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PARLIAMENTARY DEBATES
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OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Tuesday 14 March 2017

2.30 pm

Prayers—read by the Lord Bishop of Chester.

Brexit: Aerospace and Automotive Industries Question

2.36 pm

Asked by Baroness Quin

To ask Her Majesty's Government what recent discussions they have had with United Kingdom aerospace and automotive industries about continued access to the European Union single market.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Prior of Brampton) (Con): My Lords, we engage closely with the UK aerospace and automotive sectors. We have frequent conversations about the challenges that leaving the EU poses and the opportunities that will become open to us. Both sectors have effective partnerships with government through the Aerospace Growth Partnership and the Automotive Council respectively.

Baroness Quin (Lab): My Lords, the Foreign Secretary has said that it would be perfectly okay to leave the EU without a deal on Brexit, but how can this possibly be true in the case of two of our most crucial industries—the automotive and the aerospace industries? In evidence to this House, they have shown not only how important exports to the European market are but how they are part of European integrated supply chains, how much they benefit from the movement of trained European workers across European countries, and how they benefit hugely from participation in funding and key European research and development and other programmes. How can the Foreign Secretary's statement be true for these industries?

Lord Prior of Brampton: My Lords, clearly, trading with the countries of the European Union is extremely important. What we are discussing are the terms of that trade. The Prime Minister has made it very clear that she hopes to negotiate a deal that means trade that is as free and frictionless as possible. On that basis, there is a very good outlook for both industries.

Lord Foster of Bath (LD): My Lords, the Vehicle Certification Agency is our national approval authority for new road vehicles and it is involved with EU policy formulation. Its approval certificates are recognised without question throughout the EU, bringing enormous access benefits to our vehicle manufacturers. What future do the Government see for the VCA's activities post Brexit and what do the car manufacturers think about that?

Lord Prior of Brampton: My Lords, the issues raised by the VCA are broadly the same as those for the EASA, the MHRA and lots of other regulatory authorities in this country. The relationship between our national regulators and the European regulatory authorities is obviously extremely important and will be the subject of negotiations over the next two years.

Lord Hamilton of Epsom (Con): My Lords, can my noble friend confirm that there is not an Audi, Mercedes or Volkswagen that is not assembled outside this country? German exports of these cars to the United Kingdom are absolutely massive, and the Germans will have every interest in seeing that that trade continues without tariff barriers.

Lord Prior of Brampton: My Lords, it is clear that there is a huge mutuality of interest in negotiating a free, frictionless trade agreement between the EU and the UK. In the car industry and industries where, as the noble Baroness indicated in her question, there are integrated supply chains, it is doubly in the interests of both parties to negotiate such an agreement.

Lord Watts (Lab): Why is it that the Foreign Secretary says one thing and the Prime Minister says another? Surely, the industry knows what is good for itself. The industry is quite clear that we need a deal, but the Foreign Secretary says that it is unimportant and we can walk away.

Lord Prior of Brampton: My Lords, I think it is clear, as the Prime Minister has said—and the Government subscribe to the views of the Prime Minister—that we would like to negotiate a free trade agreement with the European Union with as few non-tariff barriers as possible. If we are not able to negotiate such an agreement, we will fall back on the WTO rules.

Lord Tebbit (Con): My Lords, does my noble friend not think it is very nice to hear spokesmen for the Labour Party saying day after day how important it is that government should do what business wants? Oh, if only that had been the case in past Labour Governments—and I hope it will be if we ever get one again.

Lord Prior of Brampton: My Lords, in both the aerospace and automotive industries, for a number of years we have had an extremely close partnership between industry and government, to the benefit of both parties.

Lord Lea of Crondall (Lab): It is reassuring for this side of the House to see the noble Lord, Lord Tebbit, scraping the barrel. To enable integrated production around Europe, is it not just a question of tariffs? As the Road Haulage Association said, instead of needing one piece of paper to get from Munich to Toulouse, for example, we will need 60 pieces of paper, unless we are part of a European arrangement for all these technical standards.

Lord Prior of Brampton: My Lords, the integrated supply chains that have developed over a number of years are not just limited to the EU. The aerospace industry is a case in point: its supply chains are global

[LORD PRIOR OF BRAMPTON]

supply chains—and, of course, under WTO rules there are no tariffs for aircraft or aerospace parts. We should raise the horizon away from just the European Union.

Baroness Crawley (Lab): Following on from my noble friend's Question on continued access to the European Union single market, what is the Minister's reaction to recent House of Commons Library research which shows that none of the G20 countries trades with the EU on WTO rules alone? They all have some sort of preferential trade agreement. Does he think that, in the event of our having to rely solely on WTO rules in two years' time, we will also leave the G20?

Lord Prior of Brampton: I think that the Prime Minister has made it absolutely clear that it is our intention to negotiate a free trade agreement with the European Union. That is the policy priority over the next two years.

Lord Roberts of Llandudno (LD): My Lords, has the Minister considered the situation of Airbus, which is in Flintshire in North Wales and employs 7,000 people, as well as people in the ancillary industries? The wings are produced in Broughton, and there are plants in Filton, near Bristol, Hamburg and Toulouse. The whole of the European Union is involved in building the Airbus. How will we secure the future of those jobs, not only in Wales but in the rest of the European Union?

Lord Prior of Brampton: The noble Lord makes an extremely important point. Airbus, in a sense, is globalisation writ large. France, given the huge investment in Toulouse, Germany and the UK—Wales and England—have a very great mutuality of interest in negotiating a deal that enables Airbus to compete competitively with Boeing. So it would be extraordinary if we cannot negotiate a deal that enables Airbus to continue to prosper.

National Identity Cards Question

2.43 pm

Asked by **Lord Campbell-Savours**

To ask Her Majesty's Government what representations they have received from public authorities since 1 January 2017 on the case for introducing national identity cards in the United Kingdom.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, Her Majesty's Government are not aware of receiving any representations from public authorities on the case for introducing national identity cards.

Lord Campbell-Savours (Lab): My Lords, following the Brexit decision and its possible implications for national identity cards, have the Government not detected the mood change and change in public attitudes on their introduction, not only in the country but in the Commons, in this House and indeed on their own Benches? Why cannot we now sit down and have a sensible conversation with the Government on the way forward? We could

start by supporting the application before the Liaison Committee for an ad hoc committee inquiry into ID cards to be set up in this Session of Parliament.

Baroness Williams of Trafford: My Lords, I have not detected any more of an appetite for national identity cards since the Brexit discussions began. The Government will certainly have to think about identity post Brexit, but that will be the subject of discussions and negotiations.

Lord Robathan (Con): My Lords, those such as me who used to oppose identity cards have actually changed their minds. Time has moved on and the changes in IT and terrorism are so important. When the world changes, we should change too.

Baroness Williams of Trafford: My Lords, we believe that the investment we are making in better security, use of intelligence and cybersecurity is a much more effective use of resources.

Lord Paddick (LD): My Lords, the Government's position on ID cards is clear, and we support it. However, an even greater intrusion into privacy has been highlighted in today's *Guardian* by the Surveillance Camera Commissioner, who said that:

"The problem is when new and advancing technology is brought together by well-meaning people that actually invades people's privacy, or worse, leaves privacy at risk of theft or uploading on YouTube".

He concludes that,

"regulators and the government were struggling to keep up with the pace of technological change".

What are the Government doing about it?

Baroness Williams of Trafford: One of the reasons why the Conservative Party opposed identity cards was because of the civil liberties issue which the noble Lord outlined. However, he is absolutely right to point out that the Government should also always be mindful of privacy versus the advances in technology that such information can give us.

Lord Mackenzie of Framwellgate (Non-Affl): My Lords, given that most terrorists and professional criminals use multiple identities in committing crime, is it not self-evident that a biometric identity card would be an advantage in changing policy?

Baroness Williams of Trafford: My Lords, the biometric card would not be any more robust than some of the systems which we have in place. In fact, there is evidence that it is just as liable to counterfeiting as other methods.

Earl Attlee (Con): My Lords, how would ID cards help the United Kingdom avoid terrible attacks such as the ones in Paris, Nice and Berlin?

Baroness Williams of Trafford: My noble friend raises a good question. Many European countries have identity cards but we have seen no evidence that they offer any greater protection than we have in this country.

Lord Green of Deddington (CB): My Lords, does the Minister accept that, since exit checks were cancelled about 20 years ago, we have not had the slightest idea who is on this island? Will the Government therefore look again at this issue and perhaps take up an idea first proposed by the noble Lord, Lord Blunkett, that we could start with passports, which are already owned by 80% of the country's population? There is surely a way forward here and we should take it.

Baroness Williams of Trafford: The noble Lord has highlighted the merit of exit checks, which we have previously discussed. They were reintroduced in May 2015 and those data will prove valuable.

Lord Blunkett (Lab): My Lords, it is a great pleasure to agree with the noble Lord, Lord Green. If biometrics are so easily attacked and discredited, why have the Government introduced them for passports?

Baroness Williams of Trafford: The identity card was a tackle-all type of card. The Government are now trying to be far more robust at identity assurance from a problem-solving perspective rather than seeking a particular solution.

Lord Scriven (LD): My Lords, have not reports suggested that the way to deal with terrorism on these shores is through targeted, intelligence-led police operations rather than mass surveillance?

Baroness Williams of Trafford: The noble Lord is quite right.

Lord Gadhia (Non-Aff): My Lords, has my noble friend the Minister read the early evidence to the Economic Affairs Committee's investigation into Brexit and the labour market? I do not want to prejudge the conclusions of that report but it makes for interesting reading, highlights the significant difficulties in both measuring and controlling migration, and provides some compelling reasons for revisiting the case for identity cards.

Baroness Williams of Trafford: Unfortunately, I do not agree with my noble friend. The approach that we have adopted in successive immigration Acts is to make it harder for illegal migrants to live and work in the UK and easier for us to remove them.

Lord Harris of Haringey (Lab): My Lords, I refer to my interests in the register. Given the decision that has been taken to leave the European Union, and the fact that a timetable is about to be established for that which sets an end date, can the noble Baroness tell us what assessment the Government are making of the need for better identity assurance—for example, for the citizens of Northern Ireland, those citizens who wish to use our health service, and, indeed, to tackle the employment issues that have just been raised by her noble friend? Those are urgent questions. What assessment are the Government making?

Baroness Williams of Trafford: The noble Lord is absolutely right: they are important questions. We are considering a range of options for our future immigration system. It would be absolutely wrong of me to set out further positions at this stage.

Lord Grocott (Lab): My Lords—

Noble Lords: Order!

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, I think the next Question has been called.

Great Western Main Line: Electrification *Question*

2.52 pm

Asked by Baroness Randerson

To ask Her Majesty's Government what is their estimate of the final cost and timetable for completing the electrification of the Great Western Main Line.

The Parliamentary Under-Secretary of State, Department for Transport (Lord Ahmad of Wimbledon) (Con): My Lords, in the recent National Audit Office report, the total estimated cost of the Great Western route modernisation programme was £5.58 billion. The timetable for the remaining elements is due to be part of the planning process for Control Period 6. The Government welcome the Public Accounts Committee's recommendation to reassess the case for electrification by section and fund schemes only where worthwhile benefits for passengers could not be achieved otherwise at lower cost.

Baroness Randerson (LD): My Lords, I hear the Minister clearly. I believe he is telling us in clear terms that the Government do not intend to complete the electrification of the Great Western Railway to Swansea. If that is the case, please will he confirm that this afternoon?

Lord Ahmad of Wimbledon: I thought I was pretty clear, but obviously not clear enough for the noble Baroness. I said that some parts of the electrification have been deferred to Control Period 6, as she is aware. The Government will review the spending on that to ensure the electrification on all remaining parts that have been deferred is in the interests of customers. The Cardiff to Swansea route that the noble Baroness specifically mentioned will be subject to the next control period—CP6.

Baroness McIntosh of Pickering (Con): My Lords, the electrification of the east coast main line route was completed in 1990. We are expecting a massive investment by Virgin Trains East Coast by 2020. At the moment, the line frequently fails. Does the noble Lord have a timetable and an idea of the investment that is required, and when Network Rail might carry out the investment required to ensure that the investment that Virgin Trains is making will be worth it?

Lord Ahmad of Wimbledon: We acknowledge the investment that rail companies are making in rail services across the board. As regards my noble friend's specific question, she may well be aware that Sir Peter Hendy was appointed to Network Rail specifically to look at the rollout of the electrification programme, which prioritised certain key investments. The investments that are not made in CP5 will be part of the consideration for the next control period.

Lord Anderson of Swansea (Lab): My Lords, coming back to GWR, the Minister will be aware that we in south-west Wales are very concerned about any decision, on infrastructure or otherwise, that might harm perceptions regarding the isolation of areas west of Cardiff. We were promised a fixed completion date to Swansea. Can he now undertake that he will try to expedite that and give a fixed completion date for rail electrification as far as Swansea?

Lord Ahmad of Wimbledon: The noble Lord is right to raise the issue of Swansea but I believe I have already addressed that. It will be considered as part of the CP6 expenditure. However, to put this into context, £2.8 billion is specifically allocated to the electrification of the Great Western line. We are talking about 170 bridges, 1,500 sets of foundations, 14,000 overhead lines, 1,500 pieces of signalling equipment and 17 tunnels. Notwithstanding that, the Government are making investments, as I am sure the noble Lord acknowledges. The rollout of new rolling stock, which will start to be applied to the line from the end of this year, will ensure better and more efficient customer service across the whole network.

Lord Bradshaw (LD): My Lords, the Great Western railway electrification scheme was designed in the Department for Transport; it was specified there and the trains were ordered there. However, the new trains and the new system will not provide a faster or better service than was the case 40 years ago, when I was general manager at Paddington. In future, will the Government look very carefully at whether there are better design and procurement methods to ensure that we get a scheme that delivers benefits to passengers and saves the taxpayer money?

Lord Ahmad of Wimbledon: I do not agree with the noble Lord's premise. I believe that the new rolling stock that I referred to will bring passenger benefits. As I am sure he knows from his experience in and vast knowledge of the area, the IEP fleet, which is coming into service on the whole route, will run in both diesel and electric modes. That will provide flexibility in the delivery and appropriate scheduling of the electrification programme, which I accept is challenging.

Baroness Bloomfield of Hinton Waldrist (Con): My Lords, although any initiative that allows faster travel to Wales is to be welcomed, and we already have excellent road, rail and air links to south Wales, does the Minister agree that even greater commercial and cultural benefits might be gained by improving road and rail travel from north to south Wales?

Lord Ahmad of Wimbledon: I agree with my noble friend. As I am sure she is aware, Wales will benefit to the tune of £2 billion from rail modernisation. For her information, together with the Welsh Government we have allocated a further £125 million to update the initiative around the Valley Lines.

Lord Berkeley (Lab): My Lords, is the Minister aware that this project started off at £800 million and has now gone up to over £2 billion, £3 billion or maybe £4 billion, and that the same team responsible for the pricing has been pricing phase 1 of HS2? As he will know—I put it to him at the Committee stage of the HS2 Bill—those costs will now be, in my estimation, £54 billion and not £24 billion. Is it not about time that we got a grip on costs?

Lord Ahmad of Wimbledon: We had several meetings away from this Chamber about the costs of HS2. As the noble Lord is fully aware, the experts who are working on the modelling and pricing of HS2 are meeting notable experts whom he himself put forward, and it will be interesting to await the outcome of that meeting.

Earl Attlee (Con): My Lords, do the difficulties with electrification not show the benefits of building a new line such as HS2?

Lord Ahmad of Wimbledon: I could not agree more with my noble friend.

Lord Wigley (PC): My Lords, does the Minister accept that, while it is vital that the electrification goes as far as Swansea and indeed beyond, there is an equally pressing case for electrification of the north Wales line through to Holyhead? Does he accept that that is important not only in respect of the local benefits from Crewe to Holyhead but in respect of the main line link through to Ireland, which has increasing importance in the wake of Brexit? What will the Government do to expedite that electrification?

Lord Ahmad of Wimbledon: The noble Lord raises a specific issue away from the line in the Question. It is important to recognise that the Government's approach is that, where it will be of benefit to the customer and the consumer, electrification will be prioritised, and the Hendy review reflects that very objective.

Brexit: Declaration of Friendship *Question*

3 pm

Asked by Lord Cormack

To ask Her Majesty's Government whether, before invoking Article 50, they will lay before each House of Parliament a declaration of friendship and intent which they will then circulate to the Parliaments of the other European Union member states.

Baroness Goldie (Con): My Lords, the Prime Minister's Lancaster House speech made clear that, while we are leaving the European Union, we are not leaving Europe. Europe matters, and the UK will continue to be a reliable partner, willing ally and close friend to all the

EU member states. Friendship is implicit in our relationship with Europe and there is therefore no need to lay a declaration of friendship and intent before this House and the other place ahead of triggering Article 50.

Lord Cormack (Con): My Lords, I thank my noble friend for that Answer, although I am sorry that it was not shorter and more in the affirmative. I am sure that she will acknowledge that it is vitally important that the friendship to which she referred, and to which the Question refers, is emphasised at every conceivable opportunity. We are sitting down with friends, neighbours and allies and not seeking to negotiate a peace treaty with enemies. It is clearly important that advancing our friendship is crucial to the success of the talks.

Baroness Goldie: My Lords, let me try to reassure my noble friend. I am absolutely certain that our negotiators, in conducting these vital and extremely important negotiations, will do so in the best traditions of relations amical, amistad und Freundschaft.

Lord Lamont of Lerwick (Con): My Lords, does the Minister recall the wise words of the great Liberal politician, Richard Cobden, who once said:

“Free Trade is God’s diplomacy and there is no other certain way of uniting people in the bonds of peace”?

Is not the best thing we can do to show our everlasting friendship with Europe to advance the possibility of a comprehensive free trade agreement with Europe?

Baroness Goldie: I must thank my noble friend: it is certainly good to be reminded of a time when there were wise Liberals. I also thank him for his very pertinent question. I am sure that those issues will be to the forefront of our negotiators’ thoughts.

Baroness Hayter of Kentish Town (Lab): My Lords, one really important issue will be about people and the ability of all of us to travel, study, work and indeed drive in Europe and go on holidays there. One worry that consumers have is that we will possibly lose our car insurance and have to revert to the old green card. Indeed, we could also lose our European health card—the E111, as some of us still call it. My discussions so far about how much those consumer interests are being discussed have not been very fruitful, but those interests are really important. Will the Minister give an undertaking that these wider people-to-people issues will be taken seriously?

Baroness Goldie: I thank the noble Baroness for raising an extremely important point. Part of the preparatory period in anticipation of triggering Article 50 has been devoted to extensive consultation. Indeed, the Department for Exiting the European Union has conducted an analysis and consultation with many sectors of society. But she raises very important issues and I am sure that her remarks will be noted.

Lord Hannay of Chiswick (CB): My Lords, will the Minister, rather than trying not to answer the Question asked by the noble Lord, Lord Cormack, reflect on the fact that since it appears, if one believes what one reads in the newspapers, that the Prime Minister has

given herself two extra weeks to write this important missive, she might settle down with a sharp pen and put some of the thoughts in the noble Lord’s Question into that missive?

Baroness Goldie: I apologise to the noble Lord if I omitted to answer my noble friend’s Question: I thought that I had tried to do that in a rather original manner. But I reassure him that the sentiments raised by my noble friend Lord Cormack are extremely important, and they will be at the forefront of the manner in which we conduct the negotiations.

Lord Wallace of Saltaire (LD): My Lords, the Minister quoted the Prime Minister as saying that we are leaving the EU but not leaving Europe. That seems to many of us to be a deliberately meaningless phrase in the face of the underlying hostility to continental European Governments of some Conservatives on the Benches behind her. The Foreign Secretary, rather more floridly, has several times said that he sees the future relationship between the UK and the European Union as similar to the relationship between a flying buttress and a cathedral. Could she explain exactly what he means by that?

Baroness Goldie: I have no pretensions to architectural expertise and I hesitate to venture an opinion. What is clear is that during the negotiations we will not only seek to do whatever we can to get the best possible deal for the United Kingdom but, equally importantly, set out the parameters for our future relationship with the EU. I do not agree with the noble Lord’s dismissal of the argument that we will leave the EU but remain in Europe. I do not think that that is a platitude; it is a self-evident truth.

Lord Foulkes of Cumnock (Lab): My Lords, would the Minister consider sending one of these declarations of friendship and intent to the Scottish Parliament?

Baroness Goldie: I say to the noble Lord that if I were to articulate the words that instinctively come to my lips about the First Minister of Scotland, they would not constitute parliamentary language.

Lord Pearson of Rannoch (UKIP): What about adding a short PS to this letter of solidarity along the lines of, “Why not come with us?”.

Baroness Goldie: I did not quite get the start of the noble Lords question, but if his sentiment is that we are on a joint enterprise as we embark upon these negotiations, with the UK seeking to do what is best for it but at the same time engaging constructively with our EU friends and allies, then yes, there is a joint dividend and prize to be gained.

Lord Dykes (CB): My Lords, bearing in mind that the Minister says that Europe is so important to us, should we not only welcome and thank the noble Lord, Lord Cormack, for his beguiling, romantic and enticing suggestions, but come to the conclusion that we might as well stay in the European Union?

Baroness Goldie: That is a beguiling and enticing question to respond to, but the referendum result has happened. We are now in a very important part of our national affairs—arguably the most important outside of wartime. All of us collectively will want to wish our Prime Minister, Government and negotiators well for the sake of the whole country.

Scottish Independence Referendum

Private Notice Question

3.06 pm

Asked by Lord West of Spithead

To ask Her Majesty's Government what response has been given to the Scottish First Minister in response to her request for a further referendum on Scottish independence.

The Parliamentary Under-Secretary of State, Northern Ireland Office and Scotland Office (Lord Dunlop) (Con): My Lords, a little over two years ago people in Scotland voted decisively to remain part of our United Kingdom in a referendum. The UK Government remain of the view that there should not be a further referendum on independence. Even at this late hour we call on the Scottish Government to take it off the table. Another referendum would be divisive and cause huge economic uncertainty at the worst possible time.

Lord McAvoy (Lab): My Lords—

Lord West of Spithead (Lab): My Lords, I should declare that I lived in Scotland for many years and was educated there. Does the Minister not agree that, to give clarity to the people of Scotland, if a referendum is allowed it is essential that it is held after the Brexit negotiations are completed, not in the midst of complex negotiations with no ability whatever to understand the implications of the detailed agreements being worked on?

Lord Dunlop: I am sure that the noble Lord received a very good Scottish education. Regarding the negotiations, Nicola Sturgeon said yesterday that she wanted the UK to get a good deal. I can think of nothing more calculated to undermine the achievement of a good deal than holding a divisive and disruptive independence referendum during the last six months of one of the most important peacetime negotiations this country has ever faced. At this time we should be working together to get the best possible deal for the whole of the UK and each part of it, particularly Scotland.

Lord McAvoy: My Lords, I was in a rush because I understand I have only a minute or so. The most important point is that there is no desire in Scotland for another referendum. It is simply not in Scotland's best interest, especially not at a time when we need stability and a period of relative calm, not yet more uncertainty. Before the 2014 vote the SNP said that the referendum was a once-in-a-lifetime opportunity and promised that it would abide by the result. The fact is that ever since it lost in 2014 the SNP has been agitating for another referendum and will seize upon

any excuse. Scottish Labour MSPs will oppose a second referendum in the Scottish Parliament, but if it is successful and comes here the Labour Party will not oppose it. But we certainly call on tough negotiations—tougher than the last time—over the timing and the question, because it is quite clear that Mr Alex Salmond ran rings around the then Prime Minister. If the Government want any advice on negotiations, I am available.

Lord Dunlop: I know that the noble Lord's reputation goes before him, so I thank him for that offer. I strongly agree with what he said. We must respect the result of the independence referendum that took place in 2014. As Alex Salmond and Nicola Sturgeon said, it was a once-in-a-generation vote. Both sides signed the Edinburgh agreement, which committed to respect that result. Only two-and-a-half years after that vote, which was won by more than 10 points—a result that was fair, legal and decisive—the First Minister is now calling for another vote. All the evidence is quite clear that people in Scotland overwhelmingly do not want another divisive, disruptive referendum. They know the damage that it would do to the Scottish economy and Scottish jobs, taking the eye off the ball of the domestic agenda: schools, hospitals and getting the economy going again. That is what we should focus on.

Lord Stephen (LD): My Lords, does the Minister agree that there is no justification for a second independence referendum and that the best way for that to be made clear is for the UK Government to make a simple, clear statement to the Scottish Parliament and the Scottish people on that issue? It is not what people in Scotland want, not now nor after Brexit. The SNP should stand by the Edinburgh agreement and stick to their word—that this was once in a generation, not a “neverendum” to be repeated and repeated. What we on these Benches and the people of Scotland want is a Scottish Government focusing on better outcomes for the people of Scotland on health and education, not what is best for the SNP and its obsession with independence.

Lord Dunlop: The UK Government and the Prime Minister could not be clearer: we do not think there that should be a further referendum on independence, for all the reasons that the noble Lord and others have given. Even at this late stage, the Scottish Government can and should take that referendum off the table.

Lord Lang of Monkton (Con): My Lords, should we not remind the First Minister of Scotland that the Prime Minister is Prime Minister of Scotland as well as of the rest of the United Kingdom and that the worst possible way to help her get the best deal for the United Kingdom and for Scotland within it is to attack her at the outset of these important negotiations?

Lord Dunlop: I very much agree with my noble friend. The Prime Minister will work tirelessly to secure the best possible deal for the whole UK and, as she has said, for every part of it. This is a time to work together to that end, not to sow division and difference.

Baroness Liddell of Coatdyke (Lab): My Lords, in the past half-hour, I have received an email from a leading player in the Scottish commercial property market to say that, overnight, £50 million worth of deals have been withdrawn as a consequence of the possibility of a Scottish referendum. Does the Minister agree with me that, when the Scottish economy is already weakened, when we are seriously troubled about our education and our health sectors, the First Minister's action is one of unpardonable folly?

Lord Dunlop: Yes, I agree with the noble Baroness. I meet many Scottish businesses and have yet to find one which thinks that it is a good idea to engender such uncertainty by calling for another independence referendum. It should be a matter of concern for all of us that the economic data for Scotland show that the Scottish economy is lagging behind the rest of the UK. Those data started coming out before the vote last June. It is a matter that we should attend to. The UK Government are committed to working with the Scottish Government to focus on those issues, which are so important for the Scottish economy.

Lord Foulkes of Cumnock (Lab): Has the Minister noticed, however, that the arguments being used by Nicola Sturgeon for pulling Scotland out of the United Kingdom are exactly the same as those used by Theresa May for pulling the United Kingdom out of the European Union? Does that not create a problem for the Government?

Lord Dunlop: The problem for us is an SNP Government, with their one-track mind, using the pretext of Brexit to pursue their obsession with taking Scotland out of the United Kingdom. We know that the UK market is worth four times more to Scottish businesses than the EU market.

Lord Campbell of Pittenweem (LD): My Lords, in view of the unexpected taciturnity of the noble Lord, Lord West, would the Minister care to hazard a guess as to the consequences for warship building on the Clyde in the event of independence?

Lord West of Spithead: Hurrah!

Lord Dunlop: Some very positive investment announcements have been made regarding the Clyde. It is the centre of excellence for surface warship building and that would not happen if Scotland were ripped out of the United Kingdom.

Lord Empey (UUP): My Lords, is it not the case that nationalists in Northern Ireland have welcomed the decision of the Scottish Government, and are now trying to see whether they could have a pincer movement and have both referenda at the same time? Is it not clear that the Government are going to have to take a much more robust position? Will the Minister confirm that neither a Scottish referendum nor a Northern Ireland border poll will be held?

