness Taylor of Bolton): ESS Compass, Serco, Sodexo, Aramark, VT Flagship, Avenance and ISS currently have contracts for supplying catering, retail and leisure (CRL) services, or in some cases catering services alone, to service personnel living in UK units. The contracts can also cater for visiting military and civilian personnel, as well as for non-resident personnel who work at the sites concerned. No other bodies are served by these contracts.

Benefits: Polish Nationals

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government how many Polish nationals are claiming social security benefits; and how many National Insurance numbers have been issued to Polish nationals since Poland's accession to the European Union. [HL1648]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): Information on nationality of benefit recipients is not available for benefit scans. Information is available on the number of national insurance registrations to adult overseas nationals who go on to claim an out of work benefit within six months of national insurance number registration, but this is not available by nationality.

The available information for the number of national insurance numbers issued to Polish nationals since Poland's accession to the European Union is in the table. This information is also available on the Department for Work and Pensions website at http://research.dwp.gov.uk/asd/.

National insurance numbers issued to Polish nationals since Poland's accession to the European Union in May 2004

Period	Number
Apr 04 to Jun 04	4,970
Jul 04 to Sep 04	11,960
Oct 04 to Dec 04	17,510
Jan 05 to Mar 05	26,680
Apr 05 to Jun 05	32,210
Jul 05 to Sep 05	44,190
Oct 05 to Dec 05	41,660
Jan 06 to Mar 06	53,020
Apr 06 to Jun 06	38,190
Jul 06 to Sep 06	49,700
Oct 06 to Dec 06	51,300
Jan 07 to Mar 07	81,240
Apr 07 to Jun 07	48,050
Jul 07 to Sep 07	63,370
Oct 07 to Dec 07	49,880
Jan 08 to Mar 08	49,370
Apr 08 to Jun 08	40,750
Jul 08 to Sep 08	40,530
Oct 08 to Dec 08	21,670
Jan 09 to Mar 09	31,400
Apr 09 to Jun 09	16,590

Notes:
1. Figures are rounded to the nearest 10.
2. Totals may not sum due to rounding.
3. Some additional disclosure control has been applied.
4. Registration date is derived from the date at which a national insurance number is maintained on the national insurance recording system.
5. Poland joined the European Union in May 2004.

Source: 100% extract from national insurance recording system.

Bonuses

Questions

Asked by ***Lord Morris of Aberavon***

To ask Her Majesty's Government when the practice of paying bonuses to staff of non-departmental public bodies began; and what was the total paid in each year since 1997. [HL1283]

To ask Her Majesty's Government how supervision is exercised of the payment of bonuses and allowances for nominated Government bodies. [HL1284]

The Chancellor of the Duchy of Lancaster (Baroness Royall of Blaisdon): This is a matter for individual non-departmental public bodies (NDPBs). Information on bonuses paid to NDPB staff is not held centrally.

The Government have, however, announced in the Pre-Budget Report fundamental reforms to pay-setting for senior staff across the public sector. The Pre-Budget Report announced that the Chief Secretary to the Treasury will in future approve pay levels in excess of £150,000 for all appointments to public sector bodies which are subject to ministerial approval. This will also apply to bonus payments of over £50,000 where ministerial sign-off is needed. For public sector bodies where ministerial approval is not required, the Government expect all organisations making senior managerial appointments in excess of £150,000 to publicly justify this level, and any bonus in excess of £50,000, to the relevant Secretary of State.

All public sector bodies subject to direct ministerial control will be required to publish the salary, including benefits in kind and the level of any bonus, of named individuals paid more than £150,000. The Government will expect all other public bodies to comply with this level of disclosure.

British Citizenship

Question

Asked by ***Lord Avebury***

To ask Her Majesty's Government whether the British Consulate-General in Hong Kong have approached the Consulate General of India to inform them that in connection with applications for British citizenship, British Nationals (Overseas) with a connection to Hong Kong who were born in India, have a parent who holds Indian citizenship, or have lived in India at any time for more than five years will be expected to submit personalised letters from the Indian authorities stating whether they hold Indian citizenship or nationality, whether they previously held Indian citizenship or nationality,

and the date on which the person ceased to hold Indian citizenship or nationality and why; and, if not, whether they will write to the Indian Consulate General explaining the requirement for the letters and request them to issue such letters, and place a copy in the Library of the House together with any response received. [HL1643]

The Minister of State, Foreign and Commonwealth Office (Baroness Kinnock of Holyhead): No, as they are already used to dealing with such requests.

Carers

Question

Asked by ***Lord Bradley***

To ask Her Majesty's Government when they will review the level of the Carer's Allowance. [HL1782]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The level is reviewed annually and uprated in April, in line with the September Retail Prices Index. This year, however, the September Retail Prices Index was negative so, as announced in the uprating statement, to help carers during the early stages of economic recovery we are proposing bringing forward a 1.5% increase. This means that the weekly rate of carer's allowance will be increased from £53.10 to £53.90 in April 2010.

We also propose to increase the carer's allowance weekly earnings limit from £95 to £100 in April 2010.

Children: Healthy Eating

Question

Asked by ***Lord Dykes***

To ask Her Majesty's Government what proposals they have to promote healthy potato eating, particularly amongst children. [HL1893]

Baroness Thornton: As part of a balanced diet, the Government continue to recommend that starchy foods, including potatoes, should make up about a third of the food that is eaten. The Government have no immediate plans to promote one particular starchy food above another. All government healthy eating messages look to promote food choices that are lower in saturated fat, sugars and salt.

The Government utilise a variety of mechanisms and approaches to promote healthy eating messages to different target audiences, including children and young people, for example through written resources, websites and consumer awareness raising campaigns.

Community Cohesion

Question

Asked by ***Baroness Warsi***

To ask Her Majesty's Government how much money has been (a) allocated, and (b) committed, for community cohesion projects in (1) 2009–10, and (2) 2011–12. [HL1573]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): £23 million has been committed and allocated to local authorities for community cohesion work for the year 2009-10. No money has been allocated or committed to cohesion projects for the year 2011-12.

Community Relations

Question

Asked by ***Baroness Warsi***

To ask Her Majesty's Government when they expect the University of Cambridge to publish its report on contextualising Islam in Britain. [HL1679]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): Cambridge University, with the universities of Exeter and Westminster, published this report on Tuesday 6 October 2009, and it was launched by my honourable friend the member for Dewsbury (Shahid Malik).

The report can be found on the following web site:

http://www.cis.cam.ac.uk/CIBP.html.

Constable of the Tower of London

Question

Asked by ***Lord Foulkes of Cumnock***

To ask Her Majesty's Government on how many days since his appointment the Constable of the Tower of London has used the accommodation provided for him. [HL1311]

The Minister for International Defence and Security (Baroness Taylor of Bolton): The Constable of the Tower is an appointment made by Her Majesty the Queen based on advice from the Chiefs of Staff. However, the Tower of London and its trustees are managed by Historic Royal Palaces, an independent charity, which is sponsored by the Department of Culture, Media and Sport.

Education: ESOL

Question

Asked by ***Baroness Warsi***

To ask Her Majesty's Government further to the Written Answer by Lord Young of Norwood Green on 14 December 2009 (WA 176–7), how much of the £600 million to be invested in Skills for Life in 2010–11 will be spent on providing English language instruction. [HL1724]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Lord Young of Norwood Green): The funding spent by the Learning and Skills Council on English for Speakers of Other Languages (ESOL) provision in academic

years 2005-06, 2006-07 and 2007-08 was given in my Answer to the noble Baroness on 14 Dec 2009*, Official Report,* col. WA 177.

The final figure for actual spend in 2008-09 is not yet available and it is not possible at this stage to provide information on how much will be spent in the current year or future years. However, the overall Skills for Life budget remains at a similar level to previous years, and assumptions around the proportion that will be spent on ESOL also remain the same. While training organisations have autonomy to decide how to allocate Skills for Life funding between literacy, numeracy and ESOL in order to meet government targets and respond to local demand, we would expect the level of investment in ESOL to remain at a similar level to previous years.

We are working with employers, employer organisations and Trade Unions as well as Sector Skills Councils and other stakeholders to ensure ESOL provision continues to meet their needs in helping people to obtain and progress in employment as well as promoting and supporting community cohesion.

Embryology

Questions

Asked by ***Lord Alton of Liverpool***

To ask Her Majesty's Government whether they will place in the Library of the House a copy of the internal background note for each parliamentary question tabled by Lord Alton of Liverpool and answered by the Department of Health since January 2009. [HL1639]

Baroness Thornton: Background notes for the 130 parliamentary questions tabled and answered since January 2009 have been placed in the Library. Sensitive personal information has been removed.

