



HOUSE OF LORDS

Economic Affairs  
Committee



The House of Lords is an essential part of the UK Parliament. Its committees investigate public policy, proposed laws, and government activity. The Economic Affairs Committee's remit is 'to consider economic affairs'.

## Contents

Background and role	1
Membership	2
Investigations and reports	3

# Background and role

## Why it was set up

The House set up a committee in 1998 to scrutinise the work of the Monetary Policy Committee of the then newly independent Bank of England. The remit was broadened and it became the House's Economic Affairs Committee so it could also investigate other economic issues.

## What it does

- Investigates current economic issues.
- Reviews the performance and behaviour of the economy.
- Regularly meets the Chancellor, Bank of England and Treasury officials.
- May set up a sub-committee each year to look at the Finance Bill.
- Reports to the House of Lords and makes recommendations for government action.

## How it does its work

The committee's main activity is inquiring into chosen economic topics of public interest. This process usually takes about eight months. The government replies within two months to each of the committee's reports. There is then a debate on each topic in the House of Lords.

Apart from inquiries, the committee holds public meetings on specific topics of interest, including regular sessions when it questions the Chancellor of the Exchequer and the Governor of the Bank of England.

‘[The House of Lords] Economic Affairs Committee, which treads fearlessly in controversial areas, is a bright spot in our political darkness.’

**Economist John Kay, writing in the Financial Times**

# Membership

The committee benefits from the professional experience of its members. It includes business leaders, economists and former chancellors of the exchequer.



Economic Affairs Committee chairman  
Lord Forsyth of Drumlean

## Members

### **Lord Forsyth of Drumlean (chairman)**

Former Secretary of State for Scotland

### **Baroness Bowles of Berkhamsted**

Former MEP and former chair of European Parliament Committee on Economic and Monetary Affairs

### **Lord Burns**

Former head of the Treasury and chairman of Santander

### **Lord Darling of Roulanish**

Former Chancellor of the Exchequer

### **Baroness Harding of Winscombe**

Businesswoman and former CEO of TalkTalk

### **Lord Kerr of Kinlochard**

Former head of the Foreign Office and former UK ambassador to the USA

### **Baroness Kingsmill**

Former deputy chairman of the Competition Commission

### **Lord Lamont of Lerwick**

Former Chancellor of the Exchequer

### **Lord Layard**

Economist and academic

### **Lord Livermore**

Former government adviser

### **Lord Sharkey**

Chairman, Sharkey Associates Ltd and Liberal Democrat personal finance spokesperson

### **Lord Tugendhat**

Businessman and former European Commissioner

### **Lord Turnbull**

Former head of the Treasury and UK civil service

# Investigations and reports

## **Economics of higher education, further education and vocational training**

The committee considered whether the current structure of post-school education and training, and the way it is financed, is appropriate for the modern British economy.

The committee heard evidence from academics, employers, universities, economists, university and college students, and apprentices. The committee concluded that the 2012 reforms to university financing have failed to create an effective market across all types of higher education qualifications. The full-time undergraduate degree has become the predominant mode of study when this might not be in best interests of the student or the country.

## **Funding**

The committee found that the decision to switch almost all higher education funding to tuition fees financed by student loans has hidden the true cost of public spending on higher education.

## **Part-time study**

The 2012 reforms have also led to a collapse in flexible and part-time learning, with student numbers decreasing over the last six years by 60 per cent. Careers for life are disappearing, and the ability to retrain will become increasingly necessary to succeed in the modern economy.



## **Recommendations**

The report called for a new deal for post-school education funding which promotes all types of learning regardless of where or how it takes place. The report recommended the abolition of the Institute for Apprenticeships and the scrapping of the three million apprenticeship starts target, increasing the powers of the Office for Students to act as a single regulator for all Level 4 and above qualifications, including for higher and degree apprenticeships, and the introduction of a single regulator for all other post-school qualifications at Level 3 and below. The report also noted the decline in Level 3 qualifications awarded to adults and called for a person's first Level 3 qualification, regardless of age, to be fully funded by government.

### The Price of Power: Reforming the Electricity Market

In this inquiry, the committee investigated whether three objectives of the government's energy policy—security of supply, affordability and decarbonisation—were being achieved.

The committee accepted the government's commitment to the progressive decarbonisation of the electricity supply. It concluded that government interventions designed to reduce carbon emissions have had unintended consequences for security of supply and electricity prices.

It made a number of recommendations to improve the way the electricity market operates and reduce the government's role. The committee said the government should:

- ensure that security of supply is the most important objective for energy policy—decarbonisation and affordability should not be prioritised ahead of security
- allow time for the development of new technologies and cost reductions in existing technologies
- establish a new Energy Commission advising on the best way the objectives of energy policy are to be delivered
- establish a new national research centre where funding is directed towards research to reduce the cost of new technologies and make them viable on a large scale.



See all Economic Affairs Committee reports at  
[www.parliament.uk/hleconomicaffairs](http://www.parliament.uk/hleconomicaffairs)

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### Building More Homes

The committee investigated the housing market and the housing policy of recent Governments. Its July 2016 report criticised the government's housing policy for setting a new homes target which will fail to meet demand or moderate the rate of house price increases and restricting local authorities' access to funding to build more social housing.

It also said the Government's focus on home ownership neglects renters. Its frequent changes to house buying tax rules and subsidies, reductions in social rents and extension of the Right to Buy, reduce the supply of low cost rental accommodation.

The report pointed out that large housebuilding companies restrict the volume of new homes they build to maximize their profit margins. The committee recommended that the government should:

- allow local authorities to charge developers council tax on sites when new builds are delayed
- lift its target by 50% to build 300,000 homes each year to tackle the housing crisis
- free up local authorities and housing associations to build more homes for rent and for sale
- take steps to build on surplus public land, with a focus on supplying low cost homes.

# Find out more

Contact us or go online for information about business, membership and outreach activities.

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