Lord Dunlop: I have made the position on a Scottish referendum absolutely clear. With regard to Northern Ireland, there are clear mechanisms under the Belfast agreement for the holding of a border poll. My right

honourable friend the Northern Ireland Secretary has been very clear that the conditions for such a poll do not exist.

Lord Wigley (PC): My Lords—

Lord McConnell of Glenscorrodale (Lab): The last referendum left a deep legacy in Scotland of division that affected families, friendships and communities. During that referendum, there was regularly a real problem of aggression and, occasionally, violence. Can the Government guarantee that, in any discussions that take place over these next two years about the possibility of another referendum in Scotland, they will keep uppermost in their mind the need to ensure that any debates are conducted properly and that the leadership of those debates behaves in a way that inspires people positively?

Lord Dunlop: All political debates should take place with courtesy and respect; the Government would obviously want to promote and uphold that. The key question here, however, is whether there should be another Scottish independence referendum. The Government are absolutely clear that there should not be.

Recess Dates

Announcement

3.17 pm

Lord Taylor of Holbeach (Con): My Lords, it may be for the convenience of the House if I make a short Statement about dates for the Summer Recess. As usual, as is our practice, a note of all the dates that I am about to announce will be available in the Printed Paper Office by the time that I have sat down. All of these dates have the usual and very necessary caveat that they are subject to the progress of business. We will rise for the Summer Recess at the end of business on Thursday, 20 July. We will return for a September sitting on Tuesday, 5 September. Further dates will be announced in due course, but I hope that, for now, having details for the long adjournment over the summer is helpful to the House.

Reporting on Payment Practices and Performance Regulations 2017

Limited Liability Partnerships (Reporting on Payment Practices and Performance) Regulations 2017

Motions to Approve

3.18 pm

Moved by Lord Prior of Brampton

That the draft Regulations laid before the House on 31 January be approved.

Considered in Grand Committee on 9 March.

Motions agreed.

Transport Levying Bodies (Amendment) Regulations 2017

Motion to Approve

3.19 pm

Moved by Lord Ahmad of Wimbledon

That the draft Regulations laid before the House on 24 January be approved.

Considered in Grand Committee on 9 March.

Motion agreed.

Broadcasting (Radio Multiplex Services) Bill

Order of Commitment Discharged

3.20 pm

Moved by Baroness Bloomfield of Hinton Waldrist

That the order of commitment be discharged.

Relevant document: 19th Report from the Delegated Powers Committee

Baroness Bloomfield of Hinton Waldrist (Con): My Lords, I understand that no amendments have been set down to this Bill and that no noble Lord has indicated a wish to move a manuscript amendment or to speak in Committee. Unless, therefore, any noble Lord objects, I beg to move that the order of commitment be discharged.

Motion agreed.

European Council *Statement*

3.20 pm

The Lord Privy Seal (Baroness Evans of Bowes Park) (Con): My Lords, with the leave of the House I will now repeat a Statement made by my right honourable friend the Prime Minister in another place. The Statement is as follows:

“With permission, Mr Speaker, I would like to make a Statement on last week’s European Council, and the next steps in preparing to trigger Article 50 and beginning the process of leaving the European Union.

The summit began by re-electing Donald Tusk as President of the European Council. I welcomed this because we have a close working relationship with President Tusk and recognise the strong contribution he has made in office. In the main business of the Council, we discussed the challenge of managing mass migration, the threats from organised crime and instability in the western Balkans, and the measures needed to boost Europe’s growth and competitiveness, which will remain important for us as we build a new relationship between the EU and a self-governing, global Britain. In each case, we were able to show once again how Britain will continue to play a leading role in Europe, long after we have left the European Union.

First, on migration, I welcomed the progress in implementing the action plan we agreed at the informal EU summit in Malta last month. This included Italy strengthening asylum processes and increasing returns, and Greece working to implement the EU-Turkey deal,

where the UK is providing additional staff to support interviewing of Iraqi, Afghan and Eritrean nationals. At this Council, I argued that we must do more to dismantle the vile people-smuggling rings that profit from the migrants’ misery and which subject many to unimaginable abuses. With co-ordinated and committed action, we can make a difference. Indeed, just last month an operation between our National Crime Agency and the Hellenic coastguard led to the arrest of 19 members of an organised immigration crime group in Greece.

As I have argued before, we need a managed, controlled and truly global approach, and that is exactly what this Council agreed. We need to help ensure refugees claim asylum in the first safe country they reach, and help those countries to support the refugees so they do not have to make the perilous journey to Europe. We need a better overall approach to managing economic migration, one which recognises that all countries have the right to control their borders. Engaging our African partners in this global approach will be crucial, and this will be an important part of the discussions at the Somalia conference which the UK will host in London in May.

Turning to the deteriorating situation in the western Balkans, I made clear my concerns about the risks this presents to the region and to our wider collective security. Organised criminals and terrorists are ready to exploit these vulnerabilities, and we are seeing increasingly brazen interference by Russia and others. In light of the alleged Montenegro coup plot, I called on the Council to do more to counter destabilising Russian disinformation campaigns and to raise the visibility of the western commitment to this region.

The UK will lead the way. The Foreign Secretary will be visiting Russia in the coming weeks, where I expect him to set out our concerns about reports of Russian interference in the affairs of the Government of Montenegro. We will provide strategic communications expertise to the EU institutions to counter disinformation campaigns in the region, and we will host the 2018 western Balkans summit. In the run-up to that summit, we will enhance our security co-operation with our western Balkans partners, including on serious and organised crime, anti-corruption and cybersecurity.

More broadly, I also re-emphasised the importance that the UK places on NATO as the bedrock of our collective defence, and I urged other member states to start investing more, in line with NATO’s target, so that every country plays its full part in sharing the burden. For it is only by investing properly in our defence that we can ensure we are properly equipped to keep our people safe.

Turning to growth and competitiveness, as I have said, I want us to build a new relationship with the EU that will give our companies the maximum freedom to trade with and operate in the European market, and allow European businesses to do the same here. A successful and competitive European market in the future will remain in our national interest. At this Council I called for further steps to complete the single market and the digital single market. I also welcomed the completion of the free trade agreement between the EU and Canada, and pressed for an agreement

with Japan in the coming months. For these agreements will also lay the foundation for our continuing trading relationship with these countries as we leave the EU.

At the same time, we will seize the opportunity to forge our own new trade deals and to reach out beyond the borders of Europe to build relationships with old friends and new allies alike. This weekend, we announced a two-day conference with the largest ever Qatari trade delegation to visit the UK, building on the £5 billion of trade we already do with Qatar every year. We will also strengthen the unique and proud global relationships we have forged with the diverse and vibrant alliance of the Commonwealth, which we celebrated on Commonwealth Day yesterday.

Finally, last night the Bill on Article 50 successfully completed its passage through both Houses unchanged. It will now proceed to Royal Assent in the coming days, so we remain on track with the timetable I set out six months ago. I will return to this House before the end of this month to notify when I have formally triggered Article 50 and begun the process through which the United Kingdom will leave the European Union. This will be a defining moment for our whole country, as we begin to forge a new relationship with Europe and a new role for ourselves in the world.

We will be a strong, self-governing global Britain, with control once again over our borders and our laws. We will use this moment of opportunity to build a stronger economy and a fairer society, so that we secure both the right deal for Britain abroad and a better deal for ordinary working people at home.

The new relationship with the EU that we negotiate will work for the whole of the United Kingdom. That is why we have been working closely with the devolved Administrations, including the Scottish Government, listening to their proposals and recognising the many areas of common ground that we have, such as protecting workers' rights and our security from crime and terrorism. This is not a moment to play politics or create uncertainty and division. It is a moment to bring our country together, to honour the will of the British people and to shape for them a brighter future and a better Britain. I commend this Statement to the House".

My Lords, that concludes the Statement.

3.28 pm

Baroness Smith of Basildon (Lab): My Lords, I listened carefully to the Leader of the House repeating the Statement, and I am grateful to her for doing so. It must have been a strange meeting because there really was an elephant in the room. The one thing we most need to talk about with our European partners is what everybody else sitting round that table is thinking about but nobody is talking about—Brexit. I welcome the issues that were discussed, but the longer-term implications for all of these will naturally be different for the UK and it would be helpful to know whether at any stage during this informal summit acknowledgement was made of the different position of the UK, given the long-term nature of some of the plans being made.

The Statement says that, in all the items that were discussed,

"we were able to show once again how Britain will continue to play a leading role in Europe, long after we have left the European Union".

That is certainly welcome, and it is that vision of a post-Brexit UK that we have all been waiting to hear more details about. We have heard aspirations and we have had general statements, but how it will be achieved has been missing. Given that the Prime Minister was able to show the summit how this will be achieved, is the Leader able to share this information with your Lordships' House today? Perhaps she could follow up with a Written Statement to Parliament so that we can have the same information as was made available to the European summit.

The summit also discussed organised crime, which does not feature in the Prime Minister's Statement, apart from a brief reference. Clearly, EU-wide co-operation on serious and organised crime and terrorism has been, and remains, essential. It is an issue on which the UK has taken a lead. The Minister will understand that any reduction in the capacity to tackle these issues, or in the level of co-operation, engagement and information sharing, would damage the interests of the UK, and indeed of the EU.

Given that part of the discussion of security and defence at the summit was on future legislative work, can the Minister say how far we will engage with such legislation, and whether, as a parallel process, the implications for UK legislation will also be examined? Can she also confirm that, following the great repeal Bill, primary legislation will be needed on these issues? Furthermore, in respect of information sharing, have any representations been made, or concerns expressed, by our own security and policing organisations about the implications of our leaving the EU?

Yesterday during Questions, the noble Lords, Lord Harris of Haringey and Lord Rosser, raised serious concerns about the Government's failure to provide full information on illegal weapons imported into this country. I know that that information is available. Can the Minister say whether it is being shared across the EU with other police forces and security organisations?

I welcome the Prime Minister's reassurance to the EU about our commitment to NATO. She also discussed this issue with President Trump, and indeed her comments to the summit about other countries investing more echo the comments that he made at the press conference he held with the Prime Minister. Given that the Prime Minister and President Trump appear to think alike on this point—and we agree that all members should commit to 2% of GDP on defence—can the Minister nevertheless confirm that our commitment to NATO is absolute?

In relation to growth and competitiveness, the Prime Minister called for,

"further steps to complete the single market and the digital single market".

That was said without any sense of irony, but is the Prime Minister really pressing the EU on the single market that she is intent on withdrawing from? More out of interest than anything, I ask: what was the response from the summit?

The Statement also refers to the EU's free trade agreement with Canada, and the Prime Minister pressed for an agreement with Japan, because,

"these agreements will also lay the foundation for our continuing trading relationship with these countries as we leave the EU".

[BARONESS SMITH OF BASILDON]

Can I ask how? We will have to negotiate our own trade agreements and, given that the Prime Minister has indicated that she wants to take us out of the customs union, surely it follows that we will lose access to all trade agreements negotiated by the EU.

Finally, we get to Article 50 and Brexit. In the Statement, the Prime Minister confirms her long-held date of the end of March for triggering Article 50. I would have hoped, however, that the Prime Minister would have taken this opportunity—her first Statement to Parliament following parliamentary acceptance of the Bill—to say something a little more meaningful, possibly even to confirm her personal commitment on EU and UK nationals living across Europe and on Parliament's role in the process. We thought that there was a good case for the amendments on these points and that the outcome was the result of stubbornness on the part of the Prime Minister, who wanted a clean Bill. A Statement today, or something in this Statement, would have been extremely helpful and welcome.

The Statement also refers to us taking back control of our borders. Can the noble Baroness confirm that this will require legislation, and confirm the Prime Minister's commitment to maintain the soft land border with the Republic of Ireland?

The time for broad sweeping statements has gone. It is time for the detail. Words in the Statement, therefore, that offer a "strong, self-governing global Britain", "control over our borders", a "stronger economy", a "fairer society", a "better deal" and a "brighter future" are meaningless: without some flesh on the bones, they are just words.

Furthermore, a lecture on not playing politics or creating uncertainty is misjudged. There is uncertainty here and now—across the whole of Europe—about the position of EU nationals, UK nationals, business and the environment, and the uncertainty is growing. We have now heard demands for a second referendum in Scotland and calls for an Irish border poll. The Government must act to reduce uncertainty and provide some certainty. I press the Prime Minister for detail not from any party-political motive but out of a need for her to do all she can to remove that uncertainty.

Lord Newby (LD): My Lords, like the noble Baroness, Lady Smith, I was struck by the Prime Minister's claim that she was,

"able to show once again how Britain will continue to play a leading role in Europe, long after we have left the European Union".

The Statement sets out the roles we play at present in a number of areas but I wonder how these roles will be maintained in the years to come. For example, if we are,

"providing additional staff to support interviewing of Iraqi, Afghan and Eritrean nationals",

in Greece, do the Government envisage that we will play this sort of role beyond Brexit? The Prime Minister then said that,

"we need a better overall approach to managing economic migration".

In which form does she envisage that such an overall approach will be co-ordinated involving the United Kingdom?

On the western Balkans, the Prime Minister said:

"We will provide strategic communications expertise to the EU institutions to counter disinformation campaigns".

This is very welcome but how does the noble Baroness, Lady Evans, envisage that we might provide that kind of support, vital as the Government claim it is, once we have left the European Union?

Turning to growth and competitiveness, the Statement says that the Prime Minister wants us,

"to build a new relationship ... that will give our companies the maximum freedom to trade with and operate in the European market".

That is of course welcome but outside the single market and the customs union it is impossible to have the maximum freedom to trade, so how do the Government marry that welcome assertion with their actual actions? The Statement goes on, as the noble Baroness, Lady Smith, pointed out, with the Prime Minister rather patronisingly calling,

"for further steps to complete the single market and the digital single market",

at the very moment when we say that it is such a costly thing for the United Kingdom to be a member of the single market that we are leaving it. Was that well received? Did they think, "Yes, the Prime Minister really has a consistency of approach on that"?

The Statement mentions strengthening our trade relationship with the Commonwealth. Does the noble Baroness, Lady Evans, accept that our trade with the Commonwealth amounts to 9% of our total trade, compared to 44% of our total trade being with the EU? Does she believe that the scope for increased trade with the Commonwealth will be greater than the threat of reduced trade with the EU outside the single market?

On triggering Article 50, the Prime Minister said that, "we will use this moment of opportunity to build a stronger economy and a fairer society".

Those are very familiar words on these Benches:

"A Stronger Economy and a Fairer Society",

was indeed the Liberal Democrat general election slogan. While imitation is the sincerest form of flattery, I jolly well hope that the Government have more success with it than we did.

But a stronger economy and fairer society is impossible to achieve outside the European Union. There is no significant body of opinion, beyond one or two noble Lords opposite, which believes that we will have a stronger economy. If we do not have a stronger economy, we will not have as strong public finances, and without public finances being as strong, it is frankly impossible for the state to promote the kind of fairer society of which the Government, and in particular the Prime Minister, speak so often.

Finally, the Statement says that,

"this is not a moment to play politics or create uncertainty and division. It is a moment to bring our country together".

I wonder whether the Prime Minister, or indeed the noble Baroness the Leader of the House, has tested that sentiment on the 3 million EU citizens living in the UK and their families.

Baroness Evans of Bowes Park: My Lords, I thank the noble Baroness and the noble Lord for their comments. In response to a previous Statement I repeated, the noble Lord questioned maintaining our leading role in the EU and at that time I was able to point out that we still play a leading role. In fact, the Prime Minister was key to the conclusions on the western Balkans, in particular, during this summit. We have great strengths and great relationships with Europe. There is no reason why we cannot still share expertise and experience to ensure that we play a leading role. For instance, we are leaders in cybersecurity, as the noble Baroness said. We are making our expertise available to our European partners and are using it to great effect in a number of regions. We want a strong relationship with the EU. Just because we are not in the EU does not mean we cannot maintain that. Where we have strengths, we can offer them to the EU, and where it has strengths, we can play that to our advantage. Just because we are leaving the EU does not mean we cannot have strong relationships with our European partners.

Particularly in relation to the western Balkans, our strategic communications support to them and to EU institutions to counter disinformation is part of our wider UK response. In February, we opened the National Cyber Security Centre, which will help to drive technological improvements and offer advice to citizens and organisations to defend against threats. We are also providing our expertise across the EU.

The noble Baroness asked about our commitment to NATO and I can confirm that we are completely committed to it. The UK, Estonia, Greece and Poland are the only European nations that currently spend 2% of their GDP on defence. We welcomed commitments from Latvia, Lithuania and Romania to reach that target soon. Defence spending across the continent increased by 3.8% above inflation last year, but we have a long way to go. We continue to say that NATO is the bedrock of our defence, and we encourage all our European partners to play a strong role.

On the questions about trade agreements with Canada and Japan, we believe that the EU continuing with them is important. We want to support them because we believe they will be crucial to our future bilateral relations with countries such as Canada and Japan. For instance, the CETA agreement estimates economic benefits to the UK of about £1.3 billion a year while we remain in the EU. We want to encourage British businesses to take advantage of their early relationships so that we can build on them. We think they will be able to help us in future in the relationships that we develop, and we are keen to keep momentum in relation to the Japanese agreement.

Questions were asked about our encouragement of the European Union to complete the single market in the digital economy. We believe it is great news for the EU because it will result in stronger growth and job creation, which helps us. We are very pleased with the positive trends in the European economy. We believe that part of the UK's economic success is helping to drive success in Europe. We want a strong partnership and a strong relationship, which means we want a thriving European economy, just as we want a thriving UK economy.

Finally, the noble Baroness asked a couple of questions. I can certainly reiterate that we do not want to return to the Irish borders of the past. We are very committed to working with the Irish Government to avoid that. In the White Paper we made clear that we will be bringing forward primary legislation, including on immigration, that Parliament will have the opportunity to scrutinise and to discuss in great detail. There will be a number of Bills coming forward as we start to move towards exiting the EU.

3.43 pm

Lord Howell of Guildford (Con): My Lords, in the discussions about future trade relations in the Council, was any mention made of the World Trade Organization's new trade facilitation agreement, which came into operation last week? It transforms the handling of trade across customs union barriers and into traditional protected markets, such as the single market. Will this not change a great deal of the argument we are having about the validity of the single market and whether we are in or out of it? The noble Lord, Lord Newby, did not seem aware of that major change in the pattern of trade relations.

As to the Commonwealth, I am sure the Minister is aware that last week's meeting of Commonwealth Trade Ministers reflected that a whole new pattern of world trade, driven by digital considerations, is emerging to which the Commonwealth, with its common legal arrangements and language, is peculiarly well suited. The prospects, which are again something that the noble Lord, Lord Newby, did not seem to understand, are very great for the expansion of trade in the digital age.

Baroness Evans of Bowes Park: I thank my noble friend. My noble friend Lord Price, in response to a Question earlier this week, outlined a number of ways in which we are looking to improve our trade relations with the Commonwealth. It is certainly a focus for us and we want to take advantage of our historic links. Obviously, as my noble friend well knows, our objective is to seek an ambitious and comprehensive free trade agreement with the EU. We are going into the negotiations positive that we can get a good deal for both the UK and the EU, which will work in both our interests.

The Duke of Somerset (CB): My Lords, did the Council address the vile treatment of refugees and asylum seekers in European countries such as Italy, where they are not allowed to cross the border to France, it takes three years to process their applications, during which they are not allowed to work to earn money to survive, and the police deal brutally with those that they detain? These human beings live in squalor, wherever they can, including under bridges or in drains, with little hope for a better future. The EU seems to have no coherent or humanitarian policy, and certainly not one that works on the ground. How is the UK going to help improve this terrible state of affairs when the doctrine is that the first safe country they reach does the processing—the very states that are overstretched to manage it?

Baroness Evans of Bowes Park: The Prime Minister certainly stressed our commitment to working with our European partners to tackle the Mediterranean migration crisis. Reforms to the Italian asylum process

[BARONESS EVANS OF BOWES PARK]

and implementation of the EU-Turkey deal are helping to relieve pressure on EU migrant returns, but of course we are very concerned about the conditions that many of these migrants live in. That is why last month in Valletta we announced a further £30 million in UK aid to assist refugees and migrants across Greece, the Balkans, Libya, Egypt, Tunisia, Morocco, Algeria and Sudan, which will provide immediate life-saving aid to vulnerable migrants, help to train front-line workers responding to the crisis and support voluntary returns and reintegration.

Baroness Symons of Vernham Dean (Lab): My Lords, there is no reference in this Statement to any joint European response to the appalling famine in South Sudan. This is the first declaration of famine in the world for a number of years, and 2 million people are at imminent risk of starvation. Was this simply ignored in the meeting last week? Was it discussed in the margins? I am bound to say I was very surprised not to see any reference whatever to one of the worst humanitarian crises we have seen in a very long time.

Baroness Evans of Bowes Park: I think all of us around the House share the noble Baroness's concern. I am not aware that it was discussed, but obviously I was not there either. Perhaps I could confirm whether that is the case and let her know, but it was not on the formal agenda, no.

Baroness Ludford (LD): My Lords, the Minister just referred to the aim of a comprehensive free trade agreement with the EU, and I wondered whether the Government have reflected on a couple of references in the summit conclusions to relations with trade partners. One said that,

"the EU has to equip itself with modernised ... tools to tackle unfair trade practices and market distortions".

Another said:

"The EU will be particularly vigilant concerning the respect and promotion of key standards".

That was particularly directed at China, but it might well be directed at other trade partners. In the light of the threat by the Chancellor a couple of months ago suggesting an alternative economic model in the UK—generally thought to mean low tax and low regulatory standards—have the Government reflected on where it would lead in terms of undermining any ambition of a comprehensive FTA if we do not maintain high standards?

Baroness Evans of Bowes Park: My Lords, as I have said, we anticipate a positive deal between us and the EU. Of course we start negotiations from the unique position of sharing many of the identical rules and regulations, so we are positive and optimistic going into these negotiations.

Lord Hamilton of Epsom (Con): My Lords, did the European Council discuss the deal done with Turkey whereby it would hold on to millions of Syrian refugees in return for accelerated membership of the EU and a payment of €3 billion, not all of which I gather has come through? There certainly does not seem to be any enthusiasm for allowing Turkey into the EU.

Baroness Evans of Bowes Park: The UK wants a strong, stable and prosperous Turkey, and it is in our and the EU's interest to maintain our co-operation with Turkey on counterterrorism, regional security, migration and trade. The UK remains of the view that the EU accession process is important for delivering security, stability and prosperity in Turkey, and we encourage it to continue to engage constructively with that process.

Lord Wigley (PC): My Lords, have the Government ruled out under all circumstances the UK having any ongoing single market participation, as proposed by the Welsh Government White Paper?

Baroness Evans of Bowes Park: My Lords, as I have said, and as we have said repeatedly, we want Britain to have the greatest possible tariff-free and barrier-free trade with our European neighbours, and to be able to negotiate our own trade agreements.

Lord Ashdown of Norton-sub-Hamdon (LD): My Lords, I greatly welcome the west Balkans summit. The region is in a parlous state, as many of us predicted it would be without stronger action from the EU. There has been a Russian-promoted, if not Russian-backed, coup in Montenegro; Macedonia is close to civil war; Serbia goes backwards; Croatia threatens to do the same; and Bosnia continues to unravel. However, the summit will follow the trail of many others that have achieved nothing unless the end product is a united EU and US policy that is clear, strong and muscular and which will be driven towards a regional policy for the entire area. Absent that, I fear that the Balkans will continue to go backwards, and we all know what that means for Europe.

Baroness Evans of Bowes Park: I agree with the concerns of the noble Lord. We will certainly be engaging closely with our partners. The summit next year that I mentioned will be focused on tackling serious and organised crime, anti-corruption and cybersecurity, and will include Prime Ministers and Foreign and Economic Ministers from the west Balkans and key partners such as France, Germany, Italy, Austria and the EU institutions. We are also providing a range of support to the region, including more law enforcement resources to tackle organised crime groups with links to the western Balkans, additional embassy staff, UK-led capacity building to build resilience to serious and organised crime in the region, and strategic communications expertise to the EU institutions to counter disinformation campaigns in the region. It is an issue that we take extremely seriously and that the Prime Minister led on in this Council meeting.

Lord Hannay of Chiswick (CB): I very much welcome what was said about supporting the negotiations with Japan and other trade negotiations that the EU is conducting. I welcome also the realism that the Prime Minister has shown in saying that those agreements when concluded will provide a good basis for our own agreements when we are outside the EU. However, where does that leave the argument that we have to leave the EU to have these benefits? Secondly, in the western Balkans there is again a very welcome development.

Will the noble Baroness confirm that our co-operation will continue even if, as is very likely, the EU decides in June to co-ordinate its activity in the western Balkans through an operational headquarters in Brussels?

Baroness Evans of Bowes Park: On the first part of the noble Lord's question, we are leaving the EU. That is the decision that has been made, and we will now work with our European partners to come to the best deal that we can between us. We will want excellent trade agreements with other countries. We continue to support the EU in ensuring that its economy as a whole improves, but want the best deals with our partners. We are absolutely committed to continuing to work with our European partners in the west Balkans. As the noble Lord said, it is extremely important to all our security.

Lord Cashman (Lab): My Lords, I do not wish to return to previous speeches but in the Statement the Prime Minister said with regard to the referendum that she would honour the will of the British people. As has been said, there is deep division and concern. What of the will of the 48% who voted differently? What will the noble Baroness say to them and how will she placate their fears?

Baroness Evans of Bowes Park: The Prime Minister has been very clear in saying that we need to move forward together as a country and that we want to heal the divisions caused by the referendum. The decision has now been made—we will be triggering Article 50—we need to come together, and Parliament will have a role in scrutiny and be involved in the discussions about what the future of Britain will look like. I think that it will be an optimistic and positive future, and that is something that we as leaders in the country need to get across to help give people the bright vision of Britain that I believe they will have.

Lord Elystan-Morgan (CB): My Lords, the Minister rightly mentioned the significance of the single market. Does she agree that many economists take the view that almost equally important is the question of a single system of documentation that will allow egress into Europe, and thus guarantee a proper and steady flow of commerce?

Baroness Evans of Bowes Park: As I have said to the House, we are determined and optimistic about an excellent trade deal with the EU, and will do everything we can across the negotiations to ensure that we achieve that.

Lord Campbell of Pittenweem (LD): My Lords, is it not necessary to have some realism about increased trade with Commonwealth countries? In particular, for example, have the Government considered what the position would be of Cumbrian sheep farmers, and indeed sheep farmers in the less favoured areas of Scotland and Wales, were there to be an agreement on agriculture with New Zealand?

Baroness Evans of Bowes Park: I think we might be straying slightly off the agenda of the EU Council—which is not to dismiss the concerns that the noble Lord raised. As I said, we and the Prime Minister are looking for a deal that works for all of the UK.

Lord West of Spithead (Lab): My Lords, the United States and the United Kingdom have ensured the safety and security of Europe for decades now. Indeed, 25% of European spending on defence within NATO comes from the UK. Our agencies are the best in Europe and are crucial to the internal security of Europeans. Will the Minister confirm that these factors will play a full part in any negotiations? We must continue to make sure that the countries of Europe remain safe.

Baroness Evans of Bowes Park: The noble Lord is absolutely right that UK co-operation with Europe on defence, law enforcement and internal security remains a key priority for this Government and will be at the forefront of our mind.

The Earl of Sandwich (CB): Perhaps I may return to the western Balkans. I was recently in Kosovo and can confirm that these countries will be delighted to see the United Kingdom standing up to Russia, or helping others to stand up to Russia, not least through technology. But there is the problem of European enlargement. We were a cornerstone of European enlargement in the Balkans. Will the Minister help me on the high-level dialogue between Serbia and Kosovo that is so crucial? Will we continue that process after Brexit, because the western Balkans needs to know these things now?