Asked by ***Lord Alton of Liverpool***

To ask Her Majesty's Government further to the Written Answers by Baroness Thornton on 27 January (WA 337), what have been the costs to date incurred by the Consent Order described in the Human Fertilisation and Embryology Authority's press statement of 13 October 2008; and whether any additional costs were incurred by the Authority in the form of professional and administrative fees. [HL1767]

To ask Her Majesty's Government further to the Written Answers by Baroness Thornton on 27 January (WA 337), whether the cited costs take account of a failed disciplinary action against Dr Mohamed Taranissi that had been brought before the General Medical Council; and what role was played by any members of the Human Fertilisation and Embryology Authority in those proceedings. [HL1768]

To ask Her Majesty's Government further to the Written Answers by Baroness Thornton on 27 January (WA 337), whether any costs were paid to Charles Lewington for services to the Human Fertilisation and Embryology Authority; and, if so, what were the associated costs and the nature of any services provided. [HL1769]

To ask Her Majesty's Government further to the Written Answers by Baroness Thornton on 27 January (WA 337) regarding employment by the Department of Health of a former member of the Human Fertilisation and Embryology Authority (HFEA) responsible for the warrant and overturned licensing decision, (a) what were the subsequent responsibilities of the individual concerned when employed as Director of Public Health Performance and Delivery; (b) whether an increase in salary was associated with this position compared to the individual's previous earnings when employed by the HFEA; and (c) what judgments had been made regarding the previous performance of this individual during the course of judicial proceedings. [HL1770]

Baroness Thornton: The responsibilities of the Director of Public Health Performance and Delivery included:

strengthening the strategic coordination of public health;

sexual health;

social marketing principles;

drug abuse and blood-borne disease;

stop smoking services/sale and promotion of tobacco products; and

analytical input into health improvement and public health delivery.

There was no increase in salary associated with this position compared to the individual's previous earnings when employed at the HFEA.

No judgments have been made by the Department of Health on the individual's performance during judicial proceedings.

Asked by Lord Alton of Liverpool

To ask Her Majesty's Government what were the dates for Human Fertilisation and Embryology Authority (HFEA) inspections of centres 0017, 0157 and 0206 since 2004; whether each of these inspections was unannounced; what were the names of the inspectors on each occasion; and what were the names of HFEA licence committee members who reviewed information from these inspections. [HL1771]

Baroness Thornton: The Human Fertilisation and Embryology Authority (HFEA) has advised that as a result of the consent order it met the applicant's legal costs of £188,754, which included interest. Other costs were incurred in the form of professional and administrative fees, which were met by the authority's overall budget for those fees. The total cost of the authority's professional and administrative fees is outlined in its annual reports, copies of which are in the Library and available on the HFEA's website at: www.hfea.gov.uk.

The cited costs do not take into account the General Medical Council (GMC) proceedings that the noble Lord refers to because the authority was not party to these proceedings. No members of the authority played a role in these proceedings. Two members of staff and

one former member of staff provided witness statements to the GMC. Subsequently, one of the members of staff and the former staff member were called upon to give evidence to the GMC. Some minor costs were incurred in this regard.

The HFEA has advised that it paid Hanover Communications, of which Charles Lewington is managing director, £71,184 for services provided by his public relations consultancy during 2007 and 2008.

The HFEA has also advised that the nature of an inspection, the members of the authority and the members of staff involved, are outlined in the relevant inspection reports and licence committee meeting minutes, the most recent of which are published on the authority's website. The HFEA has advised that it will take a significant amount of time to compile the information requested by the noble Lord, relating to inspection reports and licence committee minutes since 2004. Therefore, I have asked the authority's interim chief executive to endeavour to complete this work within 20 working days and I will write to the noble Lord as soon as I receive the information and place a copy of my letter in the Library.

Employment

Questions

Asked by ***Lord Ouseley***

To ask Her Majesty's Government how many jobs have been created for British people since the Prime Minister's announcement in 2007. [HL1049]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The information is not available in the format requested.

Against the backdrop of the global economic downturn, employment of UK nationals fell by 483,000 between Q3 2007 and Q3 2009, and stands at 26.725 million in Q3 2009. UK nationals represent over 90% of those in employment.

The Government have invested significantly since the recession started to help those on out-of-work benefits get back to work, substantially increasing funding to Jobcentre Plus to enable it to expand its services to jobseekers and announcing a substantial package of new measures to provide people with extra support prior to redundancy, when they are newly unemployed, and at the six-month and 12-month points of their claim.

Overall, as a result of measures we have taken, the impact on the labour market has been less marked than in previous recessions. Between the three months to the end of May 2008 and the three months to end of October 2009, total employment is down by 637,000 (2.2 per cent), compared to a 1.1 million (4.2 per cent) fall over a similar period in the 1990s and 785,000 (3.1 per cent) in the 1980s.

Asked by ***Lord Bradley***

To ask Her Majesty's Government what percentage of employed people in each constituency in Greater Manchester work in (a) the public sector, (b) the private sector, and (c) the voluntary sector. [HL1781]

Baroness Crawley: The information requested falls within the responsibility of the UK Statistics Authority. I have asked the authority to reply.

Letter from Stephen Penneck, dated 2 February 2010.

Dear Lord Bradley,

As Director General for the Office for National Statistics, I have been asked to reply to your Question asking what percentage of employed people in each constituency in Greater Manchester work in (a) the public sector, (b) the private sector, and (c) the voluntary sector. [HL1781]

The Office for National Statistics (ONS) compiles employment statistics for local areas from the Annual Population Survey (APS) following International Labour Organisation (ILO) definitions.

Individuals are classified to the public or private sector according to their responses to the APS. Consequently, the classification of an individual's sector may differ from how they would be classified in the national accounts. Estimates of persons working in the voluntary sector are not available from the APS.

Table 1 shows the number and percentage of persons employed in the public and private sectors in each constituency in Greater Manchester from the APS for the period July 2008 to June 2009. As with any sample survey, estimates from the APS are subject to a margin of uncertainty. A guide to the quality of the estimates is given in table 1.

National and local area estimates for many labour market statistics, including employment, unemployment and claimant count, are available on the NOMIS website at http://www.nomisweb.co.uk.

Table 1: Number and percentage of persons in employment in the public and private sectors, resident in Parliamentary Constituencies in Greater Manchester, July 2008 to June 2009

	Private		*Public*	
	Number[1] (thousands)	*per cent*	*Number[1] (thousands)*	*per cent*
Altrincham and Sale West	36**	78	10***	22
Ashton under Lyne	30**	77	9***	23
Bolton North East	24***	77	7***	23
Bolton South East	30**	71	12***	29
Bolton West	31**	72	12***	28
Bury North	32**	74	11***	26
Bury South	31**	75	10***	25
Cheadle	30**	77	9***	23
Denton and Reddish	35**	78	10***	22
Eccles	32**	73	12***	27
Hazel Grove	26**	74	9***	26
Heywood and Middleton	33**	75	11***	25

Table 1: Number and percentage of persons in employment in the public and private sectors, resident in Parliamentary Constituencies in Greater Manchester, July 2008 to June 2009

	Private		Public	
	Number[1] (thousands)	per cent	Number[1] (thousands)	per cent
Leigh	31**	75	10***	25
Makerfield	31**	75	11***	25
Manchester, Blackley	30***	-	-****	-
Manchester Central	27***	70	12***	30
Manchester, Gorton	27***	-	-****	-
Manchester, Withington	33***	69	15***	31
Oldham East and Saddleworth	34**	72	13***	28
Oldham West and Royton	30**	74	10***	26
Rochdale	31**	74	11***	26
Salford	24**	78	6***	22
Stalybridge and Hyde	30**	74	11***	26
Stockport	32**	72	12***	28
Stretford and Urmston	28**	74	10***	26
Wigan	32**	76	10***	24
Worsley	34**	77	10***	23
Wythenshawe and Sale East	45**	80	11***	20

Source: Annual Population Survey - Estimates are considered too unreliable for practical purposes

[1] Coefficients of Variation have been calculated as an indication of the quality of the estimates. See Guide to Quality below.

Guide to Quality: The Coefficient of Variation (CV) indicates the quality of an estimate. The smaller the CV value, the higher the quality.

Coefficient of Variation

Key	(CV) (%)	Statistical Robustness
*	0 CV < 5	Estimates are considered precise.
**	5 CV < 10	Estimates are considered reasonably precise.
***	10 CV < 20	Estimates are considered acceptable.
****	CV 20	Estimates are considered too unreliable for practical purposes

Environment: Dry Stone Walling

Question

Asked by ***Baroness Byford***

To ask Her Majesty's Government how many miles of dry stone walling restoration have been completed with assistance from the Countryside Stewardship Scheme since 2002. [HL1921]

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Davies of Oldham): A total of 984 kilometres (611.4 miles) of stone walls have been restored under the Countryside Stewardship Scheme (CSS) since 2000. A further 135 kilometres (83.8 miles) have been restored under the Higher Level Stewardship strand of Environmental Stewardship since 2005, making a total of 1,119 kilometres (695 miles).

Environment: Hedgerows

Question

Asked by ***Baroness Byford***

To ask Her Majesty's Government how many miles of hedgerow have been created over each of the past 10 years. [HL1922]

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Davies of Oldham): It is not possible to provide an annual breakdown of figures. Since 2000 some 4,467 kilometres (2,775.6 miles) of hedgerow have been planted under three main agri-environment schemes: Countryside Stewardship, Environmentally Sensitive Areas and the Higher Level Stewardship strand of Environmental Stewardship.