Baroness Evans of Bowes Park: I can certainly reassure the noble Lord of our commitment to the western Balkans—and, indeed, of our commitment to offer our expertise in tackling some of the disinformation and cybersecurity threats that we have seen. The Chancellor announced that this would be underpinned by £1.9 billion-worth of spending this Parliament on cyber.

Lord Brooke of Alverthorpe (Lab): My Lords, following my noble friend Lord West's question on NATO and security, I wonder whether we are confident that the strength of our forces is sufficient to deal with all the problems that we currently face—because, without any doubt, we face more divisions in the country than we have done for many years. In speaking to others, did the Prime Minister make any inquiries of the Swedes as to why they have decided to reintroduce conscription? Given the pressures that we have on our forces and the rumblings in Northern Ireland, in Ireland and in other places, might we not have to start thinking in terms of our public services looking back to the 1960s and 1970s and perhaps even back to conscription?

Baroness Evans of Bowes Park: I think that all noble Lords around the House will join me in paying tribute to our Armed Forces. They do a fantastic job on our behalf around the country. We are committed to ensuring that we continue to spend 2% of GDP on defence to give them the resources that they need.

Lord Empey (UUP): My Lords, could I ask the noble Baroness a question on the migration issues? The guiding rules are those in the Dublin agreement, but that is just not working and has not worked. In fact, a whole industry has been set up by smugglers who are making vast fortunes. While it is welcome that

[LORD EMPEY]

a number of arrests have been made, that is merely a drop in the ocean. Do the Government intend to press our European partners to have a really coherent policy on these matters, because the problem is not going away—it is going to get worse?

Baroness Evans of Bowes Park: We are working closely with our European partners. Of course, the Royal Navy has vessels in the Mediterranean, saving lives and assisting with the training of the Libyan coast-guard, for instance. We are providing 40 staff to Greece to support admissibility and interviewing of migrants, and sharing expertise to support Italy, and work by our National Crime Agency and Organised Immigration Crime Taskforce, in concert with our European counterparts, has seen us managing to arrest quite a number of individuals involved in smuggling in the past three months alone—and that remains a priority for us.

Lord Judd (Lab): My Lords, the Prime Minister constantly emphasises that whatever our future we want to remain a main player in world affairs. Across the African continent there is the most appalling famine. How much time was spent at the Council discussing this and how Europe should respond, and how are we going to continue to co-operate with Europe in meeting this huge humanitarian challenge?

Baroness Evans of Bowes Park: The noble Baroness, Lady Symons, asked a similar question and I said that the famine was not on the formal agenda and that I would go back and check whether any discussions were had. I cannot give the noble Lord a definitive answer, but I have said that I will investigate. Of course, I also said that we were committed to doing what we can to help the countries affected, because it is an appalling humanitarian crisis.

Lord Cormack (Con): Does my noble friend accept that, as we move towards exit, bilateral relations with our neighbouring nations in the European Union will become more and more important, particularly with those nations that until less than three decades ago were in the Warsaw Pact and looked to us for support and leadership as they moved into the European Union?

Baroness Evans of Bowes Park: My noble friend is right—I agree with that.

Lord Wallace of Tankerness (LD): My Lords, the Prime Minister's statement made reference to working with the devolved Administrations as we move towards the exit negotiations. Can the Leader of the House indicate whether the UK Government intend to give a substantive response to the Scottish Government's submission of December 2016 and, if so, when?

Baroness Evans of Bowes Park: The Scottish Government's proposals have been considered in detail, including through the JMC process. In the last month, there have been a series of technical meetings on the content of the proposals. Officials in the Scottish

Government have met UK specialists in trade, customs, the single market, law, devolution, and goods and services, so close working is going on.

Baroness McIntosh of Pickering (Con): Does my noble friend agree that we currently have access to the widest free trade area through our membership of the European Union? Will she agree that it is extremely important to have transitional arrangements in place? If we lose access through the World Trade Organization, does she accept that, overnight, we will lose access to the free trade agreements negotiated by the EU? Will she use her good offices to ensure that we continue to have free trade access that we currently enjoy under transitional arrangements, until such time as a permanent agreement is agreed?

Baroness Evans of Bowes Park: We want to have reached an agreement about our future partnership by the time the two-year Article 50 process has been concluded. From that point onwards, we expect a phased process of implementation, in which both Britain and the EU institutions and member states prepare for the new arrangements that will exist between us.

Budget Statement

Motion to Take Note

4.04 pm

Moved by Baroness Neville-Rolfe

That this House takes note of the economy in the light of the Budget Statement.

The Commercial Secretary to the Treasury (Baroness Neville-Rolfe) (Con): My Lords, it is a privilege to present the 2017 Budget to the House. As your Lordships will be aware, this will be the last spring Budget before we move to an autumn timetable. It is also the first Budget since the referendum and our historic vote to leave the European Union. We want to provide as much certainty as possible and therefore it is only right that we take a cautious approach in our stewardship of the economy. Further, despite the Government's success in bringing down the deficit by two-thirds, it is still too high at 3.8% of GDP last year. These are two major reasons for prudence.

Accordingly, this Budget is designed to strengthen our financial position still further and prepare the economy for the challenges and opportunities ahead. It invests in making the UK more productive—the best way to raise living standards in the long term—and in the quality public services that we depend on. In short, it gets us ready to make the most of the opportunities ahead by laying the foundations for a stronger, fairer, better Britain outside the EU and to create a truly global Britain to compete internationally.

It is fair to say that in March 2017 we are in a better position economically than many predicted. Growth in the second half of 2016 was stronger than the OBR had anticipated in the Autumn Statement. In fact, last year the UK grew faster than most other advanced major economies, while employment remains at a record high. That is very welcome, but the OBR continues to judge that in the medium term, growth

will slow due to weaker growth in consumer demand as a consequence of a rise in inflation. Business investment is also expected to remain subdued as we begin the period of negotiation with our EU friends and partners. The OBR is, however, forecasting that net trade will make a positive contribution to growth, as the recent sterling depreciation supports exports.

As I have said, the deficit remains too high, and a range of factors in the global economy present potential risks. So it is right that we get ourselves in a position of readiness to handle difficulties of any kind which come our way. Accordingly, putting the public finances in good order will remain vital for the foreseeable future. Our fiscal rules to do so strike the right balance between reducing the deficit, maintaining flexibility and investing for the long term. The OBR predicts that we will continue to make good progress, with borrowing forecast to fall to a two-decade low of 0.7% of GDP by 2021-22. As a consequence, we are within sight of bringing to a halt the increase in the national debt as a proportion of GDP. Debt is forecast to peak at 88.8 % of GDP in 2017-18 and then to fall in subsequent years. So we are on track to bring the public finances under control.

I want to address the calls that we continue to hear for a spending splurge. It is true that the OBR has forecast £16.4 billion lower borrowing in 2016-17 than it did at the Autumn Statement, but with the national debt nearing 90% of GDP, and while we spend £50 billion on debt interest every year, this would be unwise. Also, the reduction in predicted borrowing owes much to one-off factors unlikely to be repeated. So we must maintain the momentum of reducing borrowing, and getting debt down. Hence a responsible and balanced Budget of targeted spending, with modest increases in revenue, which more or less cancel each other out.

I turn now to the proposed revenue-raising measures. It has been wisely said that:

“To tax and to please ... is not given to man”.

If we want evidence for the truth of this quotation we need look no further than the reaction to this Budget. Taxation is a serious matter. Our principles are that the tax base must be sustainable and fair. That is the only way we can continue to sustain public services. So it was with those principles in mind that we proposed changes to national insurance contributions and to the dividend allowance.

I start with the proposal which has attracted the most widespread comment, that on national insurance. This is about creating a fairer and more sustainable system, and 60% of self-employed people affected—those on the lowest incomes—will actually gain from our reforms by an average of £115 a year. We will also explore the rights and protections for self-employed workers, including on issues like parental rights and maternity pay. Legislation will not be brought forward until the autumn, as the Prime Minister has said.

It is also a fact that within the current system, the self-employed, who represent 15% of the British workforce, pay a much lower rate. There are historical reasons for this, reflecting the difference in contributory benefits received, but it is telling that the number of self-employed has increased markedly in recent years. Some—I would say not all—of these newly self-employed are motivated by the tax advantages. With that trend set to continue,

it is simply not a sustainable way to fund the benefits self-employed people receive, which now, importantly, include the same access to the state pension. Lower rates paid by the self-employed—some of whom are on very high incomes—are forecast to cost our public finances over £5 billion this year alone.

We have also reduced the dividend allowance from £5,000 to £2,000 from April 2018. This reduces the incentives for individuals to work through a company. The OBR has estimated that increases in incorporations would cost the Exchequer an extra £3.5 billion a year by 2021-22. This measure also ensures support for investors is more effectively targeted.

All can benefit from the increased personal allowance, for example, which rises to £11,500 this April. Investors will also benefit from the ISA allowance of £20,000 per annum from 2017-18. General investors, typically only those with a share portfolio outside an ISA worth at least £50,000, will pay more tax as a result of this change. Over 80% of general investors will continue to pay no tax on their dividends.

I now turn to business rates, where we have recognised that for some businesses the 2017 revaluation meant a large change in bills. While the revaluation is itself, by law, fiscally neutral, last year the Government set out £3.6 billion of transitional relief to support businesses with rising bills, capping the increases that businesses could face each year. We have committed to a package of cuts to business rates now worth nearly £9 billion, with 600,000 small businesses taken out of paying rates altogether. And at the Budget, my right honourable friend the Chancellor announced a further £435 million of support for businesses facing the steepest increases in bills, including help for small businesses losing small business rates relief and funding for local authorities to support discretionary relief.

Overall, the changes we have made to the tax system, especially for business, should be seen in the context of the competitive tax environment we have already put in place on corporation tax, capital gains tax and the R&D tax credit regime.

The revenue raised by tax measures in the Budget has enabled the Government to invest more in the public services that people care most about. One of the most significant commitments was on social care and health, where we have taken action to deal with short-term pressures as well as looking to the longer term. We have allocated an extra £2 billion to councils, which will reduce pressures on the NHS and help them provide more social care to people in their communities over the next three years, of which £1 billion will be made immediately available. It is agreed that we face growing pressures for the longer term as populations become older and the costs of complex medical treatments rise.

Noble Lords may recall that the OBR's *Fiscal Sustainability Report* in January predicted that without mitigating action, the percentage of GDP spent on social care would double in the next 50 years. We will publish a Green Paper setting out our proposals for dealing with this challenge later in the year, and I believe that this House will play a valuable ongoing role in considering this issue over the longer term. We are also putting an extra £425 million into the NHS for complementary measures to help assess and manage

[BARONESS NEVILLE-ROLFE]

patients waiting in accident and emergency, and to enable local NHS organisations which already have good plans for long-term reform to put those plans into action.

As a nation, we face a major challenge on productivity. It is well established that we lag behind the G7 average by 18%, and we are even more behind leaders such as Germany. Noble Lords who know me know that this issue has exercised me since my very first day in this House. To meet this problem in the Autumn Statement, we announced a new national productivity investment fund, worth over an extra £23 billion and targeted at areas critical to boosting the UK's long-run productivity, including housing, research and development, and economic infrastructure.

The Budget included further details on how we will use the new fund to make a real difference, improving the UK's physical infrastructure and keeping up as a leader in global technological progress. I cannot be comprehensive today but examples are the £690 million competitive fund for local authorities in England to unclog the congestion that blocks our urban road networks, and the £113 million to address traffic pinch-points on our roads in the north and the Midlands. Both those measures will help to boost productivity quite quickly. A third example is the £200 million to speed up the rollout of full-fibre broadband and a new 5G mobile technology hub. I am passionate about Britain becoming yet more successful as a digital society. Important allocations were also made to keep Britain at the forefront of global science and innovation, including funding for 1,000 new PhD places.

That brings me to my final point: the importance of investing in people. I know from experience that it is the combination of capital and skills that can transform productivity. Here, perhaps the most important announcement concerned the new T-levels, which will give our students a much clearer system of qualifications and a much more enticing route into skilled careers.

It has long been recognised that our vocational education has been comparatively weak, especially compared with that in countries such as Germany, where I worked as a non-executive director, or Switzerland. It is hoped that the new routes, taken with other measures such as apprenticeships, will finally put us on the right track. We are also helping more people to take their technical skills to the next level, offering maintenance loans to those studying at our prestigious institutes of technology or national colleges, such as the new colleges for nuclear and for high-speed rail. This means that such students can get the same kind of support with their costs that university students can access through student loans.

We have also built on the far-reaching improvements we have made to our schools—improvements that have seen 1.8 million more children in good or outstanding schools than just six years earlier. We are putting an additional £216 million into our existing schools and funding an extra 110 new free schools, which will mean ever more choice for people in finding a good school place for their children or grandchildren.

This is not a large or a flashy Budget but it contains sensible, realistic measures aimed carefully and proportionately at the problems we face. I beg to move.

4.18 pm

Lord Livermore (Lab): My Lords, this was a Budget of broken promises that has left Britain's economy weaker, less resilient and unprepared as we approach the biggest challenge faced by our country in decades. It contains no plan to deal with the difficult journey that now lies ahead, but it breaks binding manifesto commitments on our nation's finances, on working people's incomes and on our ability to trade with the biggest market in the world.

On 14 April 2015, the then Prime Minister, David Cameron, launched the Conservative Party's election manifesto. In his speech, he said that,

“by 2018 we'll be running a surplus”,

but,

“not through tax rises on you and your family”.

Yet last week the Chancellor of the Exchequer, elected on that manifesto, not only confirmed that we would not, as promised, be running a surplus in 2018 but revealed that, far from keeping his promise not to raise taxes for working people, he would now break that promise too.

At the last general election, we were told by the Government that reducing debt and eliminating the deficit were the most important challenges facing our nation. Indeed, their manifesto described failure to do so as,

“more than an economic failing; it would be a moral failing”.

Yet, since then, the Government have failed to meet a single target on debt or deficit reduction.

On debt, the Chancellor told us in his Budget Statement:

“Britain has a debt of nearly £1.7 trillion”,

that it would rise to 86.6% of GDP this year, and would peak at 88% next year. On the deficit, immediately after the last general election, the Government delayed their target date for running a surplus from 2018 to 2021. Now, in this Budget, they have abandoned any attempt at all to close the deficit during the lifetime of this Parliament. As the Chancellor said,

“borrowing over the forecast period is still set to be £100 billion higher than predicted at Budget 2016”.

He is now not on course to achieve his fiscal objective of eliminating the deficit until 2026—a full 15 years after George Osborne started to raise taxes and cut spending. Even that the IFS describes as “a substantial challenge”, meaning that Britain is now facing a third consecutive Parliament of austerity.

The Government have failed to meet their central manifesto commitment on our nation's finances. As a result, in this Budget, they have also broken their promise not to raise taxes for working people. The Prime Minister and the Chancellor stood for election on a manifesto that, on four separate occasions, without qualification, pledged not to raise national insurance contributions. During the general election campaign, this promise was described as a five-year tax lock with no national insurance rises and as a vow. Yet, in this Budget, the Chancellor has increased national insurance

for the self-employed by 2%—a £2 billion tax rise that will cost 2.5 million people an average of £240 per year.

These manifesto commitments—to run a surplus and not to raise taxes—have been broken because the mandate won by this Government less than two years ago has now been trumped by their determination to pursue the hardest of Brexits. Indeed, in his Budget Statement, the Chancellor was largely silent on the Government's third broken manifesto promise; their promise to safeguard Britain's economy inside the single market. But the alternative path that they have now set us on, to pull Britain out of the single market, discarding our membership of the largest trading zone in the world, is now clearly putting our economy at risk.

Last November, the Autumn Statement revealed the first instalment of the bill that we will have to pay for leaving the European Union. Now, having taken account of the Government's negotiating position, the OBR concludes that after Brexit,

“our trading regime will be less open than before”,

and has spelled out the further damaging consequences.

While the Chancellor sought to focus attention on this year's growth number, the OBR has revised down its growth forecast for every subsequent year from 2018 to 2021. By the end of the forecast period in 2022, the economy is expected to be even smaller than in the downgraded forecasts in the Autumn Statement. The OBR stated that cumulative growth over the forecast as a whole is weaker than in November.

The fundamentals of our economy are also weakening. The OBR forecasts lower business investment, and a savings ratio back to the low levels last seen before the financial crisis. Average productivity growth has been downgraded again to just 1.3%, while nominal pay growth has been revised down from the second quarter of 2018 onwards. The inflationary impact of the devaluation of sterling means that real earnings are now set to fall and will return to their pre-crisis peak only in late 2022—15 years after the pay squeeze began. According to the Resolution Foundation, this is the worst decade for pay growth for 210 years, and it will be those who can afford it least who will suffer the most.

The large and regressive benefit cuts due in the coming year could see a single-earning couple with two children lose £1,630 a year from 2021. The Joseph Rowntree Foundation estimates that, by the end of this Parliament, a working family of four on universal credit will be over £1,000 worse off than they were expecting in 2015. This combination of low pay growth and benefit cuts means that the next four years will be even worse for the poorest third of households than the four years following the 2008 financial crisis. The British people did not vote to make themselves poorer. But that is precisely what this Budget will deliver.

In his introduction to the Conservative's 2015 election manifesto, David Cameron said:

“Our friends and competitors overseas look at Britain, and they see a country ... on the rise ... But our national recovery ... is fragile, and with the wrong decisions, it could easily be reversed”.

Much has happened since he wrote those words and the Government have indeed taken the wrong decisions. They have taken the decision not to prioritise the

national economic interest, but to take Britain out of the single market and make Britain less prosperous as a result. Our friends and competitors overseas now look on not with envy, but with astonishment at this act of national self-harm. In this Budget we begin to see the likely consequence of this decision: an economy in decline and ill prepared for the very real challenges that lie ahead.

4.24 pm

Lord Shipley (LD): My Lords, I am pleased to follow the noble Lord, Lord Livermore, largely because I agree with virtually everything that he said. In a few years' time this spring Budget will be seen as a watershed because it is the last spring Budget and because serious structural problems in taxation and spending policy have been revealed by the debate about the self-employed, who now represent one in seven of our workforce.

Employment is at an all-time high—that has to be conceded—at 31.8 million. But a lot of that growth in recent years has been in low-paid jobs and jobs that have low productivity rates. I found the Budget surprising in the sense that it was overshadowed by the massive Brexit black hole at the heart of the Treasury's forecasts. You cannot have a strong economy and a hard Brexit. It was surprising that in his hour-long Budget speech the Chancellor failed not only to talk about housing and its contribution to growth and social inclusion, but crucially to discuss the implications to the economy of leaving the EU single market and the customs union. The Chancellor is supposed to assess our economic prospects in the Budget, but with only two short references in his speech to EU matters, he signally failed to do so.

The Minister has talked about getting the deficit down. The Government have been trying for seven years to get the annual deficit down. In fact, in the last seven years the total debt has risen to £1.7 trillion, which, according to the Government's own press release, amounts to £62,000 on average per household. This year the deficit will be £52 billion. Of course, it was forecast a year ago to be £38 billion between 2017 and 2020, with the final two financial years producing a surplus. What has actually happened a year later is that the projected increase in the deficit over that period has risen by £100 billion.

When she replies to the debate, will the Minister be in a position to tell the House what modelling the Treasury has undertaken on the impact of higher interest rates over the next few years on the level of debt? She mentioned the annual interest payments of just over £50 billion, but that is at historically low interest rates. It would be helpful to know what modelling has been done by the Treasury for what happens if a range of scenarios might occur.

The Minister referred in her speech to higher growth. There has been some higher growth, but most of that has been fuelled by credit. There is now a case for changes in the tax system. We have seen problems in a whole range of spheres beyond national insurance for the self-employed—business rates is another. There are now issues around the extent to which we tax income rather than wealth. Quite recently we had the issue of whether council tax, which is a local property tax, should be required to fund the increased demands for

[LORD SHIPLEY]

adult social care. We will have to have a debate about wealth and income, business rates, the role of council tax and the declining level of corporation tax, which is now at 17%. Given the global economy it is of course increasingly difficult for Governments to track what international companies do. That debate will have to be had.

I draw the attention of the Minister to real income growth. The Institute for Fiscal Studies has said that, by 2022, incomes will be no higher than in 2007. Outside London and the south-east, no part of the United Kingdom has recovered from pre-crash levels. As this debate is about the economy, I remind the Minister that there are different levels of the economy. Neighbourhood economies face great difficulty caused by the freezes and cuts taking place in the benefits system. In the Government's drive to get the deficit down, the impact on some neighbourhood areas is sometimes forgotten. I hope that the Minister might look at that.

This is not all negative. I welcome the £500 million investment in technical education, which is hugely beneficial. The extra PhD places and loans for part-time and doctoral students are welcome; the industrial strategy fund is welcome, as are new approaches to lifelong learning. However, there is an issue about employers investing. UK employers invest half as much as other employers in the EU in workplace training for employees. We should adopt the model that many other countries have of a single body to co-ordinate state-led business support and provide a forum for shared learning across the public, private and third sectors.

Perhaps I may ask the Minister about the British Business Bank. It seems to be doing good work; it is collaborating with local enterprise partnerships and certainly to my knowledge, across the north of England, is seeking to increase regional economic development. I understand that it will operate with a slightly wider risk appetite than high-street banks, which is welcome, but I seek the Minister's assurance that the British Business Bank is Britain-wide and will not just go for the easy wins.

I welcome the apprenticeship levy. While it is not directly part of this Budget, it is very important. There have, however, been problems behind the need to increase apprenticeships. The report, *Apprenticeships for Northern Growth*, launched three weeks ago at the northern powerhouse conference, makes it clear that the north of England,

"faces a shortfall in productivity compared to other areas, with a skills gap emerging before individuals leave school".

That is very important. I want also to refer to a press release issued by the Baker Dearing Educational Trust approximately 10 days ago. It states that the trust undertook a survey of 1,000 young STEM workers and found that,

"three out of five (60%) of those surveyed didn't believe teachers had a sufficient understanding of the labour market and a similar number ... felt that schools didn't understand the skills employers needed".

To what extent is the Minister confident that Ofsted is inspecting adequately what is happening in careers advice in schools?

The Chancellor made great play of the fact that the proportion of young people not in work or education is now the lowest since records began. It sounds a great achievement. Actually, we still have 850,000 16 to 24 year-olds who are not in education, employment or training. I am looking for measures that demonstrate that the Government understand that and will do something concrete about it.

Baroness Vere of Norbiton (Con): I respectfully remind your Lordships' House that we have an advisory speaking limit of six minutes. There is another debate after this one and I am sure that those taking part in it would appreciate noble Lords not exceeding that limit.

4.34 pm

Lord Hain (Lab): My Lords, it is no slight on the Chancellor to say that the web of deception that he tried to weave in his Budget Statement fell short of the standard set by Britain's foremost author of spy thrillers, John le Carré. He contrived to create the impression of an economy that is coming in from the cold, one that is enjoying robust growth.

Robust is hardly the word that I would choose to describe economic growth in 2016 that was slower than that expected 12 months ago: a miserly 1.8% compared with the 2% forecast by the Office for Budget Responsibility last March. It is surely misleading for the Chancellor to claim that the economy is expanding at a brisk pace when, as my noble friend Lord Livermore pointed out in his excellent speech, the OBR has downgraded its forecasts for growth in each of the next four years compared to what it expected one year ago. Growth will be slower next year than it was last year, or the year before, or the year before that. The OBR expects unemployment will be higher in each of the next four years than it is today. In the next couple of years it expects pay to go up more slowly and, thanks to Brexit, prices to rise more quickly than it thought last year. If this is the Chancellor's idea of economic vigour, what on earth is his idea of economic sclerosis? Real recovery and rapid economic growth seem as far off as ever.

UK GDP grew more slowly in 2015 than in 2014, and more slowly still in 2016. The OBR expects it to grow no faster in each of the next four years than this year. These are all signs of an economy that is losing momentum, not gaining it; an economy that is stuck in the slow lane, not one that is picking up speed; an economy still mired in austerity. The Institute for Fiscal Studies expects the marginal improvement in the public finances that has emerged over the past few months to be short-lived and to make no difference to the prospects for public borrowing three years down the road. The OBR also expects the economy to be in the same sad place in 2020 that it thought in its November report.

The Chancellor announced a string of minor measures, which have been referred to already, such as rate relief for pubs and free season tickets for some kids at selective schools. He tweaked a few schemes such as technical training and gratuitously hit the self-employed. However, he did not cancel any spending cuts that were already in the pipeline; nor did he explain why he plans to spend only a fraction of the proceeds from

the new apprenticeship levy on extra training. He left investment in public infrastructure stuck below 2% of GDP, miserably less than half the share it was between 1948 and 1983. Does he really think we have enough social housing, care homes, hospital beds and classrooms? Are there enough Sure Start children's centres? What he did do is quietly tighten still more the fiscal squeeze that he has planned for 2017-19, as the figures for cyclically adjusted public borrowing show.

It will mean austerity, still more austerity, and more failure. Not only are local government services being decimated; not only is the NHS tottering underneath the strain; not only are head teachers at their wits' end; not only is social care almost collapsing, with the Chancellor's extra funding risibly and insultingly inadequate, as the noble Baroness, Lady Altmann, an expert on elderly policy, has pointed out. Not only is there all this colossal social failure, but there is massive economic failure created by the Tories' own self-imposed obsessions, with their borrowing and debt targets still wildly out. Having missed them by a mile in the last Parliament, they will miss them again in this Parliament, he now admits, so he has shifted their achievement to the next Parliament. It is austerity for ever, and that is without the crushing self-inflicted economic damage of Brexit.

Will the Tories never learn that it is growth, not austerity, that brings borrowing and debt down? After the sky-high debt and borrowing bequeathed by the Second World War, both Labour and Tory Governments invested, not cut—achieving much higher growth than the pitiful levels achieved under Tory Chancellors since 2010—and simultaneously cut borrowing and debt. British productivity is pathetically pitiful; our skills are painfully poor; our trade deficit is historically huge; our infrastructure is embarrassingly inadequate. We have mammoth personal debt, a sinking savings ratio, and in real terms pay is about to plummet: real average earnings will be stagnant for 15 years, no higher in 2022 than they were in 2007—the longest squeeze on real wages since the Battle of Trafalgar.

All this and Brexit broods ominously ahead, with this Government having not the slightest notion of where they are taking the country or the economic damage that will result. Yet the Chancellor tinkers here and there. The story of this budget is simple, and le Carré provides the clue: tinker tailor wonder why.

4.39 pm

Lord Macpherson of Earl's Court (CB): My Lords, I should first declare my interests as chairman of Hoare's bank and a director of British Land. I had the privilege as a Treasury official of working on 34 Budgets. If there was any pattern to them, those which attracted the greatest opprobrium on the day turned out to be the most sensible in hindsight.

The good news I take from the OBR's detailed and thorough report is that the economy is growing—and so it should be. The US economy is strong and, defying the doom-mongers, so is the eurozone. The pound has fallen by 15% and weakened again in the last week. In the old days, there was a Treasury rule of thumb that a 4% depreciation in sterling was broadly equivalent to a 1% cut in interest rates. I do not think that that relationship still holds, if it ever did—but it is a reminder of the expansionary effect of devaluation.

This means that macroeconomic policy is extraordinarily loose. Interest rates are at a record low. The Bank of England has embarked on further quantitative easing. It cut rates as an emergency measure last summer and I am a little surprised that it did not reverse that measure when it emerged that the economy was still growing at a good pace. That is what the noble Lord, Lord Lawson—who sadly cannot be here this afternoon—did in February 1988 when it became clear that the stock market crash of the previous October would not have the deflationary impact that conventional wisdom had suggested. However, the Bank of England is independent and I would not seek to influence it.

In setting fiscal policy, the Government must take monetary policy as given. The Chancellor should be congratulated on not loosening fiscal policy further. He has taken the view that any increase in public spending should be paid for through tax increases, but the fact is that fiscal policy is already very loose. The OBR notes that the economy is broadly on trend—or, to put it another way, we are at full employment. That means the structural deficit will be 2.9% of GDP next year, which is too high given that it is almost nine years since consolidation began under the noble Lord, Lord Darling.