Environment: Sites of Special Scientific Interest

Questions

Asked by ***Baroness Byford***

To ask Her Majesty's Government which sites of special scientific interest have been subject to management schemes; when each scheme commenced; which sites have been served a management notice; and when such management notices were served. [HL1919]

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Davies of Oldham): To date, only one SSSI management scheme has been served. This was served on Kings and Bakers Woods and Heaths site of special scientific interest, which is located in Bedfordshire and Buckinghamshire. It was notified on 1 July 2004 and confirmed on 10 November 2004. No objections or representations were received. The scheme outlined the woodland management required in order for the SSSI to achieve favourable condition.

To date, no SSSI management notices have been served.

Asked by ***Baroness Byford***

To ask Her Majesty's Government what percentage of the total area of Sites of Special Scientific Interest is in a favourable condition. [HL1967]

Lord Davies of Oldham: The Government have a public service agreement target for 95 per cent of SSSIs by area to be in favourable or recovering condition by December 2010; 90.95 per cent of sites of special scientific interest are now in target condition. This is

made up of sites in both favourable and recovering condition. The percentage in favourable condition is 43.37 and that in recovering is 47.57.

Equality Bill

Question

Asked by ***Lord Pearson of Rannoch***

To ask Her Majesty's Government which European legislation is being transposed by the Equality Bill. [HL1430]

The Chancellor of the Duchy of Lancaster (Baroness Royall of Blaisdon): The Government have transposed all existing equality directives by means of legislation currently in force. The Equality Bill replaces this legislation. The principal legislation replaced by the Bill is set out in paragraph 4 of the Explanatory Notes to the Bill, and the main European directives affecting the legislation are set out in paragraph 5.

Food: Additives

Question

Asked by ***Lord Taylor of Holbeach***

To ask Her Majesty's Government how they will implement EC Regulation 133/2008 on food additives; and when. [HL1886]

Baroness Thornton: EC Regulation 1333/2008 on Food Additives is directly applicable in the United Kingdom; however, statutory instruments (SIs) are required in each of England, Wales, Scotland and Northern Ireland to provide for enforcement and the necessary arrangements for the transition from legislative framework governed by European directives to one governed by directly applicable European regulations.

In England, these are the Food Additives Regulations 2009 (to enforce the EC regulation and to prescribe penalties for non-compliance), and The Food (Jelly Mini-cups) (Emergency Control) Regulations 2009 (required to ensure legal continuity with regard to these products).

These SIs came into force on 20 January 2010 in line with the application date of the EC regulation. Separate but similar SIs also came into force in Scotland, Wales and Northern Ireland.

Food: Irradiation

Question

Asked by ***Lord Dykes***

To ask Her Majesty's Government what resources they are planning to protect and inform the public of the incidence of irradiated foodstuffs. [HL1817]

Baroness Thornton: Regulations are in place across the United Kingdom covering the sale and import of irradiated food and the licensing and inspection of food irradiation facilities.

Local authorities take targeted samples of products on sale as part of their routine enforcement work. European Directive 1999/2/EC requires the results of this sampling for irradiated foods to be reported to the European Commission and published annually in the *Official Journal*.

The Food Standards Agency (FSA) works with local authorities to take action where illegally irradiated or mislabelled products are discovered. The FSA has also set up regular meetings with representatives of the food supplement industry on improving traceability and sampling of ingredients and to assist in producing an industry guidance document to help improve compliance with food irradiation legislation.

All irradiated foods, or foods containing irradiated ingredients, must be labelled with the words "irradiated" or "treated with ionising radiation". This is a requirement of the Food Labelling Regulations 1996, as amended.

Food: Labelling

Question

Asked by ***Lord Dykes***

To ask Her Majesty's Government what assessment they have made of the support amongst European Union member states for country of origin labelling on meat, dairy and poultry products. [HL1895]

Baroness Thornton: There are a range of indicative views held by European Union member states on origin labelling. Detailed discussion on the review of origin labelling in the proposal for the Food Information Regulation has yet to be held. So we expect member states positions to become clearer, but there seems to be widespread support for more information for consumers.

Food: Salt

Question

Asked by ***Lord Dykes***

To ask Her Majesty's Government when they will meet representatives of United Kingdom restaurant owners and managers to discuss providing information to customers on salt content in dishes. [HL1892]

Baroness Thornton: The Food Standards Agency (FSA) holds regular meetings with more than 40 major United Kingdom caterers and with trade bodies representing the catering industry, to promote healthier catering and provision of information to consumers. Discussions on activities relating to salt, including the provision of information to consumers about the salt content in dishes, are key components of these meetings.

This work supports the Westminster Government's Healthy Weight Healthy Lives strategy, and forms part of the Healthy Food Code of Good Practice, which challenges industry to provide clear, effective and simple to understand nutrition information to consumers when eating out. The first step of this work has been the development of a scheme for the provision of calorie information. Consideration of wider consumer nutrition information needs will then follow.

Government Departments: Bonuses

Questions

Asked by ***Lord Newby***

To ask Her Majesty's Government for each of the last three years for which figures are available, how many people were eligible for performance bonuses and special bonuses in the Department for Business, Innovation and Skills and its agencies, by civil service band; how many people received each type of bonus, by civil service band; what the average payment was for each type of bonus, by civil service band; and what the maximum payment was for each type of bonus, by civil service band [HL33]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Lord Young of Norwood Green): An element of the BIS overall pay award for staff below the SCS is allocated to non-consolidated variable pay related to performance. These payments are used to drive high performance and form part of the pay award. There are two types of award: in-year bonuses, which consist of special individual performance awards and non-pay rewards that recognise strong performance in particularly demanding tasks for situations. Staff in receipt of a special bonus may also have received an annual performance award. Annual performance awards are paid to members of staff who receive a highly successful performance rating.

Non-consolidated variable pay awards are funded from within existing pay bill controls, and have to be re-earned each year against predetermined targets and, as such, do not add to future pay bill costs.

Performance awards for the SCS are part of the pay system across the whole Senior Civil Service, and are used to reward high performance sustained throughout the year, based on judgments of how well an individual has performed relative to their peers. The performance-related pay scheme is designed to help drive high performance and support better public service delivery. Performance awards are non-consolidated and non-pensionable. The percentage of the pay bill set aside for performance-related awards for the SCS is based on recommendations from the independent Senior Salaries Review Body.

BIS was formed through a Machinery of Government change that occurred in June 2009. The department was created by merging the Department for Business Enterprise and Regulatory Reform (BERR) and the Department for Innovation, Universities and Skills (DIUS). DIUS and BERR were themselves created as part of a machinery of government change in June 2007. This means that BIS in its current format did not exist to award performance awards in any of the previous three years. The information below has been drawn from various data sources and provides details for both of the former departments that were merged to create BIS.

BERR End of Year Variable Pay Awards

	Financial Year 2006-07		*Financial Year 2007-08*		*Financial Year 2008-09*	
	SCS	*Non-SCS*	*SCS*	*Non-SCS*	*SCS*	*Non-SCS*
Number of staff who received a non-consolidated performance payment	152	1,134	143	922	141	830
Average value of non-consolidated performance payment	£7,520	£1,225	£7,874	£1,236	£8,582	£1,242
The value of maximum non-consolidated payment	£15,000	£1,950	£16,500	£1,950	£17,000	£1,950
Percentage of SCS paybill set aside for non-consolidated performance payments	6.50%	N/A	7.60%	N/A	8.60%	N/A

DIUS End of Year Variable Pay Awards

	Financial Year 2006-07		*Financial Year 2007-08*		*Financial Year 2008-09*	
	SCS	*Non-SCS*	*SCS*	*Non-SCS*	*SCS*	*Non-SCS*
Number of staff who received a non-consolidated performance payment	DIUS was not created until May 2007		20	4	33	180
Average value of non-consolidated performance payment			£9,141	£888	£7,401	£1,188
The value of maximum non-consolidated payment			£20,000	£1,700	£20,000	£2,166
Percentage of SCS paybill set aside for non-consolidated performance payments			7.60%	N/A	8.60%	N/A

In addition, during these years a small number of individuals were employed by BERR and DIUS on non-standard SCS contracts that linked a higher percentage of their pay to delivery-based objectives. In 2006 the highest 2006 non-consolidated award was £27,794, in 2007 the highest non-consolidated award was £31,000 and in 2008 the highest non-consolidated award was £45,000.

In-Year Variable Pay Awards

	Financial Year 2006-07		Financial Year 2007-08		Financial Year 2008-09	
	BERR	DIUS	BERR	DIUS	BERR	DIUS
Number of staff who received a non-consolidated performance payment	919	DIUS was not created until May 2007	1,238	N/A	1,218	N/A
Average value of non-consolidated performance payment	£535		£560		£482	
The value of maximum non-consolidated payment	£5,000		£5,000		£4,721	

1. In 2007-08 the majority of DIUS staff received a performance award from their previous department where they had spent the previous reporting year.

2. For DIUS staff, in-year performance awards are given as vouchers and are administered locally at group level so we are unable to provide a detailed breakdown by grade. The total spend on in-year performance awards in 2007-08 was £21,125 and in 2008-09 was £13,855.

3. We are unable to provide combined in-year and annual performance data as we are unable to identify the number of staff who received both an annual and an in-year reward.

4. In all three years the total value of the bonuses paid was approximately 1.5 per cent of the total department's pay bill.

Asked by **Baroness Northover**

To ask Her Majesty's Government for each of the last three years for which figures are available, how many people were eligible for performance bonuses and special bonuses in the Department of Energy and Climate Change and its agencies, by civil service band; how many people received each type of bonus, by civil service band; what the average payment was for each type of bonus, by civil service band; and what the maximum payment was for each type of bonus, by civil service band. [HL47]

The Minister of State, Department of Energy and Climate Change (Lord Hunt of Kings Heath): The Department of Energy and Climate Change (DECC) was created in October 2008, to bring together:

energy policy (previously with BERR, which is now BIS, the Department for Business, Innovation and Skills); and

climate change mitigation policy (previously with Defra, the Department for Environment, Food and Rural Affairs).

Therefore, the reply to this Question in respect of the Department of Energy and Climate Change is included in the Answer given today to the noble Lord, Lord Newby, by my noble friend the Minister for Postal Affairs and Employment Relations and the Answer given by my noble friend the Parliamentary Under-Secretary of State for the Department for Environment, Food and Rural Affairs to Written Questions from the noble Lord Newby on 19 January 2010 (*Official Report*, cols. *WA230-232*).

Gurkhas

Question

Asked by **Lord Selkirk of Douglas**

To ask Her Majesty's Government what was the annual amount in sterling of the pension paid under the Gurkha pension scheme in each year from 1973 to 2000 to a retired Gurkha rifleman with 15 years' service who retired in 1973 aged 33; and what was the total paid out. [HL1787]

The Minister for International Defence and Security (Baroness Taylor of Bolton): The annual amounts in sterling of the pension for a rifleman with 15 years' service who retired in 1973, regardless of age on discharge, are only available for the period 1996 to 2000 and are shown in the table below. Rates prior to this are not centrally held. However, estimates have previously been made for the period 1 April 1986 to 1 April 1995. These are also shown in the table below.

Year—as at 1 April	Actual	Estimated
1986		£301
1987		£311
1988		£295
1989		£299
1990		£279
1991		£236
1992		£243
1993		£280
1994		£294
1995		£303
1996	£340	
1997	£345	
1998	£323	
1999	£334	
2000	£852	
Totals	£2,194	£2,841

While these sums appear modest by United Kingdom standards, the fact remains that Gurkha pensions were designed for life in Nepal where they constituted a good income.

Recent calculations on the value of Gurkha pensions have shown that a Gurkha rifleman who retired in 1994 aged 33 would have received some £61,000 at 2009 prices by the age of 60 before a soldier of the same service and rank in the Armed Forces pension scheme received any pension at all.

Health: Bilateral Agreements

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government how much was paid to the Isle of Man, Guernsey, Jersey and the Republic of Ireland by the United Kingdom under reciprocal health agreements in each of the last three years; and how much was paid by them to the United Kingdom. [HL1650]

Baroness Thornton: The United Kingdom Government pay an allocation to the Isle of Man, and paid an allocation to the Channel Islands as part of the reciprocal healthcare agreements held with both Crown Dependencies. The allocations are shown in the following table. The UK did not receive any financial income in return.

Financial allocation provided to Jersey	
2007-08	£3,828,000
2006-07	£3,611,000
2005-06	£2,358,000

Financial allocation provided to Guernsey	
2007-08	£504,000
2006-07	£475,000
2005-06	£626,000

Financial allocation provided to the Isle of Man	
2008-09	£2,800,000
2007-08	£2,650,000
2006-07	£2,500,000

In contrast to the reciprocal healthcare agreements with Crown Dependencies, the agreement with Ireland is based on European Social Security legislation. Payments made in any one year do not necessarily relate to costs incurred within that year.

Within that context, the net payments the UK made to Ireland in each of the last three years are shown in the following table:

Year	*Net payment to Ireland*
2009	€286,579,608
2008	€100,000,000
2007	€450,000,000

Health: Care Assistants

Question

Asked by ***Lord MacKenzie of Culkein***

To ask Her Majesty's Government what consideration they are giving to requiring the regulation of healthcare assistants by the Nursing & Midwifery Council or the Health Professions Council. [HL1831]

Baroness Thornton: The department is considering the case for extending statutory regulation to any new groups in light of the recommendations of the Extending Professional Regulation Working Group.

No decisions on the regulation of healthcare assistants have yet been taken/ We are aware that the Nursing and Midwifery Council has commissioned research in this area.

Health: Contaminated Blood Products

Questions

Asked by ***Lord Morris of Manchester***

To ask Her Majesty's Government further to the Written Answer by Baroness Thornton on 28 January (*Official Report*, 28/1/10; col. 367 WA), when they will respond to the letter sent by the Macfarlane Trust; and in what terms. [HL1833]

Baroness Thornton: The letter from the Macfarlane Trust suggested that comments I made during the second reading debate of the Contaminated Blood (Support for Infected Persons) Bill on 11 December 2009, were incorrect and that the Official Record should be corrected. I responded to the Macfarlane Trust on 5 February 2010, stating that my comments about insurance were based on advice that the Department of Health has received from the Association of British Insurers (ABI). The ABI stated that the general principle of insurance is that for voluntary insurance products, insurers must be able to offer terms that reflect the risk that an individual brings to the risk pool depending on, for example, the person's occupation, medical history and lifestyle. Depending upon the level of risk that an individual brings to the risk pool, the possible outcomes for someone applying for insurance could be:

standard terms and conditions; or

no cover offered due to an unacceptable level of risk; or

a higher premium due to increased mortality or morbidity; and/or

partial cover due to increased mortality or morbidity.

This is consistent with my statement that in all cases, a person's insurability and the level of premiums are determined by the assessment of their individual risk. It is therefore not appropriate to amend the *Official Report*.

Recognition of the higher cost of insurance premiums was one of the factors taken into account in making the extra payments to those infected with HIV.

Asked by ***Viscount Simon***

To ask Her Majesty's Government further to the Written Answer by Baroness Thornton on 28 January (WA 367), what representations were made in the letter sent by the Macfarlane Trust. [HL1844]

Asked by ***Viscount Simon***

To ask Her Majesty's Government further to the Written Answer by Baroness Thornton on 28 January (WA 367), what action they have taken arising from the letter sent by the Macfarlane Trust. [HL1845]

Baroness Thornton: The letter from the Macfarlane Trust suggested that comments I made during the second reading debate of the Contaminated Blood (Support for Infected Persons) Bill on 11 December 2009, were incorrect and that the Official Record should be corrected. I responded to the Macfarlane Trust on 5 February 2010, stating that my comments about insurance were based on advice that the Department of Health has received from the Association of British Insurers (ABI). The ABI stated that the general principle of insurance is that for voluntary insurance products, insurers must be able to offer terms that reflect the risk that an individual brings to the risk pool depending on, for example, the person's occupation, medical history and lifestyle. Depending upon the level of risk that an individual brings to the risk pool, the possible outcomes for someone applying for insurance could be:

standard terms and conditions; or

no cover offered due to an unacceptable level of risk; or

a higher premium due to increased mortality or morbidity; and/or

partial cover due to increased mortality or morbidity.

This is consistent with my statement that in all cases, a person's insurability and the level of premiums are determined by the assessment of their individual risk. It is therefore not appropriate to amend the *Official Report*.

Recognition of the higher cost of insurance premiums was one of the factors taken into account in making the extra payments to those infected with HIV.

Health: Dementia

Question

Asked by ***Lord Morris of Manchester***

To ask Her Majesty's Government what is their estimate of the number of people with dementia who, following diagnosis, are receiving appropriate social and medical care; and what is their estimate of the percentage for whom only crisis or late stage care is provided. [HL1832]

Baroness Thornton: This information is not collected centrally. The National Dementia Strategy, published a year ago, outlines the range of services that we want to see delivered so that people can live well with dementia. The department is commissioning an audit of dementia services across health and social care.

Health: EU Resident Citizens

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government further to the Written Answer by Baroness Thornton on 2 February (WA 42), what is the average cost of healthcare per head in other countries covered by European Union Healthcare Costs Regulations 1408/71 and 574/72 on which United Kingdom payments are based. [HL1897]

Baroness Thornton: The following table shows the latest annual average costs for state pensioners and their dependents for all other member states of the European Economic Area and Switzerland, as published in the *Official Journal of the European Union*. Denmark and Iceland do not claim reimbursement for state pensioners living there, and so do not publish annual average costs. Bulgaria and Romania are yet to produce average costs since their accession to the European Union in 2007. Average costs are calculated for calendar years, in arrears, and are published in the local currency of the member state.