Even more importantly—as my former Treasury colleague the noble Lord, Lord Livermore, pointed out—the national debt is still rising. Because of the effect of QE, it will not now fall as a percentage of GDP until 2018-19, by which time debt will have risen for 16 successive years, which I think might be a record in peacetime: eight years under a Labour Chancellor and eight under a Tory Chancellor. At the moment, the debt interest bill is flattered by unsustainably low interest rates, but when yields begin to rise, so will the debt interest burden. As ever, future generations will pick up the bill. We need a proper debate about how much public spending citizens are prepared to pay for, in particular on the so-called triple lock. We also need to think through how to finance the NHS in the longer term.

Successive Governments have found it all but impossible to raise the tax burden, which means that they enter new spending commitments at their peril. The source of the Chancellor's current difficulties is no doubt the result of the extra spending announced in the Budget. Raising national insurance on the self-employed is right in principle. The lower rate was justifiable in the old days, as the noble Baroness, Lady Neville-Rolfe, pointed out, because employees were entitled to earnings-related benefits and the self-employed were not—but earnings-related pensions and unemployment benefits were abolished long ago.

Of course, the Treasury hates anomalies. A sensible tax system should generally not favour one group over another. I can remember contributing advice to the noble Lord, Lord Lawson, to raise national insurance on the self-employed. I can say this since it was more than 30 years ago. We got a predictably dusty response. The lesson I took from this and from my time at the Treasury more widely was that there are certain no-go areas when it comes to tax. Sadly, residential property is one. Inheritance is another. The self-employed are perhaps the most significant no-go area of all. I hope that it will be possible for the Chancellor to stick to his guns, but I fear that it will not be.

[LORD MACPHERSON OF EARL'S COURT]

In an ideal world, the main political parties will not go into the next election having made quite so many irreconcilable commitments on spending and tax. I remember in the run-up to one general election pleading with the then Chancellor to drop some of the Government's most egregious spending commitments when it came to drafting the manifesto. His response was that that was all very well but the fact was that whoever was sitting across the table from me at No. 11 after the election would be the person who had entered into precisely those spending commitments. I would like to think that next time it will be different—but I shall not be holding my breath.

4.45 pm

Lord Higgins (Con): My Lords, it is a pleasure to follow the noble Lord, Lord Macpherson, not least because he started his speech on exactly the same point I was going to make, referring to Iain Macleod's famous dictum that a Budget that looks good on Budget day may look a lot less good a few weeks later. It has never been clearly established whether the reverse of that is true: that a Budget which is unpopular on Budget day turns out to be a lot better on reflection.

In any event, the issue that caused the most controversy the day after Budget day—NICs—needs to be considered very carefully, not least because the Chancellor got support from both the Institute for Fiscal Studies and the *FT* leader on the subject. I think there is some justification for what he did. Some little while ago I had the honour and pleasure of serving on your Lordships' Select Committee on Personal Service Companies. We came to the clear view that there was a strong case for integrating national insurance and taxation altogether. Alas, that is very complicated and not something we can do at present.

I will make one other point on the controversy over national insurance contributions. It is unfortunate that the Prime Minister intervened in this matter because it is very important indeed that in the present circumstances and against the background of Brexit, we should give the Chancellor every possible support we can.

I am worried that there is insufficient integration between fiscal policy and monetary policy at the moment. The Governor of the Bank of England has been very good in responding to the position as far as Brexit is concerned. He thought there was a danger of a decline in activity and adjusted interest rates accordingly. His problem, of course, is that the effect of Brexit has been to lower substantially the rate of exchange. This is bound to have an inflationary effect and he may have to put up interest rates in the opposite direction.

The same situation is broadly true as far as fiscal policy is concerned. But, to my surprise, in the Budget the Chancellor did not really outline what he thought the challenges of Brexit were. In fact, very little reference was made to Brexit in the speech and clearly there is going to be a very real problem. It would have been helpful if the Treasury and Chancellor had spelled out the real dangers. I believe they are very profound.

The noble Lord who spoke immediately after the Minister said that in the referendum people did not vote to be poorer. Regrettably, that is probably precisely what they have done. Therefore, getting the right balance

and the right Budget judgment at the present time presents a very real challenge for the Chancellor. I hope that he can subsequently spell out these issues in more detail, and integrate them more with monetary and fiscal policy.

Other points can be argued both ways. I find it rather strange to change the dividend allowance so soon after the proposals in last year's Budget. On the other hand, I particularly welcome the proposals on social care: this will be the greatest challenge—other than Brexit—we face in the future.

Overall, therefore, this is very much a neutral, standstill Budget. We shall have to see how things develop in the background. However, it is clear from the excellent recent report from the European Union Committee, *Brexit and the EU Budget*, that as a result of Brexit, a lot of costs will not have been adequately analysed. We are going to go through a very difficult period as a result.

I am running out of time. I thought that today I was going to make a speech on what the Chancellor has rightly described as his last spring Budget. It will indeed be the last spring Budget. I discovered that I had spoken on not a mere 50 spring Budgets but 53, other than this one. We must wish the Chancellor well. I hope that he succeeds, not least on the very important matter—also raised by others—of reducing the deficit. When the Chancellor of the day first tried to cut the deficit, I said that it was going to be immensely difficult. I have been through that experience at the Treasury. None the less, the deadline for getting things in balance is moving ever further forward. It is essential, despite the unpopularity of austerity, for the Chancellor to continue that line of attack.

4.52 pm

The Lord Bishop of Chester: My Lords, it is not only the last spring Budget, it is the last Budget in Lent. If we had any doubts, then the early speeches in this debate brought that Lenten theme home rather well.

I do not want to get into the details of the Budget, which are very political, but want to talk about two broader, longer-term issues to which the Chancellor referred in his speech. The first, which has already been alluded to, is our national debt. Its rate of growth is forecast to slow in this decade, but that is stabilisation at a very high level, representing nearly £62,000 for every household in the country. Even at the current very low interest rates, servicing that debt costs £50 billion a year—more than the combined costs of defence and police services in this country.

I do not know what level of national debt is sustainable, because I am not an economist, although the economists do not seem too sure either and take different views. I believe, however, that the current level, which grew greatly through the financial crisis that broke about 10 years ago, is much too high for our long-term good, not least if a further, serious long-term crisis were to hit us, for whatever reason. The blame lies in the years before the crisis, when, amid favourable economic conditions—not least the bonanza years of North Sea oil reserves—the national debt was allowed to rise so much. This reflected a national mood that is summed

up in the iconic advertisement for an early credit card: that we should “take the waiting out of wanting”. Whether for individuals or for our nation as a whole, I question whether it is right and healthy to prioritise taking the waiting out of wanting. Getting our national finances genuinely into a better state will be a very difficult challenge amid all the political pressures which arise in a consumerist society so resistant to increased taxation.

That leads me to the second area upon which I would like to comment. The upward pressures on national expenditure are greatest, as has again been referred to, in the National Health Service and social care. It is difficult to keep track of all the reports and analyses on the delivery and financing of the NHS and social care. The absolute plethora of those in recent years simply illustrates why the underlying situation is so difficult. Indeed, the Chancellor has announced a new Green Paper this autumn on the future financing and delivery of social care. In the meantime, we await quite shortly the report from our own Select Committee special inquiry into the long-term sustainability of supporting and funding the NHS and social care.

Current plans from the NHS settlement at the 2015 spending review include a commitment to achieve 2% net efficiency gains through the remainder of this decade. Those are well ahead of the customary efficiency gains and will be demanding to achieve. Even if those challenging efficiency targets are met, the inexorable rise in demand will still prove immensely challenging. The underlying escalation in cost is estimated by the chief executive of NHS Providers at about 4% a year, driven by an ageing population and increasingly sophisticated medical treatment. The cost of social care rises in parallel. So what is to be done?

It seems unavoidable that we will need to devote a higher proportion of our GDP to health and social care. You can slice it and dice it but it seems to me that you would come to that conclusion. We are already significantly behind France and Germany in this respect, and well behind the United States, but will it be achieved while the whole area is such a political battlefield? We need to try to reduce the element of political controversy as far as possible in the basic decision-making processes, because once something becomes a political football, things tend simply not to happen because of the developing stalemate and the associated emotions.

I know that Governments are generally opposed to ring-fencing taxes but I have come to think that due to the inexorably increasing costs and unique political pressures involved, the future challenges to funding health and social care will best be represented by some form of hypothecation of tax revenues. There is something of a distinct anomaly here, which can be addressed separately. While individual Governments will have to take overall responsibility for what happens when they are in charge, the recommended Budgets and tax-raising plans would best be proposed by an independent and cross-party body—a bit like the OBR. That may not be politically palatable but, frankly, paying for what we need to pay for will be unpalatable in one form or another. We simply have to face up to that, and to a degree of austerity which seems simply unavoidable in the decades to come.

4.58 pm

Lord Flight (Con): My Lords, I congratulate the right reverend Prelate the Bishop of Chester on his speech, much of which I agree with.

I think that the Chancellor is a good and decent man, and when I read his Budget it all sounded pretty reasonable on a first read, if a little dull, but in no time there had been a political explosion. We all know what the issue was—class 4 NI—but, stepping back, what then struck me was that, over the past two years, there has been a whole chain of tax attacks on SMEs and the self-employed, and that was one of the reasons why the media got so excited this time around.

I imagine that there is within the Treasury—whether it is Matthew Taylor’s review or a body in HMRC—a body that, because there is such pressure to develop tax revenues, is looking for areas that it thinks could take some more taxation. The problem is that this is very much in conflict with the whole Thatcherite philosophy of the self-employed getting fewer benefits, no sick pay, no holiday pay and no minimum wage but equally paying much less tax—the whole idea of a more self-reliant people. You cannot have that and then start taxing them on the same basis as employed people.

As I said, it has not just been the class 4 NICs this year; we have got digital tax returns coming up, with the most extraordinary requirement for the self-employed that they do their accounts four times a year and submit different tax returns four times a year. There will be extra costs for them and for the Revenue. That will hit 5 million people in total. To my mind, I cannot see the point of it, and there will be a lot of ill feeling about it.

We have heard a lot about business rates. Although there has been help this year and last year, in London, where property values have gone up so much, local stores are typically finding an increase in rates of some £20,000 per annum. There is also the issue of dividends. A lot of self-employed people with companies could take some of their remuneration from the company in the form of a tax-free dividend rather than taxable pay, so I can see the sharp-eyed Treasury saying, “We’d better tighten up on that one”. Last year, there was the big tax attack on small buy-to-let landlords, which reduced the interest charge they could levy against their revenue, and stamp duty was put up by 3%. To my mind, that was unwise. In fact, the country should be grateful for small buy-to-let landlords for making available premises for people to rent, which have otherwise been in short supply.

We have also had something that has not attracted much attention, which is the abolition of the lower VAT system for small businesses. They could pay a reduced rate of VAT provided they did not claim expenses. This actually benefited the Revenue. That is now being forced out, if you like, rather than phased out.

As regards sourcing equity finance for SMEs, as a result of EU requirements we have had a great tightening up of the availability of EIS-qualifying finance—here I declare my interest as chairman of the EIS Association. In essence, the pre-clearance mechanism is now taking a lot longer because it has all become hugely more complicated and some areas no longer qualify. For small amounts of money, it is pretty impractical.

[LORD FLIGHT]

The big issue is that the Revenue sees the danger of many more people transferring to a self-employed basis. It is already generally cheaper for companies to take on self-employed people for particular tasks rather than to hire full-time employees, and that will increase with the increase in the minimum wage. The Revenue does not much like the self-employed—it views them as tax avoiders—and it certainly does not understand the political situation, where they are very much seen as the bedrock of Thatcherite Conservative support.

As we all know, the reason behind this is that the public finances have not been put in order. While this year and next year are much the same as forecast, I cannot understand why, as the noble Lord, Lord Shipley, pointed out, between now and 2020 the forecast deficit rises from the £38 billion that was forecast last year to £141 billion this year—an increase of more than £100 billion. What on earth is happening? What is causing this? Did the previous Chancellor somehow get his sums wrong when he was forecasting £38 billion? I would be extremely grateful if the Minister could explain the reason for that extraordinary £100 billion increase.

I believe that we have to come to terms with the fact that the scope to increase taxes is sorely limited, in terms of both whether it will deliver more revenue and whether we have the political ability to do it. Indeed, Chancellor Merkel, of all people, has warned that the trajectory for welfare spending is not sustainable and we need to change the way that we finance quite a lot of our benefits.

5.05 pm

Lord Bhattacharyya (Lab): My Lords, I remind the House of my interests as declared in the register, including my chairmanship of the Warwick Manufacturing Group at the University of Warwick.

Last week, the Chancellor unveiled a Budget that lacked any sense of theatre. There was no big reveal and no rabbit from the hat, but what a relief—we have had enough shocking plots and twists in the last year, and producing a rabbit from the hat usually means sleight of hand is involved. However, there was drama when MPs realised the Chancellor had freelanced a tax on freelancers. He took a lot of stick for this, but he is right: the current tax gap between the self-employed and PAYE taxpayers is unfair. The Budget was not dramatic because the economy is, apparently, gradually recovering. There is good news of course, but it is coming largely from consumer spending and increased debt, in turn driven by low interest rates, currency devaluation and high property prices.

I think we all know what is wrong with that picture, but why is it we have failed to address the long-term issues which prevent more sustainable growth? They are well known—low productivity, poor skills, low innovation, weak business investment—and I am pleased the Prime Minister is addressing these issues with an industrial strategy. I was relieved that both the Autumn Statement and Budget reaffirmed that commitment, so it was not a flash in the pan.

I have called for an industrial strategy for many years, sometimes in this House, but there has always been a perception that this meant picking winners.

That is a gamble, not a strategy. Instead, we should create a framework to support growth, give new technologies time to prove their market value and help people acquire the skills new technologies need. This is the basis of Greg Clark's new approach as Minister for Industrial Strategy. We see the first results in the budget decisions from the national productivity investment fund. Fast mobile and fibre data connections, along with new roads and energy networks, will increase returns for investors in Britain.

Just as welcome is the new support from the industrial strategy challenge fund for battery research. Climate change is a defining global issue, while, locally, increased air pollution—especially here in London but in all the big cities of the world—puts a burden on the NHS. Batteries are essential to a breakthrough in low-carbon transport, and backing them is a sign Ministers are listening to the research agenda of both industry and academia. We need to ensure business is involved as these research pathways develop, which is why I support the Budget announcement on mid-career research fellowships. This is a tool Innovate UK can use to build strategic partnerships with the next generation of business leaders. Will the Minister confirm that the distribution of fellowships will be Innovate UK's choice?

As a graduate apprentice myself, who became a professor of engineering, I know technology transfer is difficult if short-termism dominates corporate culture. It is next to impossible if you have a skills shortage too. In this country, that has been a perennial problem, but we can do it—in the last 10 years, the automotive sector, having got the skills base and invested in research, has done it. It is continuing to do it and is now an example all over the world, including Germany, of how Britain has changed in this sector. The Budget announcements on the industrial strategy address this. T-levels offer a guarantee of quality and business relevance in vocational and technical education. I am particularly glad that this support will be offered to adult learners, as vocational education must be lifelong to be effective. I have been calling for simpler and higher-status technical qualifications since I arrived in this House. We have had skills systems so complex and incentives so distorted that I sometimes wondered whether industry was involved with this policy at all. The courses seemed to have nothing to do with the world of work.

To put power in the hands of students, I recall suggesting student maintenance loans for technical courses back in 2010. I am beginning to feel that someone has been listening. I was delighted by the introduction of the apprenticeship levy last year. The Budget is the second stage of this skills strategy for industry. Of course, it will take time to deliver real change, but with academies, the apprenticeship levy, the thousand doctorates in applied research and mid-career research fellowships we now have the outlines of a technical education system that offers student support and quality courses from UTC to PhD.

There is, of course, much more to do. I urge the Minister to open up maintenance loans to technical students doing high-level courses at any good education provider, not just the institutes of technology and national colleges. In the last Budget, the Chancellor announced an apprenticeship centre that would create

1,000 apprentices by 2020. We have already got 500, in partnership with many companies throughout the country. If we stick to our guns and do not change, I think we have a chance of fixing the problem.

5.11 pm

Baroness Burt of Solihull (LD): My Lords, I shall address these brief remarks to the effect that the Budget has had on disadvantaged groups within the equalities agenda. I was hopeful that there might be some good news for these groups, given that the Chancellor received a lot more in tax revenues than had been expected. So what did he spend the surplus on? Some £2 billion went towards filling the gaping funding hole in our social care services. Unfortunately, when you consider that local authorities are facing a £5.8 billion shortfall in social care funding and that they have already lost £4.6 billion since 2010, £2 billion is not even going to scratch the surface.

Still, even that is arguably better than the situation of disabled people suffering at the hands of the Government, who last year cut personal independence payments in a bid to save the Treasury £4.4 billion. Many commentators have been surprised, and the disabled community was incensed, that the Chancellor failed to mention the word “disabled” in his Budget speech even once. There was no mention of the new amendments to personal independence payment regulations that the Government announced last month, which will tighten eligibility criteria, especially for those suffering severe mental distress and those who need mobility assistance. No mention was made of the almost £30 a week cuts, which come in next month, for new ESA claimants placed in the work-related activity group. I leave the last word on the disabled to Catherine Hale, a disabled researcher who has written on the failure of the ESA system to increase the number of people in work. She said:

“When they”—

that is, the Government—

“say they want a country that works for everyone, they don’t really mean us”.

Nor do the Government mean the hundreds of thousands of women born in the 1950s who are caught in the pensions trap. Here I have to declare my interest: I am one of those women of a certain age who may support the equalisation of the retirement age between men and women—after all, we live longer than those poor, frail, delicate male members of the species—but have had the changes rushed upon them with insufficient time to plan for later retirement. The WASPI movement seeks a bridging pension to help women negotiate this shortfall—but, unfortunately, it does not look as if they will get any change out of this Chancellor.

I would like to give credit where it is due, however, and to welcome two initiatives in the Budget. I give a small welcome—because it is only a small amount of money—to the £5 million of “returnship” funding to support workers at all levels returning to work after a long period away from the workplace. The sentiment is great. The problem is that the amount of £5 million is tiny in relation to the problem that returners to the workplace—mostly women—face. Let us hope that industry embraces this very effective method of filling skills shortages with capable, mature people without too much need for financial inducement.

Secondly, the £20 million introduced to help tackle domestic abuse is welcome. As I mentioned in an intervention yesterday, Women’s Aid’s most recent annual survey found that over a third of women’s abuse organisations were running a service with no dedicated funding. So I ask the Minister again: will these organisations be supported by this money? Many support organisations have until now been supported by local authorities, but they themselves have been subject to such swingeing cuts that many are no longer in a position to help. Domestic violence is on the rise. Women and their children need the support of these agencies and refuges.

Finally, I wonder if the Minister saw the story in the *Metro* yesterday about a charity which sends sanitary products to girls in Africa being asked if it could donate some to girls in Leeds who are bunking off school each month because they cannot afford sanitary products to wear to school. I am sure that the Minister will agree that this is a shocking state of affairs, where low-income girls and women cannot afford hygiene products during their period. We cannot have that in this country. So perhaps I may make a suggestion for the Government to consider. Could we not give sanitary towels to girls who qualify for free school meals? We already know who they are, and the cost of setting up the system would, I am sure, be very small. It would mean that all girls in school could confidently attend school all month round without having to worry about the embarrassment of their period letting them down.

The Government are investing hundreds of millions of pounds for their pet project of free schools, many of which will end up being selective, helping mostly middle-class children further up the ladder at the expense of the rest. Liberal Democrats want you to invest a very modest amount to protect the dignity and the education of some of the lowest-income, most deprived children in our country. That is not too much to ask, is it, for a Government who want,

“a country that works for everyone”?

5.17 pm

Lord Willetts (Con): My Lords, I draw the House’s attention to my entry in the *Register of Members’ Interests* and particularly my post as executive chair of the Resolution Foundation. I shall draw on some of our Resolution analysis in my brief remarks.

I welcome the Budget, and we at Resolution particularly welcome the steps, however controversial, on the reform of national insurance contributions. The back-drop to this measure is an increasing tendency for companies to try to shift their employees into self-employed status so as to save on employer national insurance contributions. This is a significant and growing gap in national insurance revenues. At the beginning of this Parliament that gap was perhaps £3.2 billion. We estimate that it could be as high as £5.7 billion by the end of this Parliament. I would love to believe that this trend reflected a fantastic and sudden growth in the spirit of entrepreneurship in our country. The evidence, however, is that whereas in 2002 22% of the self-employed had employees, now that is down to 11% of the self-employed having employees.

Of course we need to promote entrepreneurship, and I would welcome any measure specifically aimed at providing incentives to entrepreneurship, but that is

[LORD WILLETTTS]

not the origins or the purpose of the way in which national insurance contributions are set for self-employed people. The purpose of the different national insurance contribution rate for the self-employed was supposed to reflect the fact that their benefit entitlement is more modest, as we have heard already from the noble Lord, Lord Macpherson. However, over years the entitlements to benefits of self-employed people have grown—most recently, of course, with the single tier pension. It has been calculated that, if the self-employed national insurance contribution rate were set below 12% to reflect their more modest benefit entitlement, it would be 11.8%. So the logic of this in the contributory principle is clear—the 9% rate was not justified. That is why I support the proposal. I very much hope that, in the course of the summer, when we have Matthew Taylor's review published and the wider consultation that the Government are committed to, we will see that important reform in a wider context.

I pay tribute to the personal commitment to productivity of my noble friend Lady Neville-Rolfe. I know that throughout her ministerial career she has pressed on that; she is fortunate in having as Secretary of State Greg Clark, who is personally committed to it, and we heard an excellent intervention from the noble Lord, Lord Bhattacharyya, supporting some of the measures to boost productivity. The cliché that hangs over this debate is the remark of Paul Krugman:

"Productivity isn't everything, but in the long run it is almost everything".

That is not as straightforward as it sounds; I draw the Minister's attention to the fact that, although compensation in total has broadly tracked productivity, it is not the case that median earnings have tracked productivity. Indeed, in the last decade or so, median pay has gradually fallen behind productivity and is now 18% lower than it should be if it had just matched productivity improvements since 2002. So we do not just have a productivity problem in this country—it is not getting through to people in their pay.

There are two main reasons for the problem. One reason is that an increasing proportion of the improvements in pay are being secured by the more affluent employees, so it is not feeding through into median pay. That is a problem that needs addressing because, if we want people to be motivated to make their contribution to improving productivity, it is reasonable to expect them to have a share in the improvements and benefits. But there is another reason as well that is even more important. We reckon that out of that 18% falling behind in median pay, 5 percentage points or so are attributable to the fact that median pay has underperformed compared with wages as a whole, but 8 percentage points are attributable to wages in general falling behind compensation. An increasing element of compensation is not coming in the form of wages at all; an increasing share of compensation has been taken in pension contributions and less is being taken in pay. For the generation to which I belong—the baby boomers—when we were at our peak earnings there were contribution holidays, because company pensions were supposed to be in surplus, so we enjoyed the period when an unusually high proportion of total compensation went in pay.

Now we have discovered deficits in pension schemes and instead an unusually low proportion of compensation is being taken in pay. That means that younger workers are working hard to generate revenues that do not flow into their pay packets but go to plug deficits in pension schemes to which they do not even belong.

I draw the Minister's attention to a consultation document produced by the Department for Work and Pensions the other week, specifically looking at company pension schemes. Among other issues, it looked at whether the generous inflation rules for uprating company pensions could be justified. The sole consideration in that document was whether or not the companies would go bankrupt if they were obliged to pay these very large sums into their pension schemes to plug deficits to enable this generous inflation protection to be delivered. There was no discussion of the wider issue of the fair distribution of economic returns between generations and no consideration of the fact that the younger workers in those companies may not be enjoying any pay increases at all, while at the same time pensioners are protected in that way. Will the Minister assure me that, as part of the consideration of that consultation document, the Treasury will look at the perspective of fairness between the generations? I wholeheartedly support her commitment to productivity improvements, and I hope that it is matched by a similar commitment to ensuring that improvements in productivity feed through into the living standards of all age groups in our country.

5.25 pm

Lord Monks (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Willetts, and pay tribute to the stimulating work being done by the Resolution Foundation, of which he is chairman. I hope that other noble Lords opposite have taken note of his speech. It would be a pleasure to hear rather more of its kind in this House, particularly from those Benches.

This debate takes place against the backcloth of our risky exit from the EU single market, now compounded by Scotland's possible exit from the UK, which is also hugely risky. The UK's economy, including Scotland's, will be in the eye of consequential political storms, buffeted by multiple cross-currents and uncertainties. How robust is our economy going to be? Bill Clinton's advisers famously said: "It's the economy, stupid", that motivates voters. Not at the moment, it is not. Politics is overriding economics; hearts are ruling heads; nationalism is trumping common sense. This is very evident in the reckless decision that we are making to leave the single market and the customs union—this hard, clean Brexit. It is also evident in Nicola Sturgeon stirring up the Scottish independence question at a time of exceptional fragility for Scotland's economy. On current form, an independent Scotland's first act could well be to seek a bailout from the IMF.

We have to look squarely and honestly at our economic situation. As we have just heard, the millennial generation is earning rather less than its parents. Average living standards have been stagnant since 2008 and are forecast not to increase for several years, with the main burden falling on low-income households. As the Chancellor—and the Minister today—has recognised, the UK has embarrassingly low productivity levels.

Although I welcome what has been said about boosting technical training, I look in vain for steps to stimulate business investment and longer-term perspectives in company management. The Chancellor has, apparently, killed off the Prime Minister's plan to provide for workers to serve on company boards. This is a bad mistake. As the Bank of England found recently, three-quarters of companies put investment behind mergers and acquisitions and paying dividends. Short-term profit maximisation, linked to excessive executive pay, still rules in too many of Britain's boardrooms—and it is getting worse. Worker representation at board level would help counter that.

In the 40 years to 2007, investment growth averaged 5% a year. For the eight years since the crisis, it has limped along at 1.5% a year. We have to add to that mix the fact that many of our best businesses are foreign owned. From investment banks to car companies, from energy companies to football clubs, overseas ownership is now extensive. Many came here to participate in the single market and they are becoming more and more agitated—rather quietly, in my view—about the risks of the UK leaving that market and crashing over the cliff of no agreement with the EU. I understand that they are employing armies of consultants to assess their options. I wish they would articulate more forcefully their concerns about the current situation and what they fear. They have been too deferential and tactful in public. I bet they would not be like that if a Labour Government were in power.

We have enough problems without self-inflicted ones. We know about the pressures on the NHS; about the huge problems in social care; and that tax revenues fail to cover our spending at governmental level and in the case of many households. We live on tick at many levels in our economy—and it seems to me that this is more likely to get worse than better. We see public services under strain and stress. Zero-hours contracts in the labour market and bogus self-employment, which the noble Lord, Lord Willetts, hinted at in his contribution, are surging. We should remember that a zero-hours contract often means for an employee or a worker zero loyalty to the firm for which they work or by which they are employed. That is not the basis for quality or better productivity.

Employment growth apart, our economy is fragile, so my call today is for the Government as a first step to revisit their decision to quit the single market and the customs union and to try to stay in it, perhaps initially as a transitional, provisional measure pending the negotiation of a comprehensive trade deal. This step would cut at a stroke the number of uncertainties. My message today is, "Save us from that clean, hard Brexit".

5.30 pm

Lord Gadhia (Non-Aff): My Lords, I had the opportunity to watch the Budget from the Gallery in the other place last Wednesday alongside a handful of noble Lords, including my noble friend Lord Lawson. I could not help but reflect that he, and some of his predecessors, enjoyed more degrees of freedom than the present occupant of No. 11.