Country	*Currency*	*Annual Average Cost*	*Claim Year*
Austria	EURO	4,437.30	2007
Belgium	EURO	4,775.84	2007
Cyprus	EURO	816.63	2005
Czech Republic	CZK	40,758.70	2007
Estonia	EEK	12,710.56	2007
Finland	EURO	3,799.91	2005
France	EURO	5,202.72	2007
Germany	EURO	4,558.33	2007
Greece	EURO	2,169.08	2006
Hungary	HUF	236,088.00	2007
Ireland	EURO	6,789.44	2004
Italy	EURO	2,704.45	2006
Latvia	LVL	320.07	2007
Liechtenstein	CHF	8,459.40	2007
Lithuania	LTL	2,241.18	2007
Luxembourg	EURO	8,432.37	2007
Malta	EURO	1,479.27	2006
Netherlands	EURO	9,212.14	2007
Norway	NOK	74,640.00	2007
Poland	PLN	2,203.05	2005
Portugal	EURO	1,845.42	2006
Slovakia	EURO	977.77	2005
Slovenia	EURO	1,559.55	2007
Spain	EURO	3,242.51	2007
Sweden	SEK	43,515.81	2007
Switzerland	CHF	6,836.65	2007

Health: Former UK Residents

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government further to the Written Answer by Baroness Thornton on 2 February (WA 26), what are the terms of the agreement with the Republic of Ireland on the closure of the 2003–06

European Union healthcare costs account and the terms of settlement for 2007–09; what is the new system for agreeing the number of pensioners each country will be liable for; and what are the figures involved. [HL1896]

Baroness Thornton: Historically, the system for agreeing the number of pensioners each country will be liable for has been derived from a triennial survey.

Under to terms of the agreement reached with Ireland for years 2003-06, both countries agreed to move to a per capita basis, rather than a per family basis. For the years 2007-09, the United Kingdom has agreed to accept liability for 40 per cent of the pensioner caseload.

For future years, we are examining the practicalities of a system of pensioner registration.

Health: Reciprocal Agreements

Question

Asked by ***Lord Wallace of Tankerness***

To ask Her Majesty's Government what was the net surplus or deficit experienced by the National Health Service in the financial years 2007-08 and 2008-09 arising out of the reciprocal health agreements between the United Kingdom and (a) the Isle of Man, (b) Jersey, (c) Guernsey, (d) Azerbaijan, (e) Georgia, (f) Ukraine, (g) Moldova, and (h) Serbia. [HL1888]

Baroness Thornton: The net deficit, based on the financial allocation provided under the bilateral healthcare agreement with the Isle of Man for 2007-08 and 2008-09 was £2.65 million and £2.8 million respectively. Over the same period, the net deficit, based on the financial allocation provided under the bilateral healthcare agreement with the Channel Islands was £4.332 million and £6,390,672.

The agreements with Azerbaijan, Georgia, Ukraine, Moldova and Serbia do not involve financial transactions.

Health: Republic of Ireland

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government further to the Written Answer by Baroness Thornton on 20 January (WA 265), how many citizens of the Republic of Ireland seeking medical treatment in Northern Ireland presented E112 forms; and how much was reclaimed as a result. [HL1929]

Baroness Thornton: The following table shows the number of E112 forms issued in the Republic of Ireland and received by hospitals in Northern Ireland for planned treatment, and the combined cost of those treatments for which the United Kingdom claims reimbursement from the Republic of Ireland. Comparable data for previous years is not available.

Treatment year	*Number of E112 forms*	*Claim Cost*
2007	28	£17,723.77
2008	27	£26,986.50

Health: Tuberculosis-HIV Co-infection

Questions

Asked by ***Baroness Masham of Ilton***

To ask Her Majesty's Government how they are combating tuberculosis-HIV co-infection in the United Kingdom and overseas. [HL1801]

Baroness Thornton: The following guidance documents have recommendations about tuberculosis (TB) and human immunodeficiency virus (HIV) co-infected patients, and the Department recommends that all service users follow these recommendations:

Clinical Diagnosis and Management of Tuberculosis, and Measures for its Prevention and Control (National Institute for Clinical Excellence (NICE), 2006);

Tuberculosis Prevention and Treatment: a Toolkit for Planning, Commissioning and Delivering High-Quality Services in England (DH, 2007);

Recommended Standards for NHS HIV Services (2003);

HIV in Primary Care (2004); and

HIV for non-HIV Specialists (2008)

Copies of the documents have already been placed in the Library. Other Governments within the United Kingdom either follow these recommendations, or have developed their own local versions.

The NICE guidelines recommend that all patients with tuberculosis should have a risk assessment for HIV, and upon sufficient suspicion that patient should be offered an HIV test along with any counselling required. NICE has clear recommendations about joint case management for co-infected cases by both TB and HIV professions. All London TB services have adopted a policy of automatically offering all TB patients an HIV test.

The government response to TB-HIV co-infection overseas is led by the Department for International Development (DFID). There is a commitment of £1 billion between 2007 and 2015 to the Global Fund to fight AIDS, Tuberculosis and Malaria and a 20-year (2006 2026), commitment to the international drugs purchase facility UNITAID which is helping to increase access to and affordability of HIV and TB drugs.

The Government also support the scale-up efforts to deliver universal access to TB and HIV prevention, treatment, care and support services by 2015; to strengthen health systems; to integrate health services, including HIV and TB; and to increase investment and facilitate research to promote the development of better tools for prevention, diagnosis and treatment of TB.

Health: Vaccinations

Question

Asked by ***Baroness Masham of Ilton***

To ask Her Majesty's Government how they are supporting the research and development of more effective diagnostics of, and vaccines against, tuberculosis. [HL1800]

Baroness Thornton: The Government have provided funding for novel diagnostic and vaccine research for tuberculosis (TB) to academia and the Health Protection Agency (HPA).

The HPA has developed novel diagnostic assays to detect the TB bacterium and to identify drug resistant strains, particularly multi- and extensive drug resistant strains.

Through its specialist facilities for preclinical vaccine evaluation studies, the HPA is also conducting research on more effective vaccines against TB.

The National Institute for Health Research (NIHR) has separately funded the HPA to evaluate the predictive value of interferon gamma (IGRA) tests for the diagnosis of latent tuberculosis infection, and to review the evidence for the duration of protection offered by current TB vaccine (BCG).

Internationally, the Government are funding the Foundation for Innovative New Diagnostics (FIND) for £5 million between 2009-14 to support their work on diagnostics for a range of diseases, including TB. The Government are also funding Aeras Global TB Vaccine Foundation for £8 million between 2009-14 to support development of new TB vaccines.

In addition, the Government have provided £12 million for 2008-13 to the Tropical Disease Research (TDR) special research programme based at the World Health Organization. TDR is involved in a wide range of research including research on TB diagnostics.

Higher Education: Finance

Question

Asked by ***Lord Dykes***

To ask Her Majesty's Government what has been the effect of the recession on the cash balances and reserves of higher education institutions since 2008. [HL1819]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Lord Young of Norwood Green): The Higher Education Funding Council for England (HEFCE) last published its assessment of the financial health of the higher education sector in July 2009. The circular *Single Conversation: Annual Accountability Returns* can be found on the HEFCE website at www.hefce.ac.uk/pubs/hefce,2009,09_26. The next assessment is due to be published in July 2010.

Higher Education: Overseas Students

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government what is their estimate of the net annual financial benefit to the United Kingdom of students from non-European Union countries attending United Kingdom (a) public sector universities and colleges, and (b) private colleges. [HL1899]

The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills (Lord Young of Norwood Green): Estimates of the financial benefit to the UK of overseas students attending publicly funded higher education institutions, for the 2007-08 academic year, include the following:

HEI income from non-EU students was £1.88 billion;

personal off-campus expenditure of international students attending UK universities is estimated to be £2.3 billion;

international student expenditure generated almost £3.3 billion of output across the economy;

gross export earnings for the HE sector are estimated to be over £5.3 billion—this includes the international revenue earned directly by the universities together with the additional personal expenditure of international students and visitors.

This does not include income from international students studying below HE level, or those studying at HE level in further education institutions. Equivalent information on international students attending private HE institutions is not held centrally. There are a number of private universities based in the UK whose students will benefit the UK to an extent, although these are not included in the above figures.

Sources: "Resources of higher Education Institutions 2007/08", HESA (2009); "The Impact of Universities on the UK Economy", Universities UK (2009)

Housing

Questions

Asked by ***Lord Dykes***

To ask Her Majesty's Government what steps they will take to encourage house builders to construct houses with larger rooms. [HL1818]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The Government's planning policy for housing (PPS3) is clear on the need to achieve high quality new housing, including in terms of design and layout.

Local planning authorities take this national policy into account when making decisions on planning applications, including considering the suitability of the size and layout of the home.