Our economy, while surprisingly resilient in the near term, is in a holding pattern until we have greater clarity on the road ahead after Brexit. The Chancellor is operating in a macroeconomic straitjacket defined

by four important and mutually reinforcing constraints: first, the continuing high deficit and debt levels, which benefited from a windfall in 2016-17 but are otherwise largely unchanged from the Autumn Statement. The only saving grace is that while debt to GDP has more than doubled from under 40% prior to the financial crisis to well over 80% today, the cost of debt service, net of the Asset Protection Fund, remains constant at around 2% of GDP, underpinned by abnormally low interest rates.

Secondly, protected departments now represent 75% of the entire government budget, a point which the chair of the Treasury Select Committee, Andrew Tyrie, has also highlighted. It therefore makes finding savings ever more difficult. Thirdly, in a similar vein, the tax lock and commitment to reduce corporation tax now covers 80% of the base, which makes it difficult to raise revenue other than by increasingly creative means. The national insurance controversy should be seen in this context. In addition, with the tax burden rising above 37% of GDP, the highest for 30 years, I believe that we have reached the limits of what we can sustainably squeeze from taxpayers.

Fourthly, with the uncertainties ahead and OBR's disclaimer that it has not factored in different economic scenarios for Brexit, the Chancellor quite rightly wants to build in some headroom for unexpected outcomes. With forecast net borrowing reducing to 0.9% of GDP by 2020-21 and a ceiling on the structural deficit of 2%, the implied buffer is about £25 billion—frankly, more of a contingency than a war chest.

The irony, of course, is that if consumers and companies did what the Chancellor is doing and held back, then their individual prudence would, at an aggregate level, have led to a sharper slowdown—something which economists will recognise as the fallacy of composition. We are therefore fortunate that UK consumers have done exactly the opposite. When the going gets tough, the Brits go shopping. However, this predilection comes at a clear cost in terms of rising household debt and eroding savings rates, now at negative levels excluding pension saving. The most recent retail data from the high street indicate that this party is ending as price squeezes from sterling's depreciation come through and real wages are squeezed. Therefore, we are in the awkward position that our future economic trajectory will largely be determined by factors beyond our control.

Apart from Brexit, I would highlight two other factors. The first of these, which has worked in our favour so far, is the more benign global growth environment, particularly in the US where we have seen the "Trump Bump", China's relatively soft landing and signs of economic life from the EU. Indeed, the Eurozone PMI Index has just crossed 55 for the first time in six years while the comparable UK data are heading in the opposite direction. Mark Carney, in the Bank of England's latest quarterly inflation report, attributed about a quarter of our economic outperformance to more robust global growth. The financial markets are also chiming in, with the VIX Index, commonly known as the "fear index", currently enjoying its longest period below average levels since the crash. It goes without saying that these favourable trends might easily reverse.

[LORD GADHIA]

The second factor is potentially more seismic—namely, our preparedness for future interest rate increases. The financial markets have already factored in three US rate increases from the Federal Reserve this year, starting later this week. Although UK rate increases do not appear imminent, their eventuality is now closer on the horizon. We have enjoyed almost a decade of morphine from quantitative easing. The process of weening us off will involve some major adjustments and I would encourage Ministers to pay close attention to the consequences.

So with few macro levers available and big external influences at play, what should we do? The scarcity of options is thankfully focusing the Government's mind on supply-side reforms which address the underlying structural challenges of the UK economy and prepare us for the consequences of Brexit. It is a strange paradox that we are close to full employment, which the OBR estimates at around 5%, but capacity utilisation is 81.7%, towards the upper end of its historical range, and the output gap has turned positive for the first time since 2008. Yet productivity has been downgraded yet further in the OBR forecasts, so we cannot grow much faster without risking inflationary consequences.

We are effectively stuck in a rut of relatively low growth, low inflation and low productivity, which might be compounded in the future by lower immigration. I therefore welcome the measures and resources allocated to improving skills and vocational training such as the T-levels and offering maintenance loans for further education. There are some additional areas raised by honourable friends in the other place which we should also consider carefully. One of these is from Alan Mak, chair of the All-Party Parliamentary Group on the Fourth Industrial Revolution, who has advocated a skills audit at the start of each Parliament. This strikes me as highly sensible since disruptive technologies such as artificial intelligence or robotics can make seemingly valuable skills obsolete almost overnight while other more emergent skills become highly sought after. Another welcome idea has been put forward by my honourable friend Rishi Sunak about the creation of a vocational skills equivalent of UCAS, targeted particularly at apprenticeships, creating a unified portal. I would like to ask the Minister whether that is being investigated seriously.

As well as human capital, our physical capital is equally important in galvanising an enterprise economy and wealth creation. This was recognised in the Autumn Statement with the creation of the £23 billion National Productivity Investment Fund. If you delve into the OBR forecasts for growth, it is apparent that a rebound in both public and private investment is essential in taking up the slack as household consumption falls off. I would therefore urge Ministers to make every effort to crowd-in private sector investment, particularly attracting capital which is trapped offshore by our tax system and should logically find the UK an attractive destination at current exchange rates. At the Autumn Statement, it was announced that business investment relief would be simplified and made more attractive. I ask my noble friend the Minister: what progress has been made on this front?

In conclusion, I make one final observation. Large sections of the business and financial community are currently biting their lip until they see how the Brexit negotiations progress, but we should not mistake their compliant behaviour for acquiescence. More than ever, we need strong, evidence-based policy-making grounded in economic realities and facts and not a blind pursuit of ideology. This is a time, more than ever, when our national trait of economic pragmatism must be unleashed and allowed to prevail.

5.37 pm

Baroness Wheatcroft (Con): My Lords, I applaud the judgment of my right honourable friend the Chancellor in making this the last spring Budget. In my time as a City editor, the Budget was one of the worst elements in the calendar. It was a challenge to look through all the small print that came from HMRC and the Treasury to find what was missing from the Chancellor's speech. This being a competitive business, it was not a good thing to miss the story. Having two Budgets a year compounded the agony, so one is definitely a relief in the right direction.

I also commend the Chancellor for not burying the bad news. The national insurance increase was right up-front and I support it. I cannot see why it is being greeted as quite such an appalling blow to the entrepreneurial spirit of this country when, as my noble friend Lord Willetts pointed out, it is a perfectly rational move to begin to align these two national insurance contributions, as benefits are being aligned. That makes sense. The Institute for Fiscal Studies greeted it as "modest but welcome".

My noble friend Lord Macpherson of Earl's Court suggested that there may be no-go areas when it comes to tax. I do not think that we should accept that. I see no reason why national insurance any more than other taxes—of course, it is a tax by any other name—should be beyond the Chancellor's writ. As the Chancellor pointed out, he does not have wads of cash to shell out. With our net debt standing at an astronomical £1.7 trillion—a whopping £62,000 for every household—we are having to keep on borrowing on a prodigious scale.

We have already heard many dissections of the state of our national finances but I would like to concentrate on just two issues. I will not drone on about Brexit. My views are clear and others have made it perfectly clear that they too have grave fears for the economy, but let us hope that the Government are right.

I would like to talk about productivity, which has been mentioned by other speakers. As the Chancellor said, it remains stubbornly low, and there is certainly no denying that. We are 35% behind Germany and 18% behind the average of the G7, and GDP per capita is barely 2% higher than it was before the crash. That means that the economy has grown by little more than 2% over nine years, which is just about what you might hope it would do in a single year. Of course, the ramifications of that poor performance are painful. According to government forecasts, average earnings in 2022 will be no higher than they were in 2007—15 years without a pay rise, which is painful. As my noble friend Lord Willetts pointed out, for many people it has been much worse than that average figure. No wonder some people are feeling deeply disillusioned and perhaps showing their disillusionment at the ballot box.

The productivity gap has been much discussed but nothing seems to make any difference. Only last year, the then Business Secretary, Sajid Javid, outlined his suggestion for making things better. There were 15 key areas and two pillars. What it amounted to was infrastructure and training and all the things we have talked about over the years. Of course, I am delighted to see the emphasis on technical education in this Spring Budget. However, there may be another problem. Certainly, the Productivity Leadership Group, chaired by Charlie Mayfield, came to the view that one of the biggest problems with productivity in this country was bad management. The Chartered Management Institute did its own survey and found that 43% of managers rated their own line managers as “ineffective”.

Therefore, I ask the Minister whether the Government have any plans to help business improve its not entirely impressive record on management as a means of improving productivity growth. It is certainly worth fighting for that growth. As we know, households are suffering and could do with more national income. The OBR records that average household debt has reduced from the peak of 160% of income down to about 140% but is now on the rise again. The OBR even suggests that in the final quarter of last year people were dipping into their savings to go shopping—and this at a time when it is absolutely essential that the country saves more. We need the money to pay for our old age and social care, not for an increased spend on consumer goods now. Can the Minister say what she thinks would help improve the savings ratio? I suggest that a national savings bond with an interest rate of 2.2%, when inflation is heading towards 2.4% this year, might not be the answer.

5.44 pm

Lord Beecham (Lab): My Lords, I refer to my local government interests.

Seventy years ago this November, the Labour Chancellor of the Exchequer, Hugh Dalton, was sacked by Clem Attlee for disclosing in general terms to a journalist the details of his Budget while he was on his way to the Chamber to deliver it. This year's prize winner in the parliamentary leak show is Philip Hammond, whose Budget last week, appropriately close to the ides of March, contained little of note which had not already been trailed in the media. Not that this amounted to much, in any event. The Treasury's summary of the Budget boasts of “robust economic growth”—without, of course, mentioning that much of this is due to household spending fuelled by debt. It also purports to tackle two areas of growing public concern: the crisis in social care and the state of our schools.

In relation to social care, the King's Fund forecasts a £2.8 billion annual shortfall by 2020. The Budget allocates £2 billion in total by 2020, manifestly leaving a substantial gap—of the order of £2 billion annually—at a time when needs will continue to grow. As the noble Lord, Lord Porter, chair of the Local Government Association, pointed out in the association's response to the Budget, local authorities are facing an overall funding gap of £5.8 billion by 2020, such that, as helpful as the announcement of extra funding is, “short-term pressures remain and the challenge of finding a long-term solution to the social care crisis is far from over”.

Since 2010, Newcastle alone has had to reduce social care spending by £40 million a year. Even after the extra funding, it now faces further cumulative cuts in funding for social care of £19.2 million by 2020, or £38.7 million in total over the next three years—and this in the context of an overall cut in funding for the council of £290 million a year by 2020.

On schools, in which investment is critical for the future of our economy, £216 million will be invested nationally in maintaining existing schools, whereas the National Audit Office reports that no less than £6.7 billion is needed to rebuild dilapidated school buildings across the country, such that the allocation represents 3% of what is required. Yet £360 million—50% more than will be invested in this maintenance programme—will be allocated to new free schools. I remind the House that councils cannot invest in new schools due to the Government's obsession with the free school concept. Here again, the Conservative-led Local Government Association calls for councils to,

“have a role in determining where new free schools are created”,
and to have a say over,

“whether or not selective schools are introduced in”,
currently,

“non-selective areas”.

On the fiscal front, two areas are currently generating concerns. The first—about which a number of your Lordships have spoken—is the change in national insurance contributions for the self-employed, in flagrant contravention, as we have heard, of the Conservative manifesto commitment in 2015. At the very least, any such change should surely reflect the different circumstances of the self-employed in relation, for example, to sick pay, holiday pay and employer contributions to pensions. The Government need to review the tax and benefit systems and the employment aspects of the so-called gig economy, which threatens to be, if I may be excused the pun, “uber alles”. Personally, I am beginning to wonder whether NI itself is in need of a fundamental review. People tend to forget that the impact of national insurance contributions is felt even before income tax becomes payable. At the very least, we should examine aligning the two systems at both ends of the income scale.

The second area is business rates. Here, the problems have been exacerbated by the deliberate decision of the coalition and the Conservative Government to postpone the revaluation, and they have been compounded by the failure to have regard to the changes in the market, with online retailers taking a growing share of that market from the low-rated sheds outside urban areas. Given the Government's policy of substituting business rates for revenue support grant to councils, it is surely necessary urgently to review the system, including the approach to valuations. I suspect that in addition there will be an avalanche of appeals, which themselves are costly for councils. Will the Government reimburse councils for such costs?

Will the Government clarify how they propose to ensure that councils with relatively low business rate income can be compensated for the effect of replacing grant with the proceeds of business rates? When can we expect an announcement about the distribution of such rates?

[LORD BEECHAM]

Mention of rates brings me to the issue of council tax. It is 25 years since this replaced the poll tax and, over time, it has become increasingly unfair. I remind the House that there are eight bands for council tax, with the top band paying only three times as much as the lowest. I can illustrate the outcome from my experience in Newcastle. Zoopla, an organisation that values properties and publishes those assessments, valued properties in two streets in the ward that I have represented for just under 50 years at £49,000 and £76,000 respectively. They are in band A, the bottom tier, and the council tax is £1,008 per year. In a street near where I live, a house in band H, the top band, was sold recently for more than £2 million. The council tax payable for that property is £3,024—only three times more than for a property a fortieth of its value. For the record, my own four-bedroomed house is in band F, the sixth band. The council tax that I pay is £2,084 and the house is worth perhaps £750,000—substantially more than those of my constituents, but their council tax bears no real relation to the difference in value.

This is a grotesquely unfair system that the Government adamantly refuse to change. They could do so by having a revaluation and then adding more bands at the top and bottom of the scale without, if they so choose, necessarily increasing the total yield. Why do they not take action? Why are they equally complacent about the stagnation of earnings, which according to the Institute for Fiscal Studies will be no higher in 2022 than in 2007—15 years without any real rise in earnings? It is time for the rhetoric of the just about managing to be translated into action and extended to those who, through no fault of their own, are just not managing.

5.51 pm

Lord Razzall (LD): My Lords, in our experience, the world is divided between people who see the glass as half full or who by temperament see the glass as half empty, and in some cases totally empty. I have always regarded myself as in the first category, which noble Lords may say is not surprising for a Liberal Democrat. But notwithstanding the valiant attempt by the Minister to talk up the Budget, when I contemplate the future of the economy, rather like the noble Lord, Lord Hain, I fear that I have moved to the half empty, almost totally empty category.

Recent reports from the Institute for Government and the Rowntree Foundation demonstrate that the financial position of what Labour used to call ordinary working people and what the Prime Minister now calls the just about managing is deteriorating and is likely to deteriorate faster. As the noble Baroness, Lady Wheatcroft, did, let us look at the numbers. Real incomes for the bulk of people have barely grown since the 2008 financial crash. On many calculations, this means that average income will be 18% lower by 2020-21 than if life had continued as before. Rather surprisingly for a Tory Government, home ownership is falling for the first time in 50 years, and the worst-hit group are those in the middle-income category, who now have little prospect of home ownership.

We are seeing now real pressure on public services. In hospitals where delays in cancer services and A&E are rising, clinical standards have been maintained

only by running record deficits. Bed-blocking cases rose 40% from 2014 to 2016 because no social care was available. In prisons, assaults against staff are up 60% in two years. As the noble Lord, Lord Beecham, indicated, inevitably, local authority cuts imposed by central Government have meant the elimination of many services which are so necessary to make our society civilised. I do not need to remind noble Lords of the crisis in social care for the elderly. If I may bastardise the phrase of the noble Lord, Lord Kinnock, in the 1992 election campaign, “Be very afraid if you are ill or elderly in Britain today”. As Jenni Russell memorably put it in the *Times* last week:

“A rolling austerity programme with bursts of emergency spending is no way to run a country”.

Of course, as many noble Lords have indicated and as all economists know, the only real solution to our problem is for our existing workforce to become more productive so that we can increase the value of what we produce in every hour worked, which will feed through to increased wages, taxes and profits. To achieve the productivity gains that we need, we must have a vibrant and growing manufacturing sector. As my noble friend Lord Shipley and other noble Lords have indicated, unless the Government negotiate a soft Brexit, irrevocable damage will be done to our manufacturing industry.

First, as 52% of manufacturing exports go to the European Union, it is essential that access to the European Union for goods and services be maintained, even, contrary to the desire of the serious Eurosceptics, if some continued financial contribution is required. Secondly, it is not just potential tariff barriers that are of concern: non-tariff barriers must be removed that deal, for example, with regulatory issues, technical barriers, standards and measurements. Harmonisation of standards has worked well in recent years, so there is real nervousness in the manufacturing community that following our exit, we will revert to the bad old days of Germany setting rules that suit its manufacturers. It is also essential that lengthy customs checks are not introduced that would be damaging, particularly in industries where there is a significant flow of components to and from the European Union.

Thirdly, British manufacturing requires significant skilled immigration from Europe. There are many examples of a likely skills shortage. I pick just one: the need of some engineering companies for analogue design engineers. British universities now teach only digital electronic engineering, but skilled analogue design engineers can still be found from the Czech Republic, Slovakia, Romania and Bulgaria and must be given the right to work in the United Kingdom. There is considerable scepticism among most manufacturers about whether the skills shortage can be made up by UK employees once we have left the European Union, as David Davis rather confirmed in his speech in Estonia a few weeks ago. If the Government get this wrong, the Chancellor of the Exchequer's fighting fund to deal with the financial fallout from Brexit will be small beer in comparison with the damage the Government will have caused the British economy.

5.56 pm

Baroness Altmann (Con): My Lords, what kind of economy do we in the United Kingdom intend to foster? Do we want policies that will encourage growth, investment, risk-taking, entrepreneurship, hard work, family values and responsible rather than reckless spending? That is certainly what I believe are core Conservative principles, and I wholeheartedly endorse them. In addition, the Prime Minister has talked of fairness and helping those who are “just about managing”, and I absolutely echo those sentiments too. However, this Budget contains some measures that, in the overall context of our long-term economic interests, seem to send confusing messages about those core principles.

I start by welcoming the Chancellor’s reaffirmed commitment to fiscal responsibility. Yes, tax revenues have been stronger than expected in the past year, but just using that windfall to boost current spending would not be sensible. Huge budget deficits and ultra-loose monetary policy are not sustainable over the medium term. I urge my noble friend to encourage the Treasury to take more seriously the opportunity to harness the power of pension funds and long-term insurance assets to stimulate growth directly and invest in infrastructure and housing.

As we negotiate an exit from the EU, we cannot assume that the economy will keep surprising on the upside. Lower immigration is a risk to our growth prospects. The Minister mentioned the importance therefore of investing in people. The new T-levels are welcome, but that needs to apply to older people too, so I warmly welcome the Chancellor’s decision to spend £5 million on returnships. Such initiatives could certainly provide much-needed help for older adults to help them extend their working lives. Pilot schemes helping people to return to work could particularly benefit older women wanting to work again after taking time out for caring. Leaving the EU means that it is increasingly important to help Britons keep working if they want or need to, taking advantage of our home-grown skills and talents to boost economic growth. Each extra one year later that the average British person delays retirement is estimated to add 1% to GDP. The economic benefits of fuller working lives need to be much better appreciated.

Another welcome measure that could help some older people is the Chancellor’s £2 billion boost to help councils fund social care. However, this is just a sticking plaster. Demand for care and costs of delivery have risen sharply, and cash-strapped councils are leaving too many frail elderly people without the care they need. This is already creating havoc in the NHS and the crisis has hit while the current cohort of older people is relatively small, before the baby-boomer generation reaches more advanced old age. If our economy is to support a health system that can cope with rising numbers of elderly people, reduced immigration and smaller cohorts of working people, clearly much more needs to be done on social care.

It is astonishing that, with a rapidly ageing population, there is absolutely no money set aside, either in the public accounts or at the private sector level, specifically to cover care costs. Previous politicians have just kicked

this issue into the long grass. I welcome the Chancellor’s Green Paper later this year, but it must lead to action. Will my noble friend the Minister recognise the urgency here? The Budget was another missed opportunity to kick-start the extensive reform programme that is so urgently needed, including proper integration of health and care, helping families to prepare for care costs, new tax-favoured saving products, incentivising employers to help individuals fund care—perhaps elderly care vouchers, similar to the principle of childcare vouchers—and even auto-enrolment into care saving plans.

That brings me to my next point. The Chancellor specifically ruled out the so-called death tax to fund social care, so money will not be recouped retrospectively from people’s homes or estates to pay for care, but at the same time the Government will introduce precisely such a death tax. However, this one is what we might call a stealth death tax. It comes in the form of the massive rise in probate fees. Some 97% of the respondents to the Government’s own consultation were firmly against this. The Ministry of Justice seems to have landed the Chancellor with a little bit of a problem here. I suspect that, having admitted that this money is actually supposed to be there to fund other parts of the court system, because the current probate fees fund the cost of delivering the probate registry, many families might prefer to have a death tax to pay for social care rather than to help the Ministry of Justice.

The most surprising news in the Budget was of course the hit to the self-employed. These are the very people who will keep our economy going and growing. They have no maternity pay, holiday pay or sick pay and nobody else to fund a pension for them. I must admit that I fail to understand the urgency of introducing a rise to class 4 national insurance rates. The manifesto commitment not to raise national insurance was clear and we knew at that time about the rises in self-employed people’s state pensions. I was not surprised, when I took the tax-lock legislation through this House, that it related only to class 1 national insurance because we were reforming class 2 and we knew there would be reform of class 4. I would not have expected an increase in rates at this time, hitting the self-employed directly. The Chancellor talked about the need to create the growth that will underpin our future prosperity and his ambition for the UK to be the best place in the world to start and grow a business. I do not quite understand how this is ensuring that those with the broadest shoulders bear the heaviest burden. This measure fails that test.

Indeed, the cut to the dividend tax allowance is another tax on risk-taking and equity capital. It will hit not only small investors but those people who are trying to start a business and want to take a dividend out of that company. Our dividend taxation and the tax on risk-taking is out of line with the tax on debt instruments, yet economic growth can usually benefit more from equity risk-taking than debt finance. People who set up their own businesses are being hit twice in this Budget. I do not believe that is sensible for the future growth of our economy, and I hope the Chancellor will rethink these plans.

6.04 pm

Lord Desai (Lab): My Lords, as the noble Baroness said, this is the last spring Budget. Miraculously, it will stretch into the autumn, because the legislation required to support the tax rises will not be done until autumn. We have a very nice Budget. I like Budgets that are dull, which pass without much notice and stretch out into infinity before we can deal with their consequences. From here on, I hope we will have autumn Budgets which will then go on into the spring to have their tax proposals implemented.

Our problem is that the era of high growth, which lasted from 1990 until about 2008, has gone for ever. It will not come back. All the thinking about spending and taxation is still stuck in the era when growth was robust and high. It will not happen, so we have to find some ways of economising or bring in high taxation. We cannot have a culture in which the self-employed, who are not a poor class, refuse to pay extra tax and make such a lot of noise that the Chancellor has to rethink. Only this morning there was news that the BBC encourages its highest-paid people to become self-employed rather than pay tax. That is the BBC—the paragon of virtue. We know that self-employment is a tax dodge and it has been since my friend Ken Livingstone became a company and started paying himself—a good socialist such as Ken Livingstone discovered 15 years ago that it paid to dodge taxes. We have to stop pretending that the self-employed are the backbone of society and guarantee growth. They are no such things. They are just tax dodgers. Tax dodgers ought to be treated like tax dodgers.

I welcome the fact the Chancellor abandoned his predecessor's obsession with moving the Budget into surplus, but he is still obsessed with the debt problem. We went through this first with five years of coalition Government, where it was perhaps necessary to be severe about reducing the deficit, which had risen rather highly. It was quite clear that there was not going to be a sufficient multiplier from consumption spending to get growth going. That is fine, but now we have come to the stage where we really ought to ask a fundamental question: is the debt-to-GDP ratio a good indicator of anything? Debt is a stock and GDP is a flow. When you compare a stock to a flow there is no particularly ideal number at which you should stop. What you ought to compare is the cost of servicing the debt with the GDP. It so happens, as the noble Lord, Lord Gadhia, reminded us, that the cost of servicing the debt is 3%. It is one of the lowest costs that there is.

We have an ageing population and considerably high demands on social care and health. We ought to stop repeating this cliché that we are not going to burden our future generation with extra debt. What are you going to do about the present generation? Why are you burdening them with bad social care just because you do not want to burden the future generation, who are, if anything, going to be richer than us? We ought to seriously, fundamentally examine whether we should not have different fiscal rules to suit an ageing population in which there is a great reluctance to pay tax, but no reluctance to cut expenditure.

It has been suggested, especially by the noble Lord, Lord Finkelstein, who is not here, that we hypothecate some tax revenue for financing the National Health Service. It is very difficult to find any real numbers in a Budget document; they are all percentages, but there are some real numbers in this one. It just so happens that the contribution made by national insurance to public sector receipts, £130 billion, is not too far away from what we spend on national health, £149 billion. We should think if not about a strict hypothecation then about a marriage of certain items of revenue and expenditure, and tailor our rising taxation to the rise in expenditure required. If we were to tie national insurance to financing national health, as was originally the idea—some people may remember—it would make sense to raise the national insurance target when the National Health Service needed it. That is a much better way of financing national health than any I can think of.

We have a productivity problem because the economy has moved to a low-growth path, but what will happen in the future will be much worse. If our productivity were enhanced by artificial intelligence and such things, the level of employment would be much lower and we would have very different problems in financing our welfare from those that we had previously. So watch out: more changes are coming.

6.11 pm

Lord Skidelsky (CB): My Lords, I always seem to follow the noble Lord, Lord Desai, or he follows me, in these debates. Like terrible twins, we cannot be separated. He is always fun to listen to and has given us a lot to think about, although I shall not follow him on this occasion down the path of secular stagnation, which is certainly worth thinking about.

Ever since I entered this debate eight years ago, I have said that the austerity policy was wrong—that it would slow down growth, and therefore make it impossible for Chancellors to meet their targets. I do not think that I was wrong. As Larry Elliott wrote last week:

“A one-term deficit reduction plan has now become a 15-year slog”,
and it will no doubt go on.

True enough, public sector net borrowing has fallen from 9.7% of GDP in 2010-11 to 3.8% this year, and is expected to fall to 0.7% in 2021-22, but this reduction is not the result of any measures taken or cuts made by George Osborne; it is the result solely of the growth of the economy, which is due to a different set of factors of which monetary policy has been very important. This is a difficult issue, but one cannot have this debate without a tiny bit of economic theory being somewhere buried in its recesses, and I want to produce my little smidgeon.

What has happened is that growth policy, such as it was, has been outsourced to monetary policy since 2010. This is by far the weaker of the two instruments, because of the slippage between printing money and spending money which was discerned by Lord Keynes in 1936. In other words, you can print the money; the problem is to get it spent. If there are leakages on the way, there will be quite a weak impact.

The net impact of fiscal contraction and monetary expansion has been to slow down the rate of growth of the economy. Everyone now recognises this, except of

course the Front Bench on the government side. Everyone recognises that austerity policies have slowed down the rate of growth of the British economy. Mark Carney, Governor of the Bank of England, said in his recent Roscoe Lecture that,

“sustained austerity ... has, on average, subtracted around 1 percentage point from demand each year”,

since 2010. That is not a unique statement; we hear it from official bodies as well. Had George Osborne simply continued with the policies of his Labour predecessor, he would have left his own successor, Mr Hammond, with a nice surplus by now.

It is a bit disturbing to see that the penny has not yet dropped. The austerity rhetoric seems to be hardwired into the minds of Chancellors, although their practice is somewhat different from their rhetoric, but it is more disturbing to see that it seems to be hardwired into the minds also of Treasury officials. Two representatives of the Treasury view have spoken today, the noble Lords, Lord Macpherson and Lord Higgins—the noble Lord, Lord Higgins, was brought up and bred in the Keynesian era, so he is a bit more relaxed about these things.

Over these years, someone has been getting something wrong. Is it the Chancellors? Is it the Treasury? Is it the OBR? Is it the economics profession? I blame the economics profession quite largely for these wrong models of the economy, but the truth seems to be that all macroeconomic forecasting policy models were wrong, because the theory on which they were based was wrong. At least the IMF has admitted that it was wrong, but I do not see any admission from the Treasury to that effect. The Treasury, after all, has never been interested in growth; it is the Government's housekeeper. That is why Harold Wilson set up the Department of Economic Affairs in 1964 as a counterweight to the Treasury view. Who now remembers it? Very few. It ran aground on the sterling crises of that era, but it is certainly something Governments should look at again.

The Chancellor followed many of his predecessors in mentioning the productivity question. How come the UK's productivity is 18% lower than the average of G7 countries? It is not such a puzzle. In every single year between 1980 and 2015, Britain's investment share of GDP was 3.7% lower than the G7 average. This level of underinvestment over a 25-year period is bound to produce a depressing productivity record.

The private sector is not picking up the slack. As Martin Wolf wrote last week, consumption in the last year rose by 3%, but investment fell by 1.5%. Chancellors have tried to help investment and I welcome some of the measures, but the amounts pledged have not reversed the cuts in the capital budget that have occurred since 2010.

Our infrastructure quality is ranked as the second worst in the G7. I must finish now, because the noble Lord, Lord Desai, said everything that I wanted to say about the burdens on our future generations and did so extremely well. But now that we have bond yields that are near rock bottom, we should take advantage of them to build a better Britain and not go on about deficit targets which present policy puts perpetually beyond reach.

6.17 pm

Lord Crickhowell (Con): There will be no economic theories from me after those two contributions.

On 7 March, the day before the Budget, the Royal Society of Arts—I declare an interest as a fellow—published an article which said:

“Rumours have it that the Chancellor will use his Budget tomorrow to raise Class 4 NICs for the self-employed—a sensible move that could strengthen self-employment in the long run. But he risks a backlash unless he commits his proposals to meaningful consultation. Tax reform without popular support is always short lived”.

The article advanced arguments both for and against NICs reform. It continued:

“Legitimacy first, reform second ... The Treasury, lobby groups and think-tanks can do all the number crunching they like, and make the most compelling technical case for reform. But if they are only talking to themselves ... then there is little hope for meaningful change ... All of this points to the need for a thorough consultation on NICs reform before any changes are made ... And if not? Then the Chancellor may face his very own ‘pasty tax’ moment”.

Curiously, the article made no mention of the manifesto pledge, which in the event proved to be the major obstacle to the Chancellor's intended change—that and perhaps the “no-go area” referred to by the noble Lord, Lord Macpherson, who probably has more experience of “pasty tax” moments than any man alive. The triple lock pledge made by Cameron was unwise and the circumstances have been transformed by the result of the referendum, but a pledge it was, and the case needed to be made for breaking it. The problem facing the Chancellor was well illustrated by two articles in the *Daily Telegraph* after the Budget. The first accused him of not doing anything like enough to reduce taxes and the second, two pages later, said that not nearly enough had been done to reduce the nation's borrowing and debt. The Minister emphasised the need for caution and fiscal responsibility, pointing to the 60% of self-employed people who will pay less tax.

The Chancellor was right to make provision for a period of uncertainty, now made worse by the demand for a Scottish referendum. Those seeking a way out of the NIC mess could do worse than study *The Entrepreneurial Audit*, a report published in February by the RSA after months of evidence-taking and consultation. The report makes two sensible points at the outset. First, the Government should be guided by evidence, including direct consultation with the self-employed. Secondly, they should aim for policy continuity, as unnecessary change can create confusion and disruption. The report recognises the diversity of 4.8 million individuals; not all of the self-employed share the same expectations and needs, or live up to the stereotype of the heroic entrepreneur. I thought that the noble Lord, Lord Desai, was more accurate on that matter than my noble friend Lord Flight, whose remarks I criticised to his face outside the Chamber.

The report argues that its foremost concern is that people doing the same work but under different guises can face widely different tax treatment, and that creates three core problems. The first is the incentive it creates for false self-employment. Employers who treat individuals

[LORD CRICKHOWELL]

as self-employed contractors when they should be engaged as standard employees make considerable savings, while the workers lose valuable rights. The second is that the differential makes it hard to argue that the self-employed should have greater welfare protection. The third problem is the large sums lost to the Exchequer, particularly from the growth of gig work, enabled by platforms such as Uber.

The report makes numerous recommendations. What is important is that, although one might not agree with many of them, they are all set in the context of the need for other changes, notably the modernisation of business rates and changes to policy on welfare and pensions, regulation, late payments and universal credit. The report identifies flaws in universal credit as it applies to the self-employed and recommends that they be ironed out to ensure that it is fair for the self-employed and employees, and does not hinder potential viable businesses.

I finish with pensions and the need for continuity of policy. The reversal of policy on the dividend allowance was violent. The Minister defended it by saying that 80% of those receiving dividends would pay no tax on them, but one in five of the 2.3 million people who will pay are pensioners. I suppose that I should declare another interest because, although I have always invested the maximum in ISAs, I might have to pay a little more myself. Those pensioners have really been sold a false prospectus.

I draw one positive conclusion from reading the report: there are plenty of routes available to the Government for making workable and acceptable changes to the tax arrangements for NICs and remove them from the list of no-go areas, while, in this time of uncertainty, protecting as they must the revenue stream. A mistake has been made, but I hope that the squabbling will now cease and solutions are found in time for the Autumn Budget.

6.24 pm

Lord Howarth of Newport (Lab): My Lords, our economy is in deep trouble. *Pace* the noble Baroness, Lady Wheatcroft, this is not on account of Brexit, which the Chancellor barely mentioned. Though he touched on some of the problems—lack of technical skills, poor productivity and erosion of the tax base—his chirpy report on the performance of the UK economy in 2016 betrays a failure to recognise the systemic nature and scale of our predicament. Just as the dispensation of Bretton Woods, neo-Keynesianism and the corporate state hit the buffers in the 1970s, so the dispensation that followed, of neoliberalism, free markets and the small state, crashed in 2007-08.

In the 1950s we saw large improvements in living standards across society, the creation of great new public services and, for all the class consciousness of those days, a sense that we were one nation. What has neoliberalism brought us to? As corporate profits have risen, the share of income going to investment and labour has fallen. Higher productivity has not gone through to higher median pay, as the noble Lord, Lord Willetts, noted. Although the OBR reckons that our economy was growing at its maximum capacity in 2016, average earnings are forecast to be no higher in

2022 than they were in 2007, public borrowing is forecast for 2020 to be £30 billion more than was planned a year ago, and we face the prospect of austerity stretching to 2025. Our chronic current account deficit is now 5.2% of GDP. Spending per pupil on education, which is crucial to future productivity, is planned to fall by 7% in this Parliament. We have a growing precariat who know nothing of the Chancellor's imagined "security and dignity of work". The poor will get poorer with cuts to employment and support allowance and tax credits next month. We have huge regional disparities in prosperity and a fracturing United Kingdom. We need a new economic model, but not the ultra-neoliberal model envisaged by the Chancellor and the Prime Minister in their threat to turn Britain into an offshore haven of deregulation and low taxes.

The economic model of the last 40 years has been very nice for those with financial and property assets and high levels of skills. It has failed huge numbers of our people. Trickle down has not happened and very many of the "hard-working families" whom Ministers profess to support feel abandoned.

Governments have grovelled to attract footloose international capital. Corporation tax is due to fall again to 17% in 2020, while multinational businesses scandalously avoid paying tax. Policy has especially privileged finance, with tax rates lower on assets than on earnings. Top-rate tax relief on pension contributions, big reductions in inheritance tax and reduced capital gains tax for people selling their businesses have all benefited the wealthy while reducing resources for the public services on which most people depend. We have created a rentier economy and vast inequalities of income and wealth. Incentivising and deregulating finance has channelled savings not to productive investment, as free-market theory promised, but to an unstable, bubble economy.

The global financial crisis, under the shadow of which we continue to live, was caused not by excessive government deficits but by the recklessness of bankers let loose by the state. Bank bailouts in Britain rose to £133 billion in cash and £1 trillion in guarantees and indemnities. Extreme fiscal austerity to pay down debt, easing only slightly now, has been accompanied by ultra-loose monetary policy. Low interest rates and quantitative easing have distorted the allocation of capital, apparent in the inflation of asset prices. The effect has been taken to an extreme in the housing market, exacerbated by policies of inflating demand while restricting supply. This has damaged the labour market and created misery.

It has been an illusion that the marketised state works better and costs less. Instead, we have seen administrative costs, professional demoralisation and public dissatisfaction all increase. Public functions have been handed over to commercial entities on long-term contracts, with information concealed from Parliament and the public under the spurious rubric of "commercial in confidence", and poorly supervised by a stripped-down Civil Service. Government has become haplessly dependent on outsourcing contractors, some of which are a byword for accounting scandals and delivery failures.

Social care, the NHS and prisons alike are in crisis. The social security system is routinely operated by contractors both cruelly and inefficiently. The Chancellor

intoned on Budget Day that “choice is the key to excellence in education”, defying the experience of the last 30 years that the values and dynamics of the market are no guarantee of quality in public services. What is certain is that more selective schools will mean more social division and more children left behind.

The failure of neoliberalism to create inclusive prosperity and economic justice, and the fear of parents that their children will be worse off than they are, are now generating a public revolt. Since the 1980s, citizens have abstained from voting in increasing numbers. When the Labour Party and the Liberal Democrats espoused neoliberalism, electors could see no essential difference between them and the Conservatives. Now, not just in the Brexit vote here but in the US presidential election, as in the last elections in Hungary and Poland, they have rejected the political establishment in favour of authoritarian populists. At least the referendum did not put Nigel Farage into Downing Street. Instead, as she entered Downing Street, Theresa May spoke rightly of burning injustice and her mission to make Britain a country that works for everyone. The recognition of that necessity could be the beginning of wisdom. We need radical thinking, however. Without it, both our economy and our democracy are in peril.

6.30 pm

Lord Marlesford (Con): My Lords, I fear that the Chancellor did make a political misjudgment in what he did to the self-employed. I can understand that, as a tidy-minded man, he would fall for the seduction of the symmetry so loved by the Treasury and so elegantly described to us this afternoon by the noble Lord, Lord Macpherson of Earl's Court. But did the Chancellor really think through the strange fact that unemployment in the UK is so much lower than in, say, France or Spain? In part it is because we have such a large number of self-employed people that unemployment is so low. The asymmetry of the NIC system helps them greatly. In addition, they have the benefit of the high VAT threshold. At £85,000, it is the highest in Europe; in Spain, it is zero and there they have unemployment of around 25% for many of the young. This threshold is a boon to the small entrepreneur when offering services to those for whom VAT is not reclaimable and enables them to undercut the big boys by a straightforward 20%.

But to criticise without offering an alternative is sterile. I have a specific suggestion about how the Chancellor should raise the additional funds that he needs. Every year since David Cameron became Prime Minister, at Budget time the Chancellor has raised Back-Bench applause by saying that he will freeze road fuel duty. That has been very expensive applause. It is also counterintuitive in a whole number of ways. First, there has been a period of seven years of big fluctuations in oil prices and thus also in pump prices. In general, prices have been falling more recently from the highs of more than \$100 a barrel, hitting \$126 a barrel in July 2012, to below \$30 a barrel in February 2016. For the present, it has settled in the region of \$55 a barrel.

Secondly, public policy has been to encourage more efficient use of fuels. Thirdly, almost all new vehicles have become much more fuel efficient during this

period. I was brought up with the idea that a family car would go between 20 miles and 30 miles per gallon of petrol, but now it is much more like 40 miles to 50 miles per gallon. Fourthly, at the retail level there is a remarkably inelastic response to fuel prices. HMRC estimates the elasticity of demand for road fuel to be 0.07% in the short run and 0.13% in the medium term, which is very low. A more obvious indicator of the inelasticity is to take actual examples. I have taken the example of fuel prices in Suffolk. Fuel prices in America are very low—but then, of course, they are uninsulated from oil prices. When oil prices go up, fuel prices go up enormously. We have a much higher proportion of duty. Currently, fuel duty is 57.9 pence per litre for petrol or diesel, which is more than 45% of the pump price.

My recommendation is that the Chancellor should increase road fuel duty by 10p per litre. With VAT, this would mean a price rise of 12p per litre. Petrol prices have a weighting of about 3% in the CPI and RPI. The Treasury estimates that the inflation effect of a 10p rise in road fuel duty would be only a 0.3 percentage-point increase in the CPI and RPI. Of course, any increase would immediately fall out of the index at the end of 12 months. Yet the fiscal impact—the benefit, the revenue gained from this increase—would be £4.6 billion a year. That is an extra £4.6 billion to spend on the NHS or any number of other good causes. These figures come from HMRC's ready reckoner.

The impact of such a rise would be very moderate, as I will illustrate with actual figures. I have taken the price of Shell petrol in Woodbridge, Suffolk, where I live. In May 2010, it was £1.29 per litre. Today, it is £1.22 per litre. If you increase the May 2010 pump price by the RPI inflation of 19% up to December 2016, it would be £1.53. My 10p extra plus VAT would make today's price £1.34. That would be 19p per litre cheaper than when Cameron first moved into Downing Street—and the Chancellor would have an extra £4.6 billion to spend each year.

Would this be unpopular politically? Initially, probably yes. Ernest Marples once said that if you have to have a political row, have a big one with a result worth getting. My proposal would produce £4.6 billion a year and the inflation increase would be negligible. I recommend this to the Chancellor.

6.38 pm

Lord McKenzie of Luton (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Marlesford, and to hear his imaginative proposal. I wish him luck in his discussions with the Chancellor.

We are entering uncharted waters as we, sadly, start the process of leaving the EU, but it is an opportunity first to take brief stock of the health of the economy and the stewardship of this Government. As others have said, the UK's position can be characterised by sluggish growth, soaring personal debt and stagnating pay. Some 6 million people earn less than the living wage and 4 million children are in poverty, two-thirds of them in households in which at least one parent works. Zero-hours contracts abound, with all the insecurity they can bring. The OBR reports that business investment remains subdued, inflation is on the rise and our public services teeter on the brink. We have a housing crisis.

[LORD MCKENZIE OF LUTON]

The Budget does nothing to change this. Certainly, the funding for skills is to be welcomed, although it will hardly address the FE budget cuts that have been endured since 2010. The additional £2 billion for social care, albeit spread over three years, will help, obviously, but there is nothing of substance which will help the crisis in the NHS. Apart from the modest change to the universal credit taper rate, the Chancellor has done nothing to unpick the brutal regime of social security cuts—to ESA and tax credits, especially—that is the legacy of his predecessor and which continues to drive families into poverty. Someone said earlier—I think it was the noble Lord, Lord Higgins, who is not in his place—that there is no alternative but to live with austerity. I say: who has to live with it? It is never us but always somebody else.

A report produced by the Chartered Institute of Taxation, the IFS and the Institute for Government set out 10 steps to making more effective tax policy. It is to be recommended to the Chancellor. To be fair, he started off rather well by adopting its first recommendation and committing to eschew two fiscal events each year. The report suggests that Budgets themselves have become engines for the proliferation of measures, and instances the past five years, when Finance Acts totalled at least 600 pages every year. Another recommendation was to establish clear guiding principles and priorities for tax policy at the start of a Parliament to deter a Government from falling into ad hoc approaches. Of course, this is to be distinguished from the practice of ruling out any changes to key tax rates for effectively the whole of a five-year Parliament and then finding that circumstances cause the commitment to be broken or some slippery wording to be deployed to justify a departure.

Of course, this brings us to the issue of national insurance contributions for the self-employed, in particular the increase in class 4 contributions from next April. There had been prior consultation—I think the noble Baroness, Lady Altmann, referred to this—around national insurance and the self-employed as a consequence of the decision last year to scrap the regressive flat-rate class 2. That was a recommendation of the Office of Tax Simplification. Because the class 2 rate was the route for the self-employed to gain access to some social security benefits—bereavement benefits, contributory ESA and now the single state pension—replacement arrangements are needed and changes have been proposed to class 4 NICs and class 3 voluntary NICs as the new route to those benefits.

The Government responded to the consultation but, so far as I am aware, at no stage was it suggested that the required changes or the earlier improved access to the new state pension would come with a price tag of increased contributions, nor, as is now suggested, possibly wider access to the social security system. This year's 2% hike in the Budget seems to have been very much an afterthought—a piecemeal approach running contrary to the principles of sound tax policy-making.

That the growth in self-employment is eating into government tax collections, as the noble Lord, Lord Willetts, said, seems beyond doubt. This is in part fuelled by the growth of the gig economy, which is defined in the *Oxford Dictionary* as,

“A labour market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs”.

This work is typically available through digital sharing platforms.

Prima facie, this sounds like classic self-employment, but things have not proved to be so clear-cut, as my noble friend Lord Beecham said. The role of the platform as a quasi-agency can have ramifications, as Uber has discovered. Indeed, it is suggested that for employment law there are now three categories of individual—employees, the self-employed and workers—but for tax purposes there are only employees and the self-employed. Of course, there is also the director-controlled company, which has seen the reduction in the dividend allowance.

At present, the self-employed are not entitled to the benefits of auto-enrolment, the national living wage, sick pay, maternity, paternity and adoption pay, holiday pay and redundancy and unfair dismissal protection. The employed do, as, for the most part, do workers. So far as national insurance is concerned, erstwhile employers escape the 13.5% employer contribution if they can persuade people to be self-employed. Where to strike the balance in terms of the respective levels of national insurance contribution requires proper analysis, and I hope that the Matthew Taylor report on employment practices will aid that determination.

As for the current Budget provision, it can be argued that, taken together with the abolition of class 2 contributions, the Budget proposal is progressive up to the level of the upper profits limit. This is the view of the Resolution Foundation, as we have heard. It says that the bottom 54% of self-employed earners will pay less or nothing, while those earning over £16,250 will pay more.

However, this does not justify raising £2 billion of revenue from this source, who by definition are lower or median earners, when the Government are continuing with arrangements which cost taxpayers as a whole but benefit the better-off: a £20,000 limit on ISAs and inheritance tax cuts, to name but two. Spreadsheets notwithstanding, this has been a muddled Budget.

6.46 pm

Lord Wrigglesworth (LD): My Lords, I am very pleased to follow the noble Lord, Lord McKenzie. I do not want to follow him down the road he has just been driving along, although that is the first sensible analysis of what should happen that I have heard in this debate or, indeed, anywhere else. Clearly, something needs to be done about national insurance contributions. There are anomalies all over the place and I hope that with the report that is coming we will get a rather more sensible decision than has been taken on this occasion.

There is certainly a need for reform but the major mistake that has been made by the Government—and on these Benches we should understand it very well—is the absurd manifesto commitment that was made by the Conservative Party at the last election not to increase income tax, VAT or national insurance contributions. I say it is absurd because what serious party of government, coming into office for five years, would suggest that it is not going to change any of those taxes during the next five years, when it does not know what is going to happen and what the circumstances are going to be? The Government deserve every little bit of criticism that they are getting for the change that has been made.

I want to comment on two things: first, on the shape of the Budget and the economic forecasts that have been published; and, secondly, on the impact of Brexit on the Budget, which the Chancellor did not even mention and which, as many noble Lords have pointed out, is going to have an enormous impact on the economy in the year ahead and, indeed, in the five years ahead and beyond. The rather higher than expected growth rate, which has been a theme of a number of speeches today, has been driven by consumer spending. It rose by 3.2% in the fourth quarter—the fastest since 2007. Meanwhile, it was accompanied by a sharp fall in savings. The rate fell into negative territory, as has been pointed out in the debate, for the first time since 2008. It is an extremely worrying position where a large part of the consumer spending has clearly been taken by people out of their savings.

All this has been driven by low inflation and low interest rates but we have higher inflation and lower real wages coming down the track. As Paul Johnson from the IFS has noted, and has been referred to in the debate, in the forecasts, average earnings are no higher in 2022 than in 2007. He could not find an adjective to describe what an appalling situation that is. All this is against a background of low productivity, with business investment down 1% in the fourth quarter and 1.5% in the year as a whole. It is a very dangerous situation when the economy is driven by consumer spending in this way at the same time as investment is falling. We are on an extremely dangerous trajectory and the only way to overcome the debt problem—I am with the noble Lord, Lord Skidelsky, on this—is to increase productivity and growth. Any sensible business with the income to justify the borrowing will borrow and invest to increase its productivity and profitability and get itself out of trouble.

I note that the Government have £26 billion of unexpected undershoot in their borrowings. The Chancellor said that he was putting this into a “Brexit reserve”. The cynic in me says that it is more likely to be a general election reserve. I can see what is going to happen to the extra £26 billion when we get to the year before the next election: there will be a very good reason for using it, if not for Brexit expenditure then for bribes as the general election approaches. It should instead be added to the investment in productivity that has been announced elsewhere in the Budget.

There was no mention at all of Brexit in the Budget, which is a very serious omission. There will be some very high direct costs and dangers to revenue arising from our leaving the EU—for example, new administrative burdens in agriculture, fisheries, immigration, border control and customs.

I want to say something about customs before I finish. Before I came to the House I was chairman of the biggest trust port in this country, the Port of Tyne, so I follow the port industry with some interest. I was interested to hear from the chief executive of Dover—the Port of Tyne is bigger than Dover—that one lorry comes through the Port of Dover every minute. Some 31% of our imports and exports pass through the Strait of Dover—£220 billion of goods. One lorry per minute: that is an enormous amount—160 kilometres of lorries coming over every day. If they were parked

they would stretch along the motorways from Dover to Stansted. That is how many lorries come in through that port. It takes one minute to get each lorry through the port. If that increases by two, or three, minutes, there are massive logjams on our roads.

A lot of the goods coming in are food and perishable items. At present the system can just about cope. Consider, however, the warning from Christopher Booker in last Sunday’s *Telegraph*. I have chosen Christopher Booker because he has been the scourge of the EU for quite a few years—incredibly anti-EU. However, he says in last Sunday’s article,

“our trade with the outside world has been governed by CHIEF (Customs Handling of Import and Export Freight), designed to handle 50 million customs items a year”.

In 2010, HMRC realised that it would need to be revised and it has spent all that time putting a new system in place. Time does not permit me to go through the full details, but the system will have to be revised again. It has taken HMRC all those years to put a new system in place. It does not yet know, and will not know until the negotiations are complete, what the system will comprise and it will be faced with the most horrible crisis at the end of this period if we come out with a hard Brexit or not knowing the details. If ports such as Dover—and many other organisations—cannot prepare for the onslaught that will face them as a result of Brexit it will cost the Government and the taxpayer a lot of money, and I would like the Minister to tell the House what preparations are being made for those eventualities.

6.53 pm

Lord Lupton (Con): My Lords, I address my remarks to the subject of business finance: the right way for the Government and the private sector to support businesses to grow, and ultimately the right way for the Government to tax them when they become profitable.

However, I start with a concern about the wrong way to finance businesses. In my day job as European chairman of an international corporate finance advisory firm, I am seeing the return of a disturbing trend: very high leverage levels—eight or nine times EBITDA—in large, “covenant-lite” leveraged loans that are quite often used to de-equitise businesses. In 2016 in the USA, such loans reached over \$700 billion, compared to \$670 billion in 2007, the year of the start of the financial crash. In the EU, the 2016 number was €220 billion, very nearly an all-time high. The good news is that banks’ participation in these loans is down to about 12%. The flip side, however—the bad news—is that this means that 88% was provided by non-bank investors, such as sovereign wealth funds, life and pension funds and the more lightly regulated CLO and credit funds, where, notably, there is asymmetrical personal risk and rewards for the individual fund managers, who typically take 20% of profits on the funds and none of the losses. Ringing in my ears is a quote attributed to Warren Buffett’s business partner, Charlie Munger:

“Show me the incentive and I will show you the outcome”.

Leverage is not bad in itself: it is a way of increasing the quantum of capital available to finance business. It has, however, to be proportionate. In 2013, the *Bank of England Quarterly Bulletin* contained a report that

[LORD LUPTON]

highlighted the risks of the excessive use of leverage to financial stability and corporate solvency. Let us hope that the Bank of England is still watching closely.

My second point is that, thankfully, the Government are aware of the need to constrain the most bullish instincts of lenders. They have implemented the OECD recommendations to limit the tax deductibility of debt interest. This will at least remove the tax reasons for piling debt on to UK plc, especially if and when interest rates rise. The Government are also to be commended for developing more diverse channels for business finance, in particular SEIS, EIS—enterprise investment schemes—and VCTs. These continue to provide vital equity capital for start-ups and small businesses. The Business Growth Fund, founded by the major clearing banks as recently as 2011, has invested £1 billion in over 160 companies in the UK, and is going from strength to strength. Entrepreneurs' relief, too, is encouraging founders with great ideas to set up here, knowing that if they succeed they will keep more of the wealth they help create.

My third point is that helping businesses of the future requires long-term strategic support. Take artificial intelligence: how are we to ensure that the UK can capitalise on its leadership position, led by Cambridge University technology? The Government can play a role here, alongside the private sector. I welcome the industrial strategy Green Paper, published in January, and in particular the industrial strategy challenge fund. With an initial commitment of £270 million, this will invest in electric vehicles, artificial intelligence and advanced medtech. This strikes me as a bold and positive approach to business finance in areas where we are strong as a country, albeit an approach not without risk, given government's mixed record on picking winners.

Finally, one of the challenges is knowing what to do when these technology companies grow and bestride the globe with multiple offices and subsidiaries in many jurisdictions, including the UK. I am referring, of course, to the taxation of multinational companies, on which I spoke in this House in a debate on the economy a few months ago. My thinking on this has developed, and I am clear on one point: directors' fiduciary duties mean that the idealistic concept of companies voluntarily paying additional tax would almost certainly result in shareholder lawsuits—probably from US shareholders in particular—and is not practicable. We need, therefore, a global tax system that is fit for taxing these multinationals. Based on discussions that I have had at the top level in some of these global companies, including in the new disruptive technologies, I believe that those executives know that they have a growing social problem with low actual tax payments, an issue referred to by the noble Lord, Lord Howarth of Newport, in his apocalyptic description of a country that I do not recognise. These executives need a lead from major economies, and they are likely to respond in a responsible way. Unlike the noble Lord, I believe that lower and simpler is the right place to start. The refreshed corporation tax road map, which confirms that corporation tax will fall to 17% by 2020, is an excellent start. This will encourage technology businesses to be centred here and create jobs here.

It is no use, however, for the UK to try a unilateral approach to taxing multinationals, which sometimes take the dark arts of techniques like international base erosion and profit shifting to extremes. Britain must lead on this on the international stage. We have a low and attractive corporate tax rate and should seek to force the pace for a G20 pact on global corporation tax, whereby profitable multinationals pay a fair rate of tax in the jurisdictions where those profits are made. I have the following suggestion for my noble friend the Minister. Given that this is a worldwide issue, is of economic importance and requires a forum for a meeting of minds, the Government could do worse than to push for it to be the key agenda item on next year's World Economic Forum, otherwise known as Davos.

7 pm

Lord Haskel (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Lupton. We are alumni of the same school, but we obviously took away different ideas.

To me, this Budget continues with austerity, which tells us that the strains on the National Health Service, education and public services are increasing. With food and fuel inflation expected to reach 2.4%, we must be approaching the limits of austerity and the ability of JAMs to cope. The Minister told us that the Government's ambition is to relieve these pressures through growth in productivity. The Budget seeks to achieve this largely through skills, training and education as part of the Government's industrial strategy, which I welcome, but this has not worked in the past.