Asked by ***Baroness Wilkins***

To ask Her Majesty's Government what percentage of publicly funded housing was built to the Lifetime Homes standard in (a) 2006-07, (b) 2007-08, and (c) 2008-09. [HL1838]

Lord McKenzie of Luton: On the basis of completions in the given year, the following proportions of the National Affordable Housing Programme were built to Lifetime Homes Standards;

2006-07 - 10.2%

2007-08 - 12.9%

2008-09 - 13.8%

The Lifetime Homes Standard was also introduced in the Property and Regeneration Programme in 2005 and as such an increasing number of homes being delivered through this programme will attain the Lifetime Homes standard. We do not hold this information centrally and the figures could only be provided at disproportionate cost.

Asked by ***Baroness Wilkins***

To ask Her Majesty's Government what percentage of market housing was built to the Lifetime Homes standard in (a) 2006–07, (b) 2007–08, and (c) 2008–09. [HL1839]

Lord McKenzie of Luton: The information requested is not held centrally and could only be provided at disproportionate cost.

Asked by ***Baroness Wilkins***

To ask Her Majesty's Government further to the Written Statement by the then Minister for Housing, Caroline Flint, on 25 February 2008 (*Official Report*, Commons 25/2/08; col. 66 WS), whether all public housing will be built to Lifetime Homes standards by 2011. [HL1840]

Lord McKenzie of Luton: The Homes and Communities Agency will shortly be consulting on which core standards should apply across all of their programmes from April 2011. Decisions on particular standards such as Lifetime Homes will be made following that consultation.

Housing: Mortgages

Question

Asked by ***Lord Greaves***

To ask Her Majesty's Government how many households have been assisted through the Mortgage Rescue Scheme; in which local authority areas the Scheme has been used; and how much of the £200 million allocated to the Scheme has been used. [HL1802]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The Mortgage Rescue Scheme has been operational across England since January 2009. As part of the monitoring arrangements for the scheme, headline data for January to September 2009, provided by local authorities operating the scheme and broken down by government office region, are available on the department's website. The figures can be accessed using the following link: http://www.communities. Rov.uk/publications/corporate/statistics/ mortgagerescuestatis tics.

Figures reported by local authorities from January to September 2009 are provided in a table, which has been placed in the Library.

In the current economic conditions, we have acted rapidly to put in place help and support for households struggling with their mortgage at every stage: from free debt advice when problems start, to free support for cases that reach court. Advice is available to all households struggling with their mortgage, with targeted schemes for those in most need. Data for the October to December period will be published on 11 February 2010.

The Homes and Communities Agency will report spend through the Mortgage Rescue Scheme after the end of the current financial year.

Immigration: Repatriation

Question

Asked by ***Lord Foulkes of Cumnock***

To ask Her Majesty's Government whether they fund or support any repatriation service for (a) unemployed, or (b) homeless, European Union migrants, who wish to return to their home country but do not have the adequate funds. [HL1757]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): During 2009/10 we funded two voluntary repatriation services delivered by the third sector—one in London at a cost of £120,000 and a national reconnection team at a cost of £150,000.

These services help migrants from the A8 and A2 accession states who are rough sleeping and destitute to return to accommodation in their home countries.

International Covenant on Civil and Political Rights

Question

Asked by ***Lord Lester of Herne Hill***

To ask Her Majesty's Government whether they will reconsider their decision not to accept the first optional protocol to the United Nations International Covenant on Civil and Political Rights, having regard to the experience of the other member states of the European Union and the Council of Europe which have accepted the protocol. [HL1735]

The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bach): The Government remain to be convinced of the added practical value to people in the United Kingdom of rights of individual petition to the United Nations. Ratification of the optional protocol to the convention for the elimination of discrimination

against women and the optional protocol to the Convention on the Rights of Persons with Disabilities have not yet provided sufficient evidence to decide either way on the value of individual complaint mechanisms.

We are not persuaded that comparative analysis of the experience of other member states of the European Union and the Council would be useful, given the different legal and judicial protections in place in different jurisdictions.

Islam and Citizenship Education Project

Question

Asked by ***Baroness Warsi***

To ask Her Majesty's Government what progress they have made in the Islam and Citizenship Education Project. [HL1678]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The Islam and Citizenship Project has worked closely with the Muslim communities to develop 44 lessons (22 designed for 7-10 year olds and 22 for 11-14 year olds) for use in madrassahs (mosque schools). The lessons are available to download from the following website: www.theiceproject.com.

Mauritius

Questions

Asked by ***Lord Wallace of Saltaire***

To ask Her Majesty's Government when they last held bilateral discussions with the government of Mauritius on the future sovereignty of the British Indian Ocean Territory. [HL1955]

The Minister of State, Foreign and Commonwealth Office (Baroness Kinnock of Holyhead): While the UK has no doubt about its sovereignty over the British Indian Ocean Territory (BIOT), my right honourable friend the Prime Minister agreed with the Mauritian Prime Minister, Dr Navinchandra Ramgoolam, to establish a dialogue between officials. A meeting between UK and Mauritian officials was held at the FCO on 14 January 2009, and a further one in Port Louis on 21 July.

The delegations discussed the latest legal and policy developments relating to BIOT. Both delegations set out their respective positions on sovereignty and the UK also set out how the UK needed to bear in mind its treaty obligations with the US and our ongoing need of the British Indian Ocean Territory for defence purposes. There was mutual discussion of fishing rights, the environment, continental shelf and future visits to the Territory by Chagossians.

Asked by ***Lord Wallace of Saltaire***

To ask Her Majesty's Government when they plan to hold bilateral discussions with the government of Mauritius on the future sovereignty of the British Indian Ocean Territory. [HL1956]

Baroness Kinnock of Holyhead: Discussions over the timing of the third round of bilateral talks on the British Indian Ocean Territory are still ongoing between the two Governments.

Mental Incapacity Act 2005

Question

Asked by ***Lord Morris of Manchester***

To ask Her Majesty's Government what response they will make to the representations made to the Parliamentary Under-Secretary of State at the Ministry of Justice, Bridget Prentice, by Richard S Jackson for RESCARE on 29 January on the interpretation and implementation of the Mental Incapacity Act 2005; and what action they will be taking on the issues raised. [HL1889]

The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bach): Mr Jackson has raised concerns around the circumstances in which family members may be appointed as personal welfare deputies under the Mental Capacity Act 2005.

It is important to make clear that any decision to appoint a deputy in a given case is entirely a matter for the Court of Protection and will be taken based on the individual circumstances of the case. If an applicant is unhappy with the court's decision then they are at liberty to appeal.

In making any such decision, the court's powers are subject to the provisions of the Act and, in particular, to the principles of the Act and the requirement that any decision is in the best interests of the person concerned. The court must also have regard to the Act's requirements that a decision by the court is to be preferred to the appointment of a deputy and, where the appointment of a deputy is necessary, their powers should be as limited in scope and duration as is reasonably practicable.

The code of practice issued under the Act specifically advises that deputies in personal welfare cases will only be required in the most difficult cases, such as those involving important and necessary actions that cannot be carried out without the court's authority, or in situations where there is no other way of settling the matter in the best interests of the person who lacks capacity. In many cases the existing provisions of Section 5 of the Act will generally provide sufficient authority to make decisions in the best interests of the person lacking capacity without the need for a deputy to be appointed.

It was never the intention of the Act that personal welfare deputies would be routinely appointed without establishing to the court's satisfaction why the appointment is necessary and in the best interests of the person concerned.

Nairobi International Convention on the Removal of Wrecks 2007

Question

Asked by ***Lord MacKenzie of Culkein***

To ask Her Majesty's Government what steps they have taken to implement the Nairobi International Convention on the Removal of Wrecks, 2007. [HL1830]

The Secretary of State for Transport (Lord Adonis): We have consulted on the implementing provisions for the Nairobi International Convention on the Removal of Wrecks 2007 contained within the draft Marine Navigation Bill on which pre-legislative parliamentary scrutiny was undertaken in 2008.

Subject to inclusion of the Bill in the parliamentary legislative programme, the Government intend to implement the convention as soon as possible.

National Insurance

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government how many National Insurance numbers have been issued to foreign nationals in each of the last ten years. [HL1649]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The available information is in the table. Data are not available prior to 2002.

The number of national insurance number registrations to adult overseas nationals entering the UK, by financial year

Year	*Number of national insurance number registrations*
Jan 02 to Mar 02	69,710
2002-03	346,230
2003-04	373,500
2004-05	435,350
2005-06	663,060
2006-07	705,840
2007-08	733,090
2008-09	686,110
2009-10 (Not complete)	117,750

Notes:
1. Figures are rounded to the nearest 10.
2. Some additional disclosure control has been applied.
3. 2009-10 financial year is up to Jun 2009.
4. Registration date is derived from the date at which a national insurance number is maintained on the national insurance recording system.
5. Years are financial-based (1 Apr - 31 Mar).
Source: 100% extract from national insurance recording system

NHS: Channel Islands

Question

Asked by ***Lord Laird***

To ask Her Majesty's Government what instructions they have issued to the National Health Service on charging residents of the Isle of Man, Guernsey and Jersey for healthcare; and whether they have advised British-born residents and the travel industry of the healthcare charges in those islands. [HL1651]

Baroness Thornton: As part of a significant awareness campaign prior to the ending of the bilateral healthcare agreement with the Channel Islands, every National Health Service trust was informed that Channel Islands visitors requiring treatment other than that provided in accident and emergency should be charged as an overseas visitor from 1 April 2009. In addition, a local and national media campaign in online and printed press was undertaken. The travel industry was targeted as part of that campaign. A similar campaign in relation to the Isle of Man will start soon working closely with the Isle of Man Government.