To illustrate this, I will quote from the Explanatory Memorandum of the Immigration Skills Charge Regulations, which are due to come into force on 6 April. Under section 7, entitled "What is being done and why?", the memorandum says:

"The Government is seeking to increase investment in skills to increase UK productivity. The data show that, on average, employers in the UK under-invest in training compared to other countries. There are many examples of good practice but at an economy-wide level, employer investment in training has been declining for 20 years; the UK is now 22nd out of 28 in the EU for the proportion of employees taking part in continuing vocational training courses".

These regulations impose a charge on firms for bringing in skilled workers from outside the EU and are designed to encourage British companies to train UK residents instead. But also on the horizon is the apprenticeship levy, which is designed to do exactly the same. In addition, several industries, such as the construction industry, still maintain their old industry training boards. It is conceivable that there will be firms paying all three of these charges. Is it not time to get all of this together? The Government's own Explanatory Memorandum tells us that it has not worked in the past. What is it about these new schemes that the Government think will make them work now?

Yes, the Budget provides £500 million to expand spending on technical training, which I welcome. So to be constructive, I appeal to the Government to learn the lessons of the past, make a special effort and use this provision to invest not just in buildings and equipment but in people—mapping their progress, celebrating good initiatives, identifying best practice and providing work experience for the teachers, too. Perhaps they

could appoint envoys to spread the word, acknowledge that apprentices can also be adults changing careers and put staff on management apprenticeships, as suggested by the noble Baroness, Lady Wheatcroft. The noble Lord, Lord Gadhia, made other suggestions.

There is another reason why I urge the Government to emphasize and demonstrate their commitment: it will help firms to stay here. Many firms are considering a move because here they will be outside the single market. Demonstrating a commitment to skills training also demonstrates one to the industrial strategy. A strong commitment to the industrial strategy will help them decide to stay here.

The Minister explained the tangle over national insurance payments for the self-employed. To me, this was just another example of the Government's failure to adjust to the so-called digital economy. They have allowed companies to differentiate between people who work off a digital platform and people who work off a bricks-and-mortar platform. As other noble Lords have said, of course all these people should receive the same health and welfare services and pay the same contributions. This anomaly has been created by digitalisation, so if we are to have an industrial strategy and an economy which thrives, we have to understand what is going on in this digital economy.

We think that our future trading relationship with the EU 27 will be influenced by their having a surplus in manufactured goods traded with us and our having a surplus in trading services with them. But according to Eurostat, it is the EU 27 which have a surplus of €31 billion in trading services with us. Could this be explained by our trade in intangibles and the digital economy? The biggest discrepancy lies in our trade with Ireland and Luxembourg. The Minister and I have debated this before and I know that she is concerned about it. Her Government appointed Sir Charles Bean to look into it and have acted on his advice as far as identifying intangible investment is concerned, but there is a lot more to do as this part of our economy grows. This must have implications in our search for productivity, which concerns so many noble Lords. To raise productivity, together with skills training, I urge the Government to undertake work to understand exactly what is going on in the so-called digital economy.

7.07 pm

Lord Bilimoria (CB): My Lords, this has been described as an unambitious Budget. As the noble Lord, Lord Skidelsky, said, austerity continues to bite. The *Financial Times* shows clearly that between 2016-17 and 2019-20, departments such as the Foreign and Commonwealth Office will see cuts of well over 30%. Looking ahead, according to the Joseph Rowntree Foundation, ordinary working families will be worse off. Couples who work full-time on the national living wage and have kids are set to be £1,051 worse off, while a lone parent will be £3,363 worse off by 2020. Does the Minister agree?

The big news of this Budget was when self-employed people's national insurance contributions were increased. There was an absolute outcry because, whatever the Government try to say, it was breaking a manifesto pledge. It was not a question of "Read my lips"—one can read many times that there would be no increases

in tax or national insurance contributions. That is bad enough. But, regardless of what the noble Lord, Lord Desai, said, it sends out the wrong perceptions for a Government—particularly a Conservative Government who are known to encourage entrepreneurship and self-employment. For people who work so hard, it sent out a very negative message. Linked to that was the reduction in the dividend allowance as well, when we are meant to be encouraging entrepreneurship, and in particular start-ups.

We have heard that debt has risen for 16 years in a row. It is approaching £2 trillion and is worth 88% of GDP. Debt interest, even at low levels of interest rates, is £50 billion—far more than our defence budget. Our fiscal deficit is still too high and we have a current account deficit, while tax receipts are approaching £38 billion. As the noble Lord, Lord Gadhia, said, that is the highest we have known—but what nobody has said is that almost 50% of our tax take comes from national insurance and PAYE; it is from jobs. So, basically, if you create jobs, that employment generates taxes to fund the public services.

Can the Minister confirm what public spending is as a percentage of GDP? Is it actually 43% or 40%? When he was Chancellor, George Osborne wanted to get it down to 36%, which I always thought was far too unrealistic. The noble Lord, Lord Willetts, spoke about pensions. Has the Chancellor done enough with this Budget to cater for an ageing economy in terms of welfare and health? I do not think we are doing anything near enough. There is also nothing in this Budget on tax simplification. We have probably the most complex tax code in the world. To me, the Office of Tax Simplification is an oxymoron.

The Budget did not mention exports once. We are meant to be encouraging exports. India has a GDP growth rate of 7% and overtook the UK as the sixth-largest economy in the world, thanks to the devaluation of the pound after Brexit. We need to generate growth. We have done relatively well, but to grow as a business you have to invest. You cannot cut your way to growth. The Minister spoke about productivity and how we lag in it. The Budget is right on investment in skills such as T-levels, but what about real investment in R&D and innovation? We invest 1.7% of GDP in R&D and innovation; Germany and the United States of America invest 2.7% and 2.8%. If we were to catch up with them, we would have to spend £20 billion more per year just to start off with, let alone to catch up with the lag.

Universities were not really mentioned in the Budget. The University of Birmingham, where I am proud to be Chancellor, has just had an impact report. We contribute £3.5 billion to the local economy. Just imagine if we supported universities more. What about international students? We had a big vote yesterday. Universities UK reports that international students bring £25 billion into the economy. That is huge, yet we have immigration rules that put off international students and a net migration figure that includes international students. Does the Minister agree that we should take international students out of net migration figures?

[LORD BILIMORIA]

The noble Lord, Lord Gadhia, said that lower immigration in future will hamper our ability to grow. We have 5% unemployment. Less than 5% unemployment by any standards anywhere in the world is a very good performance and the highest level of employment—and that is despite having 3 million people from the EU and from outside the EU working here. Our public services would not manage without them. In fact, we would have a labour shortage without them. We as a House did the right thing from the point of view of morals and integrity by voting to give a unilateral commitment to EU nationals that they would have the right to stay. I am very disappointed that it was not agreed to by the other place.

Brexit, the elephant in the room, got one mention by the Chancellor. It got barely a mention. Leaving the single market. Then the Prime Minister talked about “going global”. Liam Fox said “going global”. Which dream world is Liam Fox living in? Free trade agreements are not just about tariffs but about goods and services and people. The Finance Minister of India, Arun Jaitley, was here and made it very clear that a free trade agreement with India would be all very well, but it would be not just about goods but about people. In November, when our Prime Minister went to India, the Indian Prime Minister Narendra Modi said very clearly that it was about Indian students being able to study abroad.

The Prime Minister said that no deal is better than a bad deal. Would 52% of the British public have voted to leave the European Union if they had been told that it meant leaving the single market—the 50% of our trade on our doorstep? By the way, it was a manifesto pledge by the Conservative Party to stay in the single market, so that is another broken pledge. Would those people have voted to leave on the basis of a hard Brexit and no deal? No way. Now we have seen in just nine months that Brexit has overshadowed everything—and this is just the end of the beginning. For the next two years, we are going to see. I do not agree with the Scots asking for another referendum, but it was utter hypocrisy for our Prime Minister to say to Nicola Sturgeon that she is focused on just one thing—leaving the United Kingdom—and is neglecting her economy and her country. What are we doing here? We are focused on one thing—Brexit—and as a result we might be neglecting our country and our economy.

To conclude: this Budget was cautious but it ignored the biggest issue, the elephant in the room. As was said in recent debate, our Article 50 Bill was the shortest suicide note in history.

7.13 pm

Lord Northbrook (Con): My Lords, looking at the UK economy in the light of the Budget Statement, as always I hope to give a balanced view. The good news is that forecasts for UK growth this year have been raised from 1.4% to 2%. Inflation remains low. The budget deficit continues to be forecast to be coming down. Corporation tax is being cut to a very competitive rate. Personal saving is being encouraged by a generous increase in the ISA allowance to £20,000 a year. The Government deserve good credit for all this.

It is also encouraging to see skills sitting at the heart of the Government's plans to boost productivity and growth. The Chancellor's plans to fund improving technical education for 16 to 19 year-olds and to introduce the new T-levels are most welcome following the Sainsbury review. This has been welcomed by the manufacturers group the EEF and the Federation of Master Builders.

So why has there been such an unfavourable reaction to parts of the Budget? The only major spring Budget spending policy decisions are £2.4 billion to pay for the cost of extra social care and £1.9 billion to extend the free schools programme and to implement the 16 to 19 technical education Sainsbury reforms. The Chancellor wanted to find ways of paying for this. An obvious route, in my view, would have been to take the money out of the overseas aid budget of £12 billion a year, my argument being that the dire crisis at home should take priority over overseas aid—but that was not to be. It was decided that a national insurance hike had to be made.

I have discovered from a friend who used to work in Downing Street recently that the Treasury has an obsession that the self-employed are paying too little by way of national insurance in particular. Examining the situation more, they do not get free company health insurance, paid holiday and automatic pension enrolment, so their national insurance rate deserves to be lower. Unfortunately the Chancellor pressed the button on this Treasury idea, despite a manifesto pledge that national insurance rates would not rise. The Federation of Small Businesses described it as,

“a £1 billion tax hike on those who set themselves up in business. This undermines the Government's own mission for the UK to be the best place to start and grow a business, and it drives up the cost of doing business. Future growth of the UK's 4.8 million-strong self-employed population is now at risk”.

To heap further pressure on the self-employed, the Chancellor cut the amount of tax-free dividends they can take out of their private companies. If we are trying to encourage self-employment, what sort of message do these two measures send? Why not instead go after some overseas companies that pay such a low rate of tax here? I sincerely hope that these measures will be reconsidered. They have already encountered a lot of criticism from MPs in the other place.

While on the subject of small businesses, I shall move on to the subject of making tax digital. I join the Treasury Select Committee and the FSB in welcoming the delay of one year in the implementation of mandatory quarterly tax reporting for smaller businesses with a turnover below the VAT registration threshold. I still question the principle of making tax digital and whether the £10,000 turnover exemption is nearly high enough. It would largely benefit part-time and hobby businesses. Will the Minister address this issue in her winding-up?

For individual taxpayers, while I welcome the increase in the tax-free personal allowance and the higher rate tax threshold, why cannot the top rate of tax come down to 40%, as lower rates, as proved by corporation tax forecasts, can bring higher revenue?

A measure I do not welcome, which was mooted in 2016 and confirmed this year, is the huge increase in probate fees. I accept that the Treasury may be

getting unfair criticism for what was originally a MoJ proposal. In 2016, the MoJ Minister in 2016 said this was an,

“enabling investment which will transform the courts and tribunal service”.—[*Official Report*, Commons, 22/2/16; col. 1WS.]

However, in my view, having to pay £20,000 to get probate for a £2 million estate is really a death tax by another name. Only 2% of respondents in a prior consultation approved of this increase—but it is set to go ahead. There was a general outcry in last weekend’s press on this. The *Times* reported:

“Experts accused Mr Hammond ... of mounting his own ‘classic attack on middle England’”.

George Hodgson, chief executive of the Society of Trust and Estate Practitioners, told the *Daily Mail*:

“The government calls it a probate fee. But it’s clear from the figures that it is just a backdoor tax on bereaved families”.

Where does this leave the economy after the Budget? Growth is forecast to be slower for the next three years and then to return to 2% after that. As usual, the elimination of the deficit is pushed out further, which does not seem to worry the markets at the moment, as long as international confidence remains during our Brexit negotiations.

In summary, the Government have produced a responsible budget and have sensibly not opened the spending taps too much. But when it comes to tax-raising measures, they must not allow their huge opinion poll lead to let them take the eye off the ball. They must consult more on potentially unhelpful business and personal tax proposals before going ahead with them. Overall, since Brexit, thanks to intelligent monetary and fiscal policy and strong consumer expenditure, the economy has, so far, remained strong. The future is much more uncertain.

7.20 pm

Lord Palumbo of Southwark (LD): My Lords, if my memory serves me correctly, the noble Baroness used the word “cautious” in the very first sentence of her extremely eloquent opening speech and “prudent” in the second. She then went on to talk about the budget deficit being reduced by two-thirds. With respect, I am not entirely sure that it is apposite to juxtapose what has happened with the budget deficit with the words “prudent” and “cautious”.

The noble Baroness then went on to say that we were “within sight” of bringing public spending under control. The numbers have already been very well rehearsed, so I will not go into them again, but will make two points. The noble Baroness will no doubt recall her predecessors saying more or less exactly the same thing on numerous occasions, and of course she will also recall that exactly the opposite has happened. Indeed, with Brexit, Europe and other world problems, I am not sure that one can confidently say anything is within sight. The other point, of course, is the difference between balancing the budget and reducing debt.

The noble Baroness went on to describe the tax hike on the self-employed as “responsible and balanced”. Of course, it can be seen as such; alternatively, one could say that the responsible and balanced thing to do is to encourage our army of entrepreneurs as much as possible as we sail into the choppy waters of Brexit.

There was then a very helpful section on the treatment of ISAs, dividends and business rates—all welcome relief. The noble Baroness described this tax treatment as “sustainable and fair”. Of course, again, it can be seen as such, but an alternative approach might be a wholesale look at our tax code, which the noble Lord, Lord Bilimoria, spoke about very eloquently, with a view to simplifying it and making it easier to do business, especially with Brexit on the horizon.

The noble Baroness then talked about the welcome £2 billion for local councils to take the pressure off the NHS. She will perhaps recall similar fractional tinkering at the edges of vast budgets—with very similar amounts, as a matter of fact—but somehow problems with welfare and health seem to persist. An alternative approach would be to recognise the need for a wider, more uncomfortable debate on the future of public spending. The noble Baroness went on to talk about the National Productivity Investment Fund, referencing £130 million for traffic pinch points to drive national productivity. The fund is a welcome development, but how it is used and driven is another thing. In reference to housing, which is of course part of infrastructure, the recent White Paper was excellent in its analysis but silent on radical solutions such as authorities selling land with existing consents. One hopes that the very encouraging investment in vocational education will be driven and effective.

The noble Baroness concluded by saying that the Budget dealt carefully and proportionately with the problems we face. This leads to the point I wish to make. I entirely understand the need for caution and to focus on Brexit. I also acknowledge the Chancellor’s reputation for competence, hard work and decency. But I have also found that sometimes, a slow and steady approach risks creating the every conditions one is seeking to avoid. The Chancellor’s job is not just to manage competently and to let borrowing and other events take their course, but to meet the problems of Brexit, health and welfare funding, and the national debt, with courage and determination, to put forward new ideas which inevitably involve risk while accepting that some will fail, to move the national debate forwards and help change its tone and direction, to show a bold spirit alongside his many other qualities, and to create a culture which allows for fresh thinking and new hope and brave decisions. All of this would be to embrace the challenge of his great office and would allow him to be recognised in years to come as a truly reforming Chancellor. I appeal to the noble Baroness to subtract caution and add a little more boldness to the Chancellor’s thinking.

7.25 pm

Lord Porter of Spalding (Con): My Lords, first, I remind noble Lords of my registered interests. One of them was referred to earlier by the noble Lord, Lord Beecham, who is not in his seat, as I am chairman of the Local Government Association, but I need to remind Members that it is a cross-party group, and the only reason I am the chairman is that we are the largest group in it, and we have more councillors and control more councils than any other political party in this country. I should also apologise before I start, because I have sat through nearly three and a half

[LORD PORTER OF SPALDING]

hours of debate and for the majority of it have been really pleased that Members in this House are not members of the Treasury and not responsible for the Budget. No doubt, by the time I sit down, your Lordships will be equally glad that I am not a member of the Treasury or responsible for the Budget.

I want to be a little critical of the Government for missing out housing, which is the biggest item on the agenda but was not mentioned in the Budget. We should be encouraging councils to build more council homes. If the Government's intention is to do large-scale system-build, the only way of doing that is through the state getting back into housing, and at some point, somebody in the Treasury will have to realise that. I also regret that the Budget did not take the opportunity to reverse the retrospective changes to the new homes bonus. That was counterproductive.

On the upside, the £2 billion is the biggest single lump of money going into adult social care for years, and we should not downplay that. The Local Government Association asked for £1.3 billion this year, and we got £1 billion. That is not the same as we asked for, but I have a sneaking feeling that we might have been asking for a little more than we actually needed, and that the Government have probably given us a little less than we needed, if I am being truthful about it. The reality with adult social care is that the Treasury could not print enough money for us to do the best job possible. This country's fiscal system does not allow us to do what we would all in our hearts want to do, which is to make sure that our most vulnerable people do not go into hospital when they do not need to, because that costs us money and gives them a poorer quality of life.

I should also mention business rates. Local government loves the changes to the businesses rates: £300 million of relief to be handed out at a local level and our being able to choose which of the businesses that benefit our community the most are most deserving of the relief. That is another good move. I also like the £1,000 for pubs—I just wish somebody would let me take all the cheques round in South Holland, where I am the council leader, and hand them out personally to the businesses, but perhaps that is not going to be the way the system works.

However, now I start to be critical—of both sides. The noble Lord, Lord Beecham, said we need to do revaluations for council tax. We have just seen what happens when we do them for business rates. Do we want to drive every single citizen in the country through that level of pain again—for no real gain, because it is only redistributive and fiscally neutral? I cannot see the point of doing it. I cannot see why the Government did it with business rates and I certainly would not want us to do it with domestic taxation. A noble friend on this side talked about increasing fuel duty. I look after a very rural community, and if you increase fuel duty around there, you are impacting on people's ability to have a decent quality of life. Just because people drive a lot, it does not mean they earn a lot. Fuel duty is the wrong way to increase revenue. If we are sure that we need to take more money off the population, it needs to be through proper taxation and not through stealth taxation.

Another downside of that is that we would end up increasing the cost of all the goods we buy and sell, because all of that travels by roads. Councils would have to pay more for their refuse collection and school transport, hospitals would have to pay more for hospital transport, and the police would have to pay more to go and catch criminals. Fuel taxation is not the way to do this, unless—if the Minister could take this back to the Treasury, I would really appreciate it—you let all state vehicles run on red diesel, on which there is no duty. Rural councils would do a much better job if they did not have to pay tax over to the Government on the fuel they use. You can do it if you run a tractor, and I do not understand why you cannot if you run a dustcart.

I want to sit down on a happy note. The noble Baroness, Lady Burt, right at the beginning of the debate, made one of the best suggestions I have heard in here, which is to allow girls on free school meals access to free sanitary products. If there is a way of exploring that, I would welcome it, and I hope my noble friend the Minister can at least ask whether it is feasible.

7.29 pm

The Earl of Lytton (CB): My Lords, I welcome much of what is in the Budget Statement, and I thank the Minister for giving us the opportunity today to discuss it. I want to concentrate on the treatment of businesses, particularly with regard to business rates and allied matters where I have some concerns.

I declare my interests. I am a former employee of the Inland Revenue Valuation Office, now the Valuation Office Agency. I have a professional involvement in aspects of non-domestic rates as well as being a business ratepayer and a vice-president of the Local Government Association. I express my gratitude for the help of the Library staff of your Lordships' House, who have been splendid, and to the Royal Institution of Chartered Surveyors, the Institute of Revenues Rating and Valuation, the Rating Surveyors Association and the LGA for their advice to me.

The cost of taxation to people in business via rates, or for that matter employee/employer or self-employed NIC, has been a growing issue for some time. Rather than concentrate on just the self-employed NIC, I ask noble Lords to consider the combined employer/employee contribution before jumping to conclusions, because I think that is the driver. It is what has become the disproportionate irritant that sits behind all this.

Business rates are a fixed-charge system in which—however you view it, whether space used, property value or use of services—there is a somewhat unbalanced level of tax, especially compared with its one-time residential bedfellow, now subject to council tax. You cannot disguise this by pointing to other contingent advantages. Migration to cheaper space, whether former industrial space, domestic garages, spare rooms, garden offices or even the virtual world of internet trading, is in part the result. The advent of the new rating lists on 1 April and the sharp, even penal, rises in some assessments was a matter of considerable concern.

It is the delay in the revaluation by two years, which was paraded as giving businesses certainty, that I object to: objectively, it has been the certainty of continued

unfair treatment and, perhaps more cynically, the protection of the tax yield. Meanwhile basic issues have not been addressed and anomalies have grown. The failure to deal with the backlog of appeals has meant difficulties for business finance and, I suggest, for billing authority revenues. The LGA tells me that nationally there is a £2.5 billion provision against rateable-value adjustments and that there are about 240,000 outstanding cases as of last autumn, with more appeals being lodged as we get near the end of the current list.

I feel compelled to point to other ongoing efforts by HMRC to, as I see it, impede due process. For instance, it cites the Commissioners for Revenue and Customs Act to block the disclosure of sources of information, thus compromising the fair discharge and transparency of an independent appeals system. That will include the removal of several previously available and important data fields from the entries on the VOA website.

HMRC is devising a system known as “check, challenge, appeal”—CCA, if you like—which requires the most tortuous and demanding ratepayer registration that could possibly have been devised and, separately but in parallel, an equally tedious system for rating agents to register. The “check” aspect is still at the beta testing stage with, I understand, lots of anomalies and glitches to be sorted out, while “challenge” and “appeal” have yet to run at all. In my opinion it is clearly designed to prevent appeals generally by obstructing access to them and it comes very late in the day, with the new rating list coming into force in a couple of weeks’ time.

Then there is the attempt, as I see it, to introduce through statutory instrument a novel formula of words governing valuation accuracy, a wording that is untested and quite unusual in any other tax environment. Of concern to ratepayers with multiple outlets, appeal registrations must each be dealt with individually, property by property; you cannot replicate the registration for multiple property ownership. This is likely to create an automatic inbuilt two-and-a-half-year lead-in period to get any appeal dealt with and the rateable value sorted out. Meanwhile, pursuing cases that overturn long-accepted practice—the latest being the case of *Monk v Newbigin*, which went against the Valuation Office Agency on a principle for which I and the noble Baroness, Lady Farrington of Ribbleson, who is not here today, set the scene in this House in 1999—creates adjustments that prejudice business certainty and billing authority cash flows alike.

The statutory instrument dealing with the appeals process is not yet laid before Parliament although it was supposed to have been laid earlier this month. As I understand it, industry queries on the valuation terminology, which I have referred to, the implications for business rate refunds where justified and, furthermore, the extent to which the draft statutory instrument appears to exceed its powers claimed under the relevant provisions of the Local Government Finance Act 1988, as amended by the Enterprise Act 2016, have not been answered. Businesses need confidence that they are being treated fairly and consistently, especially as business rates in this country are the highest of any European equivalent.

For billing authorities moving to 100% business-rate retention, uncertainty and the corrosive effects of an appeals system that is not slick, quick or predictable are damaging and pose significant risks. It is not surprising that many observers are saying the business rates system is unfit for purpose. The continued failure by the Treasury and HMRC to tackle these issues in order to create proper accountability, transparency, simplicity and accessibility for every class of business occupier, along with the ongoing tinkering, are simply not acceptable. HMRC is perfectly capable of designing and managing an online system for tax, VAT and PAYE that can be operated by non-specialist individuals. By this standard, the CCA system is an aberration that will simply add to the number of unscrupulous types already milling around and trying to get instructions from business ratepayers. We can and must do better than this.

7.37 pm

Lord Carrington of Fulham (Con): My Lords, I refer noble Lords to my interests in the register. I like boring Budgets—they tend to do less harm to the economy—and this one had all the makings of a very boring Budget. With Brexit, this is not the time to be making big changes; those will undoubtedly have to come when we see the shape of our economic future outside the EU. It was a boring Budget until some minor changes blew up and swamped the good news on the economy overall. Our economy is doing quite nicely so far; we just cannot know whether the economic cycle will get boosted or blown off course by Brexit.

There are a number of warning signs that may or may not prove serious, but one that certainly looks serious and needs addressing is our poor savings ratio. So I am concerned by the reduction, even if for understandable reasons, of the dividend allowance. It is bound to hit the willingness to save. If that tax increase has to come at all, it would perhaps be better at a time of rising interest rates in order to offset the negative impact on investment.

Interest rates need to rise; the depreciation of sterling, particularly against the US dollar, is certain to lead to inflation in the next 12 months. Rising inflation will be tough for everyone but the sooner that interest rates start on an upward path, the better. A very gradual increase would allow homeowners with mortgages to adjust and allow the Treasury itself to cope with higher interest payments to fund our overweening debt burden. On the plus side, a rise in interest rates would encourage more people to save and invest. I realise that the Bank of England and the Treasury have got so badly burnt in the past that they have an almost religious belief in not worrying about the exchange rate, but businesses would greatly value a more stable sterling than our present policy seems to allow. Volatility in the exchange markets is very good for bankers but not for anyone else.

I do not want to get into the sad tale of the NIC increase other than to say that breaking what most people think was a manifesto pledge is storing up credibility problems for the future. The real problem is not the NIC rate change—after all, the financial impact of that will be small—but the NIC system itself. It is a fantasy to suggest that NIC pays directly for state

[LORD CARRINGTON OF FULHAM]

pensions or welfare benefits, let alone the NHS. It does not and has not done so since the 1930s. It is another form of direct taxation, partly on employers and partly on workers, whether employed or self-employed. In other words, NIC is what we all know it is: another form of income tax coupled with an employment tax. We should take the opportunity of this time of change to merge NIC with income tax. Such a change will be full of potential pratfalls but, as this row has shown, not changing the system is now surrounded with heffalump traps.

While the Chancellor is about it, a simplification of our tax legislation is long overdue. Our tax is overcomplex and full of avoidance loopholes created intentionally or unintentionally by Governments of all persuasions.

I do, however, welcome the transitional support for business rates. This may be predominantly a London issue. Business rates in central London are now very high: a small shop in a high street with a good footfall will be paying large amounts in rates relative to its turnover. It can of course be argued that, as business rates are calculated from the rents the shops pay, they would not pay them unless they had the profits to justify it. But that, of course, masks a much bigger problem. What has happened in London is that small independent retailers and artisanal workshops have been and are being forced to close or relocate out of town. I am a Londoner born and bred with no great wish to live anywhere else. I have seen the small specialist shops which used to abound in our high streets close, to be replaced with the chain stores which often remain on the high street for only a short time while they make a quick profit, often to be replaced with charity shops, which do not pay business rates at all. Many of your Lordships will be familiar with cities such as Paris or Rome, where small artisanal shops still survive. Indeed, New York is better off than London for small independent retailers.

This is a complex problem, much broader than business rates. The planning system and zoning for planning are crucial, as are the rents that landlords can reasonably expect in a free market. And I think we have to be very careful before limiting the right of landlords to manage their properties in the way they think is in their best interests. But I do think we need to look at the problem of small retailers and artisans in our inner cities. Since nothing tried in the past has worked, perhaps now is the time to look at all the factors causing this decline and to seek a cross-departmental solution.

7.42 pm

Viscount Chandos (Lab): My Lords, the Government have given your Lordships the opportunity to debate the economy in the light of the Budget, billed by the Minister as the last one in spring—until, of course, a future Chancellor switches it back again. But they then fielded a flyweight contender of a Budget whose likely fiscal impact will be minimal—going out with a whimper, as the director of the IFS has said. It is rather remarkable that the Government have been able to whip up such a political storm out of a mouse of a Budget. But that is perhaps more a reflection of the cynical and irresponsible triple-lock commitment in

the Conservative Party's manifesto—to which the noble Lord, Lord Macpherson, referred in more diplomatic terms—than of any radical streak in last week's measures.