NHS: Training

Questions

Asked by ***Lord MacKenzie of Culkein***

To ask Her Majesty's Government whether placements in nurse training and education are under-funded; and, if so, by how much. [HL1655]

To ask Her Majesty's Government whether placements for undergraduate medical students are over-funded; and, if so, by how much. [HL1656]

To ask Her Majesty's Government what are the reasons for the delay in providing financial support for all training placements for all students in healthcare disciplines. [HL1657]

Baroness Thornton: Proposals are being developed to introduce dedicated funding for selected clinical placements as part of the review of the Multi-Professional Education and Training (MPET) budget, which was commissioned following Lord Darzi's Next Stage Review. Implementation has been delayed at the request of stakeholders who have asked the department to ensure that any changes are carefully considered and, where appropriate, piloted before implementation, so as to avoid any unforeseen consequences such as destabilising clinical education, or organisations providing National Health Service services. The department supports this prudent approach and currently plans to start implementation in April 2011.

Currently, the cost of supporting clinical placements for nurses, midwives and allied health professionals is included within general service prices. These costs are fully funded but the total costs are not identified or funded separately.

Cost data collected from a sample of NHS organisations (as part of the MPET Review), to inform possible future placement rates, suggested that the aggregate sum invested in clinical placements for undergraduate medical students exceeds estimated costs by around £100 million per annum. The cost of clinical placements for pre-registration non-medical students proved more difficult to assess, because of the wide range of courses, settings and support provided in respect of different clinical placements. The review therefore concluded that it was not possible to establish a single, simple, universal non-medical clinical placement rate from such a limited costing exercise.

Proposals have therefore been developed to use the placement rate that is used successfully for undergraduate training in social care, pending more accurate identification of the non-medical clinical placement costs through the annual reference costing exercise that is undertaken by all NHS trusts. These proposals are currently being considered with the NHS.

Northern Rock

Question

Asked by ***Lord Barnett***

To ask Her Majesty's Government further to the answer by Lord Davies of Oldham on 27 January (*Official Report*, 27/1/10; col. 1485) saying that "all creditors [of Northern Rock (Asset Management)] will indeed be paid in full as and when liabilities mature", what is the position of undated bond holders; and whether they will receive interest. [HL1861]

The Financial Services Secretary to the Treasury (Lord Myners): Lord Davies has written to Baroness Noakes clarifying the answer he provided about the position of creditors in Northern Rock (Asset Management) plc. A copy of that letter has been placed in the Libraries of both Houses.

When Lord Davies referred to "all creditors would be paid in full" he was referring to individuals and organisations that are covered by the Government's wholesale guarantee arrangements in respect of Northern Rock (Asset Management) plc that were restated on 8 December 2009. Such persons are all:

unsecured and un-subordinated borrowings of Northern Rock (Asset Management);

amounts owing by Northern Rock Covered Bond LLP; and

unsecured wholesale depositors.

The guarantees arrangements are subject to various exclusions from scope, including exclusions for securities issued pursuant to Northern Rock (Asset Management) plc's "Granite" securitisation programme. The guarantee arrangements in respect of covered bonds are currently under review. Otherwise, the guarantee arrangements will continue until the wind down of Northern Rock (Asset Management) plc is completed. The Government has provided a working capital loan facility to Northern Rock (Asset Management) plc, currently up to £2.5 billion, to ensure the orderly wind-down of the Company and that it meets its contractual liabilities. A copy of the full terms of the guarantee arrangements are available from the Treasury website.

The Government's present intention is that Northern Rock (Asset Management) plc will be sufficiently capitalised to meet its FSA regulatory capital requirements. To this end, the Government has provided a commitment to the FSA that up to £1.6 billion in additional capital support will be provided to Northern Rock (Asset Management) plc should the need arise. Beyond that, its position will be kept under review in the light of its financial performance.

Organisation for Security and Co-operation in Europe

Question

Asked by ***Viscount Waverley***

To ask Her Majesty's Government why no Minister in Her Majesty's Government was present at the Organisation for Security and Co-operation in Europe ministerial meeting in Athens on 1 and 2 December 2009. [HL1834]

The Minister of State, Foreign and Commonwealth Office (Baroness Kinnock of Holyhead): My right honourable friend the Foreign Secretary and his ministerial team were unable to attend the annual Organisation for Security and Co-operation in Europe (OSCE) ministerial meeting in Athens on 1 and 2 December 2009. My right honourable friend the Foreign Secretary, my honourable friend Ivan Lewis and my honourable friend Chris Bryant were answering Foreign Office Questions. I was returning from the Commonwealth Heads of Government meeting in Trinidad and Tobago.

The Foreign Secretary attended the OSCE Ministerial Council in Helsinki in 2008 and the Informal Ministerial in Corfu in June 2009.

Personal Care at Home Bill

Questions

Asked by ***Lord Warner***

To ask Her Majesty's Government what estimates they have made of the additional administrative costs to local authorities of the assessments of individuals to be made as a result of the Personal Care at Home Bill. [HL1904]

To ask Her Majesty's Government what estimates they have made of the additional staff required to assess people for new care entitlements under the Personal Care at Home Bill, and to provide care to those assessed as entitled. [HL1906]

To ask Her Majesty's Government whether they will review the cost of implementing the Personal Care at Home Bill after its first year of operation; and whether they will compensate local authorities for any costs above their current estimate of costs. [HL1907]

Baroness Thornton: The costs associated with increasing numbers of assessments have been included in the administrative component of table 2 in the Impact Assessment for the Personal Care at Home Bill. The costs of assessment for those already receiving free care or partially funding their care are in the system already. A copy of the Impact Assessment has already been placed in the Library.

In the absence of firm data at this stage, we have assumed that the average cost of an assessment is £200 and that 135,000 extra individuals will be assessed per year, giving an overall cost estimate of £27 million per year, as shown in the impact assessment. This has been included in the estimated overall annual costs of £670 million per year for 2011-12.

Councils that are not currently differentiating between people in the Fair Access to Care Services (FACS) Critical band and those in the Substantial band are not following the current FACS guidance, which makes it clear that councils should be doing this already.

There would clearly be some additional assessments for people who are self-funders, or those with previously unmet needs and these are reflected in the estimates. For those in the FACS Critical band, who will need a further assessment of their personal care needs, we will be developing a simple, national tool to determine people's personal care needs which will ease the burden on authorities and ensure a consistent national approach.

No separate estimate has been made of the numbers of additional staff who may be required to carry out assessments. It is for councils to decide how best to use the additional funding they will receive to manage services. In some cases, this may involve the redeployment of existing staff.

The cost of implementing the Personal Care at Home Bill will be reviewed after 12 to 18 months. Any decisions on funding allocations to councils will be made in light of the review findings.

The funding of £670 million available for the proposed measures requires councils to make significant efficiency savings (of £250 million in a full year) and this pressure, along with the scope for further efficiency gains, will be considered as part of the normal Spending Review process.

Planning: Disability Equality

Question

Asked by ***Baroness Wilkins***

To ask Her Majesty's Government which experts on disability and planning issues were invited to join the external sounding board to advise the Planning Directorate in Communities and Local Government, as noted in their Disability Equality Scheme published in December 2006; and how many times that board has met. [HL1841]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): Communities and Local Government did not establish an external sounding board specifically to advise on diversity issues and planning. Instead relevant organisations have been added to the list of external consultees on planning policy.

Ports: Business Rates

Questions

Asked by ***Lord Bates***

To ask Her Majesty's Government what discussions they have had with the Valuation Office Agency regarding a possible payment holiday in respect of the backdated element of port-side operators' business rates. [HL1933]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The Valuation Office Agency is responsible for assessing all non-domestic property in England and Wales and for giving each one a rateable value. The local authority is responsible for using the rateable value to calculate the rates bill for applying any discounts or reliefs and collecting the money. The Government have had no discussions with the VOA concerning a possible payment holiday.

The Government have listened to the concerns of businesses with significant and unexpected backdated bills, including some businesses within ports. It has legislated to enable such bills to be repaid over an unprecedented eight years rather than in a single instalment, helping affected businesses to manage the impact on their cash flows during the downturn by reducing the amount they are required to pay now by 87.5%.

Asked by ***Lord Bates***

To ask Her Majesty's Government which Members of Parliament have made representations to them about the backdating of business rates on port-side operators since September 2009. [HL1936]

Lord McKenzie of Luton: The Department for Communities and Local Government has received correspondence from six MPs, concerning the issues arising from the rating review of ports, since 1 September 2009.

Asked by ***Lord Bates***

To ask Her Majesty's Government what plans they have for the backdating of business rates for port-side operators. [HL1937]

Lord McKenzie of Luton: The Government have listened to the concerns of businesses with significant and unexpected backdated bills, including some within ports. It has legislated to enable such bills to be repaid over an unprecedented eight years rather than in a single instalment, helping affected businesses to manage the impact on their cash flows during the downturn by reducing the amount they are required to pay now by 87.5%.

As at 8 October 8 2009, local authorities reported that ratepayers occupying 221 properties within ports had fully discharged their backdated liability and ratepayers occupying a further 200 business properties within ports had been granted a schedule of payments.

Prisoners: Foreign Nationals

Question

Asked by ***Baroness Warsi***

To ask Her Majesty's Government how many foreign nationals were sentenced to (a) first, (b) second, (c) third, and (d) fourth or more custodial sentences in (1) 2006, (2) 2007, and (3) 2008. [HL1872]

The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bach): The requested information is not available. The Ministry of Justice uses an extract of data taken from the police national computer (PNC) to analyse the criminal history of offenders in England and Wales.

However, the recording by the police on the PNC of the nationality of offenders is optional as there is no legislative obligation on individuals to provide this information. For this reason reliable statistics on the nationality of offenders and their criminal history cannot be compiled.

Public Bodies

Question

Asked by ***Lord Taylor of Holbeach***

To ask Her Majesty's Government how many employees of non-departmental public bodies are members of the partnership pension account; how many of those are entitled to employer contributions of between six per cent and 10 per cent; and how many are entitled to employer contributions of more than 10 per cent. [HL1847]

Baroness Crawley: The information requested is not held centrally.

Questions for Written and Oral Answer

Question

Asked by ***Lord Forsyth of Drumlean***

To ask Her Majesty's Government what guidance is given to ministers in the Ministerial Code about answering parliamentary questions. [HL1926]

The Chancellor of the Duchy of Lancaster (Baroness Royall of Blaisdon): Section 1 of the Ministerial Code, which incorporates the Resolution of both Houses, makes clear that Ministers have a duty to Parliament to account and be held to account for the policies, decisions and actions of their departments and agencies. This includes answers to Parliamentary questions.

Royal Fleet Auxiliary

Questions

Asked by ***Lord MacKenzie of Culkein***

To ask Her Majesty's Government what assessment they have made of the ability of the Royal Fleet Auxiliary to act as a force multiplier in the event of privatisation, part privatisation or having its management outsourced to a commercial organisation. [HL1826]

To ask Her Majesty's Government what assessment they have made of the consequences for the strategic capability of the Royal Fleet Auxiliary of its privatisation, part privatisation or having its management outsourced to a commercial organisation. [HL1827]

To ask Her Majesty's Government what assessment they have made of the approaches of other NATO and major Commonwealth countries in examining the possible privatisation, part privatisation or outsourcing of the management of the Royal Fleet Auxiliary. [HL1828]

To ask Her Majesty's Government what consideration they have given to the effect of any privatisation, part privatisation or outsourcing of the management of the Royal Fleet Auxiliary in contributing to their social and economic priorities by providing opportunities for training and careers afloat and ashore. [HL1829]

The Minister for International Defence and Security (Baroness Taylor of Bolton): These issues will be considered as part of the review of the Royal Fleet Auxiliary, which is ongoing.

Royal Navy: Atlantic Patrol Task

Question

Asked by ***Lord Watson of Richmond***

To ask Her Majesty's Government what is the status and resourcing of the Royal Navy's Atlantic Patrol Task (North); and why it is not participating in the relief efforts for Haiti. [HL1880]

The Minister for International Defence and Security (Baroness Taylor of Bolton): The primary purpose of the Atlantic Patrol Task (North) is the promotion of British interests in the region and the security of the overseas territories. The Royal Navy has a task to maintain a presence in the Caribbean during the hurricane season. As part of a package of savings measures identified to enable the MOD to remain within 2009-10 budgets, cover outside the hurricane period has been temporarily withdrawn. We expect the task to resume in time for the forthcoming hurricane season.

Working closely with colleagues in the Department for International Development, the Royal Navy is supporting relief efforts. The Royal Fleet Auxiliary "Largs Bay" departed the UK on 3 February and is expected to arrive in Haiti around the 19th of the month, staying in the region for a number of weeks. She is carrying shelter materials, as well as critically needed port handling equipment and vehicles for use by Save the Children, the International Federation of the Red Cross and other humanitarian agencies.

Shipping: Light Dues

Question

Asked by ***Lord Berkeley***

To ask Her Majesty's Government further to the Written Answer by Lord Adonis on 13 January (WA 166), and following the judgment of the Competition Appeal Tribunal of 21 December 2009 in BAA Limited v Competition Commission (CAT 35), whether it was appropriate for Strategic Transport Solutions to participate in the review commissioned on behalf of the General Lighthouse Authorities on the impact of light due increases, when one of its partners was also a board member of the Commissioners of Irish Lights. [HL1746]

The Secretary of State for Transport (Lord Adonis): Further to my Written Answer on 13 January, I do not consider the judgment referred to by the noble Lord to be relevant. While it is correct that a partner in Strategic Transport Solutions is a board member of the Commissioners of Irish Lights, the possibility of an apparent conflict between those positions was considered at the time and appropriate steps were taken to ensure that person took no part in the review of the impact of light dues increases.

Statutory Instruments

Question

Asked by ***Lord Taylor of Holbeach***

To ask Her Majesty's Government why, when a statutory instrument is reissued to correct an error, the amendments to the original version are not listed. [HL1846]

The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bach): Information about the nature of changes to an instrument should be contained within the Explanatory Note. Guidance to departments in *Statutory Instrument Practice* states that ″the explanatory note should help the reader to understand the instrument's effect without looking up other provisions. Thus the note to an amending instrument should make clear the point and substance of the amendment″. This guidance will be amended to make clear to departments that when a defective instrument is corrected and reissued, they must provide information about amendments made to the original instrument.

Sufi Muslim Council

Questions

Asked by ***Lord Ahmed***

To ask Her Majesty's Government whether Communities and Local Government has investigated whether Mr Haras Rafiq, the former head of the Sufi Muslim Council, has misappropriated Government funding. [HL1611]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): The Department for Communities and Local Government has not investigated whether Mr Haras Rafiq has misappropriated government funding.

Asked by ***Baroness Warsi***

To ask Her Majesty's Government further to the Written Answer by Lord McKenzie of Luton on 16 December 2009 (WA 254), whether they will place in the Library of the House copies of the end of year evaluation reports submitted by the Sufi Muslim Council. [HL1682]

To ask Her Majesty's Government further to the Written Answer by Lord McKenzie of Luton on 16 December 2009 (WA 254), whether they will place in the Library of the House copies of all the end of year evaluation reports of projects funded by the Community Leadership Fund. [HL1683]

The Parliamentary Under-Secretary of State, Department for Communities and Local Government & Department for Work and Pensions (Lord McKenzie of Luton): There are no plans to place evaluation reports from Community Leadership Fund projects, or reports submitted by the Sufi Muslim Council, in the Library of the House since they contain confidential information which those organisations conducting the projects would not anticipate seeing made public and disclosure at this time could undermine their (and others) co-operation and willingness to continue participating in the programme.

Tehreek-e-Taliban Pakistan

Questions

Asked by ***Baroness Warsi***

To ask Her Majesty's Government why they have not proscribed Tehreek-e-Taliban Pakistan under the Terrorism Act 2000. [HL1858]

To ask Her Majesty's Government what is their assessment of the threat posed by Tehrik-e-Taliban Pakistan to the United Kingdom and its interests overseas. [HL1859]

The Parliamentary Under-Secretary of State, Home Office (Lord West of Spithead): Tehrik-e-Taliban Pakistan is not a proscribed organisation, and it is general Home Office policy not to comment on groups which are not on the proscribed list.

Terrorism: Internet

Question

Asked by ***Baroness Warsi***

To ask Her Majesty's Government how many times the police have used powers under section 3 of the Terrorism Act 2006 to seek the removal or modification of unlawful terrorist-related material from the internet in each of the last six months. [HL1725]

The Parliamentary Under-Secretary of State, Home Office (Lord West of Spithead): The Home Office and ACPO (TAM) have set up a new unit, the Counter Terrorism Internet Referral Unit (CTIRU), which was launched in a pilot capacity on 1 February 2010. The CTIRU is responsible for the co-ordination and execution of voluntary and Section 3 take-down notices. Further details on the CTIRU, including statistics regarding take-downs, will be available in due course.

To date, the preferred route for removing potentially unlawful terrorist content is through informal contact between the police and the internet service provider. This approach has proved effective. As a result, it has not been necessary to use the formal powers given under the Terrorism Act 2006 to seek the removal or modification of unlawful terrorist-related material from the internet.

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