In the interests of time I shall confine myself largely to one issue—one which was only elliptically included in this year's Budget. In table 2.2 of the Budget report there is a list of items announced in previous Budgets or Autumn Statements but only now taking effect. In passing, I note that by far the largest numbers are in column BG concerning the cost of the phased reduction in corporation tax to 18%: £17.7 billion in the five years to 2021-22—a figure dwarfed by the £64 billion estimated to have been given up by the Exchequer in the period from this year as a result of all corporation tax cuts enacted since 2010. I had understood the Prime Minister and the Chancellor to have only threatened to turn the UK into a corporate tax haven as part of their sophisticated negotiating tactics with the EU, but now I realise, of course, that the process is already well under way—even before we knew that we were leaving the EU, let alone before the only too possible breakdown of negotiations. As we struggle to pay for the NHS, social care, education and other public services, can we justify the corporation tax cuts already introduced, let alone contemplate any further reduction implied by the, frankly, incredible negotiating position suggested by the Government?

My principal theme, however, relates to one of the other significant line items, in column BE: the cost of the new inheritance tax nil-rate band for main residences—an estimated total of £2.8 billion over five years, which compares with a total IHT take in 2013-14 of only £3.4 billion. Other noble Lords and I highlighted in last week's debate on housing the folly of introducing new distortions to an already overheated housing market. As the noble Lord, Lord Macpherson, said, a sensible tax system should not favour one group over another. But then this falls under two of the no-go areas he identified: residential property and inheritance. Even before this measure—and indeed the Government's cack-handed introduction of a stealth tax in the form of hugely increased, albeit graduated, probate fees—the Nobel economics laureate Sir James Mirrlees wrote in his IFS review on taxation in 2011 that,

“the current UK system does not stack up terribly well against any reasonable set of principles for the design of a tax on inherited wealth”.

The “biggest barrier”, Sir James concluded,

“to the effective working of inheritance tax ... is that it is levied only at or close to death, allowing the wealthy to avoid it altogether by the simple expedient of passing on wealth well before they die”.

My noble friend Lord Eatwell, five years ago, asked the then Commercial Secretary whether the Government would undertake a comprehensive review of inheritance tax and the case for moving to tax the lifetime receipt of gifts by individuals rather than the estates of those who have died. Since then the system has become only more unfair and more complicated. In addition to the simple expedient of giving assets away long before death, which of course only the very wealthiest can afford, there is also a plethora of reliefs to be exploited, further increasing unfairness and reducing the reasonable tax take for the Exchequer. Agricultural land and business reliefs alone amounted in 2013-14 to more than the total net IHT take.

A moment searching on the internet provides a plethora of fund managers offering AIM portfolios with the specific and principal aim of reducing individuals' liability for IHT.

"Our Inheritance Tax Portfolio Service is a bespoke, discretionary service designed to reduce ... IHT", says one firm.

"A plan to reduce your IHT liability", reads another.

"We adopt a conservative approach ... in order to diversify the risk we seek to hold a minimum of 15 different companies", says another. Does the Minister not agree that that sounds very much like aggressive tax avoidance, and what are the Government going to do about it?

The current inheritance tax system is deeply flawed, sacrificing revenue for the public purse, and manifestly unfair, infecting the public trust in the tax system overall. I urge the Minister and her colleagues in the Treasury to overcome the taboos identified by the noble Lord, Lord Macpherson, and institute urgently the comprehensive review advocated by these Benches for so many years.

7.49 pm

Lord Horam (Con): My Lords, having been granted the enormous privilege, at least according to the Whips, of being the last speaker from the Back Benches, having dodged in and out during the course of the day I have enjoyed the debate enormously. It has been distinctly more objective and certainly more knowledgeable than the debates I used to take part in along with other noble Lords further down the corridor. My own personal verdict on the Budget was perhaps best summed up by Martin Wolf, the authoritative economics editor of the *Financial Times*—I always hide behind someone more distinguished—when he said that it was an, "act of well-judged caution in risky times". I think that that is right.

I fully acknowledge the points made today by our terrible twins of economic debate here, the noble Lords, Lord Desai and Lord Skidelsky, who I think had a point when they said that you can certainly overdo the deficit issue. Absolutely—and all Governments have been guilty of that. Debt is 80% of our total GDP, and it costs no more to finance than when it was 30%, so low are our interest rates. It is a wonderful time to invest. The Government should understand that lesson very clearly.

I also agree with my noble friend Lord Porter, who said that the right thing to do is to invest in housing. Shovel-ready schemes for housing are absolutely the right thing socially and economically. He said that he does not want to be a Treasury Minister, but releasing my noble friend on the Treasury would be a very good thing: it would shake them all up and give a very good counterpoint to the conformist attitudes that I too often detect there. I hope someone takes note of that on the Front Bench—although, of course, I would never want to displace my noble friend Lady Neville-Rolfe.

I agree with my noble friend Lord Carrington of Fulham that the balance is right in the present circumstances, when we are waiting to see what happens about Brexit, although we should bear in mind what our economic friends said. But a theme throughout the debate, particularly mentioned by the noble Lord,

Lord Bhattacharyya, whose work in this area I fully applaud, is the need for more technical education. We all know that this country has been very bad on this for decades, under all Governments. As my noble friend Lady Neville-Rolfe said, Germany has been particularly good. I see that Angela Merkel, the Chancellor of Germany, is today in America, talking to President Trump. I hope that she cuts through all this nonsense about protection and so forth and just whispers into his ear, "Vorsprung durch Technik". It is the secret of German strength in the car industry—to lead through technology—and we should embrace it as much as the Germans do. As the noble Lord, Lord Bhattacharyya, kindly said, we are getting the outline of a new framework. There are criticisms of the details, but the broad picture is clear and young people are getting the message that it is cool to be an apprentice and cool to have a technical education, which is wonderful.

On the wretched subject of class 4 national insurance contributions for the self-employed, which has been much criticised, it is very interesting to me that the criticism has essentially been that it is a departure from the manifesto. I do not quite go along with Benjamin Disraeli's view of manifestos. Famously, he said when asked what his view of manifestos was in a general election in the 19th century, that he relied on the "instinctive genius" of the "British people". That is possibly a little too casual, but the last Conservative manifesto contained 31,000 words and 600 commitments. That is going too far the other way. A balance in manifesto writing should be adhered to, and the Government could well understand from its self-inflicted wound that that is necessary.

But on the underlying issue, the truth is that people are switching to self-employment, as my noble friend Lord Willetts rightly pointed out, because they are better off. They save money and they save on taxation, to the tune of hundreds of pounds per person and maybe thousands in some cases, and that is eroding the tax base at a phenomenal rate. The Office for Budget Responsibility reckons that the Government will lose £3.5 billion by the year 2020, which no Government, Labour, coalition or Conservative, could sustain. Furthermore, the Government have tackled it in a perfectly fair way, and I therefore hope that when Matthew Taylor conducts his review we can come to some more rational and well-supported and perhaps better presented conclusions.

My noble friend Lady Neville-Rolfe said in her opening remarks that this Budget is neither large nor flashy. I agree: it is a realistic Budget, and we need a realistic Chancellor in these perilous times.

7.55 pm

Baroness Kramer (LD): My Lords, I have had some moments of sympathy with the Chancellor as he has been variously described as decent and tidy minded—"realistic" was more complimentary. The debate this afternoon has been anything but dull. The House has been absolutely at its best across a wide range of issues on the economy. The terrible twins, as the noble Lords, Lord Skidelsky and Lord Desai, have now been named, have tackled some of the macroeconomic issues and the deficit issues. The noble Lord, Lord Haskel, focused on technical training and productivity. The noble Lord, Lord Palumbo, called for brave decisions, while the

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noble Lords, Lord Willetts and Lord Monks, talked about inter-generational fairness. I think that all of us on these Benches would like to see the noble Lord, Lord Porter, in the Treasury because he explicitly described our policy on council housing. The noble Lord, Lord Marlesford, called for an increase in road fuel duty, and I assume that by now he is being burned in effigy by the Road Haulage Association, perhaps supported by the noble Lord, Lord Porter. It has been a brave and fascinating gathering, and I am going to spend time reading many of the speeches, because there was so much content in them.

This has been the last spring Budget but in many ways we can look at it as the first Brexit Budget. We have seen a Chancellor with almost no room to manoeuvre, Brexit being added to the situation he faced with borrowing. Also, on the core economy, the Chancellor will be very well aware that in 2016, four-fifths of the growth came from consumer spending, as so many in this House have said, supported by eating into savings or, more significantly, by going into further debt. Consumer borrowing is now at levels we have not seen since 2008. It is entirely unsustainable, especially given the inflation that will surely follow from the 17% devaluation in sterling. The noble Lords, Lord Beecham, Lord Bhattacharyya, and Lord Gadhia, my noble friend Lord Wrigglesworth and many others focused on those issues. Others looked at the business context. Although the Chancellor did not call this the Brexit Budget, in today's debate almost half the speakers focused on the impact of leaving the single market and the customs union—hard Brexit—and the consequences for our economy, with bad news for jobs, living standards and opportunities. All that is well reflected in the OBR figures.

I think it was the noble Lord, Lord Higgins, who said that the Chancellor did not outline the challenges, which is true. I am sure that the OBR has come up with many more scenarios than the one that ended up in our Printed Paper Office; they would have given us a far better feel for the range of options we face and the things we have to take into consideration as we try to define how to manage the economy over the coming years. I wish we had an opportunity to see those additional scenarios.

Many noble Lords have spoken tonight of the pressure on public services and focused on the NHS and social care, which are in a state of near crisis. The noble Lord, Lord Porter, said that £2 billion to support social care was really welcome. That amount in one year would have been really good, but over three years it does not meet the problem. We are going to have to bite the bullet. I am not going to get into the internal Conservative Party wranglings over the increase in national insurance contributions for the self-employed, except to say that this has not been much of a Budget for business—I will comment on that in a moment. To the noble Lord, Lord Willetts, I say that there might have been a far better reaction had the Government broken their pledge in a way that put additional levies on companies that deliberately push employees out into self-employment as a tax arbitrage, rather than focusing on people who are themselves self-employed and face the risk of unreliable income, among other challenges and burdens.

In the autumn, I called for an emergency £4 billion injection this year—half for social care and half for the NHS—to deal with this crisis. I am beginning to think that the Chancellor might wish he had heeded that call. I agree completely with the right reverend Prelate the Bishop of Chester: we have to look at a completely different way of structuring and funding the NHS and social care. Similar issues were raised by the noble Baroness, Lady Altmann, and the noble Lord, Lord Desai. They will be glad to know that Norman Lamb, my colleague in another place, has constructed an independent commission, which is well ahead in its work. It is made up of leading figures in the relevant fields of expertise and is looking at that exact issue. We will have something very significant to say on how this fundamental issue can be dealt with going forward. Other noble Lords have pointed out that the National Health Service and social care are far from the only public services that are feeling this wide range of pressures. My noble friends Lord Shipley and Lady Burt and the noble Lord, Lord Beecham, discussed many of those issues.

This has not been much of a business Budget. The noble Viscount, Lord Chandos, was the last to speak on this issue and I join with him and other noble Lords who say that the cuts in corporation tax and inheritance tax are completely inappropriate in the circumstances that we face. Cuts in corporation tax below 20%—some would say 22% was a better number—have absolutely no impact on changing the minds of companies on where they invest and what they do. If it does not have that factor, the argument for cutting makes no sense. Large businesses will have seen a benefit from those corporation tax cuts but, as we see in this Budget, it is small businesses that have been getting it in the neck. For the self-employed this is through NICs, or the changes in business rates. The transitional payments are only for one year: a small relief but nothing like sufficient. Danny Alexander, as Economic Secretary to the Treasury, put in place a review of the whole business rates system, addressing the issue of online retailers who use out-of-town premises. It makes me absolutely furious that after the last general election, when the Conservatives came into government alone, the review was gutted. Had it gone ahead, we could now make changes and small businesses would never have faced the problems they face today. I forget which noble Lord raised the issue of quarterly digital returns but I agree completely—they should be entirely voluntary for small businesses.

In conclusion, this has been a limited, low-risk, fairly minimalist Budget because the Chancellor has been painted, and has painted himself, into a corner, and that is not a particularly healthy situation to be in.

8.04 pm

Lord Davies of Oldham (Lab): My Lords, I agree with the noble Baroness that this has been an exceptionally insightful debate. With 39 speakers, it is very difficult to give a comprehensive response to it. I will limit my remarks in one obvious respect: I have no intention of pursuing the issue of the taxation of national insurance contributions at this time. The Government are in enough difficulty over it. If the noble Lord, Lord Higgins, gives a warning on it and decries the fact that

the Prime Minister intervened, it is just as well that the Government have got sufficient time before legislation is necessary and will be able to sort the matter out. We all have sympathy for the Chancellor: he was putting forward a pretty limited Budget anyway and it has been utterly and totally swamped by one issue as far as the press are concerned.

I will concentrate on the main features of the economy and particularly the failures of the Government over the last decade. Growth is being downgraded again, with no prospect of the Government hitting the 2.3% normal growth rate which we had before the financial crisis. The OBR forecasts that growth might reach 2% in 2021. The Government are squeezing as much positive publicity as they can from that. However, after all the sacrifices that the British people have made, with the colossal squeeze on incomes and resources of ordinary people, it is worrying that we are going to see another five years of austerity. This is going to be the third consecutive Parliament of austerity activity. Is it surprising, therefore, that we have some difficulty in analysing why people are responding in the way that they are? There have been no pay rises for large numbers of people in the public sector for nearly a decade and they can see no prospect of that situation being remedied in the near future. Look at the onslaught on the least privileged in society by cuts in benefits and support, reducing a greater number of our children to poverty. The cuts have still not presented their full force. The previous Chancellor's agenda still has to be delivered from April this year. No wonder that large sections of our population feel that the system is against them. Although it was suggested that my noble friend Lord Howarth was being somewhat apocalyptic—there was certainly naught for our comfort in his contribution—he is reflecting the fact that, for an awful lot of people, that bleakness is fully justified by the economic actions of this Government over the last seven years and the prospects for the future.

In 2010, the previous Chancellor promised to remove the deficit and balance the books by 2015. We now find that the present Chancellor is prepared to run a deficit of £21.4 billion five years from now. This massive priority, which alone could save the economy, has cost the British people so much yet it is regarded by a Conservative Chancellor as a lower priority than it has been in the past. This brings us to what the priority should have been. There is no doubt about that in this debate. It has been made clear that the key to growth is productivity. It is that which should have been concentrated upon.

I congratulate the Government on the aspect of the Budget and those proposals that show an interest in improving technical education and providing direct resources to equip our people with skills suitable for a changing environment—the world of work is changing—to enable them to achieve the level of skills required if we are to be a competitive economy. I was very grateful to the noble Baroness, Lady Wheatcroft, for referring to that aspect in her contribution, as did several of my noble friends. The only thing is, this Government have annihilated large numbers of technical colleges and technical teaching under the previous Chancellor. The proposals in this Budget come nowhere near making up for the devastation that the Government

have caused in the recent past. Therefore, we welcome their conversion, albeit we think that it is on a very limited level compared with the cuts that have taken place in the recent past. Nevertheless, we welcome it.

My noble friend Lord Bhattacharyya, as ever, made the most thoughtful of contributions on industry's need for skilled technicians, skilled technologists and people who are able, like the Germans, to make “*Vorsprung durch Technik*” a reality so that we enhance our capacities too. I have participated in many economics debates where people have lauded the contribution of higher education in this area. That has never been an issue for higher education as it has the necessary resources and has produced high-level, technologically skilled people. The problem in education has always been at the next level down. At last, the Government seem to have realised that fact to a degree. That is certainly an important step forward.

As the right reverend Prelate indicated in his contribution, we are concerned about certain areas of public services which have now reached absolute crisis point. It is clear that the NHS is in dire circumstances. It is even clearer that social care requires immediate additional funding. The suggestion was that the Government should provide £2 billion for this coming year. The Chancellor has adopted the figure of £2 billion but it is to be spread over three years—in other words, the figure for this year is a third of the amount regarded as necessary. Therefore, it is understandable that our society feels greatly ill favoured towards politicians, the body politic and the actions we set out to carry through.

This has been a distinguished debate. We are proud of the fact that the House of Lords is able to bring together a range of contributors who provide real insights into our discontent. However, it is action that the people need. This economy is far from being on the road to recovery. We have five more years of austerity and of continuous burdens on many who can least bear them. It is clear that the Government still have an underpinning ideology of shrinking the state. They want to reduce public expenditure and the price has to be paid by the ordinary people of this country. This Budget merely reinforces that position. Despite the ameliorative factors that I applaud, the underlying position of this Government is to leave the British people profoundly dissatisfied.

8.15 pm

Baroness Neville-Rolfe: My Lords, this has been a wide-ranging debate. I do not think that I will mourn the spring Budget; my noble friend Lady Wheatcroft said that she would not do so either. This is the last spring Budget and the last Lenten Budget, as the right reverend Prelate the Bishop of Chester reminded us. That I will not mourn it is perhaps surprising because I endorse what the noble Baroness, Lady Kramer, said—it has been a fascinating debate today. As the new Commercial Secretary to the Treasury, I have certainly learned a great deal.

We had a major debate yesterday, and indeed on previous days, on Brexit. I think that we can feel the influence of that debate here today. As has been said, this Budget must provide a strong and stable platform for the upcoming exit negotiations. As the Chancellor

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has made clear, we must be prepared for short-term economic shocks, so prudence with the public finances is even more called for than usual.

I can agree that in the negotiations with the EU we should avoid a disruptive cliff edge, which would be to no one's advantage. We will work hard to get the best deal for the UK. We want the greatest possible access to the single market and the minimum possible disruption for business, so we will provide as much certainty as we can. We want the change from being an EU member to our new partnership to be as smooth and orderly as possible. We believe that a phased process of implementation would be strongly in the interests of both the UK and the EU, and it will allow businesses to plan and prepare.

The vote last June to leave the EU was a vote for change—to make Britain stronger and fairer. Although it was a vote to leave the EU, I emphasise that it was not a vote to leave Europe. We want to continue to be reliable partners, willing allies and close friends with European countries.

In these circumstances, we have adopted a prudent approach and given ourselves significant headroom in the public finances—£26 billion—to provide the flexibility to deal with shocks, given the wider global uncertainties, while supporting a fiscal plan to reduce the structural deficit to below 2% of GDP this Parliament. My noble friend Lord Gadhia rightly supported this contingency.

My noble friend Lord Crickhowell and the noble Lord, Lord Monks, talked about Scottish independence. As I see it, Scotland voted decisively to remain part of our United Kingdom in a referendum which the Scottish Government defined as a once-in-a-generation vote. The evidence clearly shows that a majority of people in Scotland do not want a second independence referendum. The Scottish Government should focus on delivering good government and public services for the people of Scotland.

I should add that within the EU we have always been the strongest advocate for free trade. As the noble Lord, Lord Bilimoria, said, we need to continue to invest in exports. He will be glad to know that I shall be speaking at the UK India Business Council this week. As he knows, we will continue to attract the brightest and the best to work or study in the UK, but there must be control. I can confirm that agreement on the future of EU nationals is an early priority for the Brexit negotiations.

In response to the points on customs and tariffs made by the noble Lords, Lord Razzall and Lord Wrigglesworth, I say that we want Britain to have the most frictionless and seamless trading arrangement possible with our European neighbours. We have no preconceived notions about the way in which we can achieve this but what matters is the end, not the means. This whole area is a key priority for my Treasury colleagues. I reassure noble Lords that we are working very hard on this and indeed with the industries that could be affected.

I respond to the noble Lord, Lord Monks, by saying that being out of the EU but a member of the single market would, to all intents and purposes, mean not leaving the EU. However, as I said, we want the greatest possible access to the single market.

The noble Lords, Lord Livermore, Lord Shipley, Lord Hain and Lord Palumbo, talked about our debt and our deficit, and there has been an interesting exchange on this subject. We have made progress in reducing the deficit from 9.9% of GDP in 2009-10 to 3.8% in 2015-16. Government spending as a share of GDP reduced from 44.9% to 40%. To reply to the noble Lord, Lord Bilimoria, I tell him that total government spending is forecast to fall to 37.9% of GDP in 2021-22. Returning the public finances to balance is the most reliable way of getting debt to fall and reducing our debt interest payments.

We have made real progress on reducing our deficit—it is down by two-thirds. This safeguards our economy for the longer term and keeps mortgage rates low. However, Labour left the UK with the deficit at a post-war high, at 9.9% of GDP in 2010, and—in response to the noble Lord, Lord Davies of Oldham—that is why we had to have austerity. The OBR now forecasts that the Government will reduce the deficit by almost three-quarters by 2016-17 at 2.6% of GDP. Therefore, we are making progress, but of course we need our cautious and prudent Budget.

I turn to the need for a fairer Britain. Whatever your background, you should have the opportunity to learn well, to earn well and to live a good life. Many contributions from noble Lords have implicitly supported that point, whether in discussing the challenges of social mobility, raising living standards or combating inequality. This is very much the Government's objective, and we have taken a range of actions to support working people in their everyday lives. We have introduced the national living wage and will be raising the personal allowance to £12,500 in this Parliament and reducing the universal credit taper. By the end of this Parliament, we will be spending a record amount on childcare support, rising to over £6 billion a year. The statistics show real disposable household income going up. This rose per person in 2015 at its fastest rate in 14 years, reaching its highest ever level, and it is forecast to rise further over this Parliament.

We must also ensure that the tax system is fair. I take the positive points made by my noble friend Lord Lupton, who talked about global taxation. He knows that this Government have led international efforts to address tax avoidance by multinationals through the OECD, and the efforts on BEPS will continue.

Let me tackle head on the charge that changes that we have made to the tax system benefit the wealthiest at the expense of the poorest. The fact is that, as the IFS has stated recently, the highest earners have seen significant tax increases. In fact, the top 1% of taxpayers are expected to pay more than a quarter of all income tax this year.

On NICs, I agree that self-employment is vital to any dynamic economy, but the self-employed are taxed less than employees and the growth in the numbers of self-employed is eroding our tax base. Our proposals are relatively modest and fully justified in terms of fairness. I do not agree with my noble friend Lady Altmann. She said that business was being hit twice. People cannot be hit by the class 4 NICs increase and the dividend allowance cut in respect of the same business. People are affected by the dividend allowance

cut if they are working through their own company because they are not paying class 4 NICs—unless of course they have a substantial investment portfolio. I was therefore very grateful to my noble friends Lord Horam and Lord Willetts and the noble Lord, Lord Macpherson, for their support in this matter of NICs. My noble friend Lord Willetts brought the Resolution Foundation's research to our proceedings, which was very helpful. I also enjoyed the comments of the noble Lord, Lord Macpherson, on the difficulty of raising tax revenue, which I have already discovered in only two months.

My noble friend Lord Flight also warned of the limited scope for increasing taxes and highlighted the value of the self-employed as being vital to enterprise and growth. He is right. They are certainly not all tax dodgers, as I think the noble Lord, Lord Desai, almost began to suggest. My noble friend Lord Crickhowell called for evidence, consultation and continuity, and the changes will be the subject of a Bill that we have said we will introduce in the autumn when associated work has been progressed. We have also cut corporation tax to support businesses. I say to the noble Viscount, Lord Chandos, that this helps the country to be competitive. It has been cut from 28% seven years ago to just 20% today and it will fall to 17% in 2020.

The noble Lord, Lord Lupton, also talked about the benefits of venture capital and business support, of which the British Business Bank, which was mentioned, is part. My noble friends Lord Northbrook and Lord Flight and the noble Baroness, Lady Kramer, will also be glad to hear that we are giving 3.1 million small businesses and landlords an extra year until April 2019 to prepare for keeping digital tax records.

The long-term problem in social care has been widely acknowledged today. Although the Care Quality Commission currently rates about three-quarters of adult social care services as good or outstanding, the system is clearly under pressure, and this in turn puts pressure on the NHS. We have therefore provided extra funding for social care and for the NHS to deal with pressures on A&E. In a rather negative intervention, the noble Lord, Lord McKenzie, supported the extra funding for social care and for skills, as did my noble friends Lord Porter and Lord Horam.

But beyond managing short-term challenges, we are also looking to the longer term. We will set out our proposals for putting the social care system on a more secure and sustainable long-term footing in a Green Paper later this year.

Indeed, long-term planning has been a broader theme of this Budget. For example, we are looking in the medium term at how to find a better way of taxing the digital part of the economy and at how to make our tax system fairer and more certain with a commitment to set out proposals for smoother, more frequent revaluations for business rates in the autumn. I am sure that the noble Earl, Lord Lytton, will be glad to hear that, given the debates that he and I have had on rates on previous occasions.

One of the most important challenges for our long-term economic advance is improving productivity. It is the tide that lifts all ships and something on which the noble Lord, Lord Davies, and I seem to be in strong

agreement. The Autumn Statement focused on investment in infrastructure and innovation and the new national productivity investment fund. This Budget outlined further details. We have, for example, announced funding for 110 more new free schools. Some will be selective, as has been pointed out. I see no reason to apologise for that.

I should also say a word about technical education, which I talked about at length in my opening speech, and about apprenticeships, which were mentioned by the noble Lord, Lord Haskel. I know from my own experience that these are valuable to businesses and we are working with employers to make them even better. As he said, better skills and training, and better people, will make firms stay in the UK. The apprenticeship levy is a necessary part of delivering 3 million apprenticeships. Crucially, our system puts control of funding into the hands of employees.

I was also asked about school inspections. Ofsted considers how well prepared pupils are for the next stage of their education, training and employment when it inspects schools nowadays. I think that was a concern expressed by the noble Lord, Lord Shipley, who rightly emphasised the importance of housing investment to productivity. We issued a White Paper on 7 February, setting out ambitious, lasting reforms to get more houses built faster. He and the Chamber have debated that with my noble friend Lord Young, who is on the Front Bench now and has given me such good support during this debate. My noble friend Lord Porter will be glad to know that more than 300,000 affordable homes have been delivered since 2010 and that more than double the amount of council housing has been built in the seven years since 2010 than in the 30 years before.

My noble friend Lord Willetts and the noble Lord, Lord Bhattacharyya, added useful suggestions on how we tackle the productivity dilemma, rightly referring to the work now being done by BEIS and by Greg Clark. My noble friend Lord Willetts also drew our attention to the intergenerational unfairness of younger workers having to pay to plug pension schemes. I will certainly look at the DWP consultation that my noble friend mentioned.

My noble friend Lady Altmann shared the benefit of her experience in pensions and social care. I took her point about pensions and insurance assets being possible vehicles for infrastructure and housing investment. The Green Paper on social care that I mentioned will give us an opportunity to look at some possibilities. I hope noble Lords will contribute.

My noble friend Lady Wheatcroft emphasised the importance of management to better productivity. That is certainly true in the retail trade. Sir Charlie Mayfield, whom she mentioned, is helping us with the productivity puzzle. Under his inspiration there was £13 million in the Autumn Statement to support firms to improve management skills. That work needs to cut through in the industrial strategy.

I have a little more time. The noble Lord, Lord Monks, whom I worked with for many years, talked about investment in people and in businesses. We have published a Green Paper on governance inviting views on how to have better engagement with workers in companies, as

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he will know. The noble Lord, Lord Skidelsky, gave his own personal perspective on productivity, but I was glad that he welcomed the investment in infrastructure that we are now beginning to make.

The noble Baroness, Lady Burt of Solihull, talked about equality. The Government are committed to fairness and the promotion of equality. That is why the old and disabled will benefit from the £2 billion to councils in England for social care services that we have discussed, and the young from investment in schools and skills. As she said, we have provided some very welcome seed funding for women returners. This is an area that I am very keen on too. I know that it can make a substantial difference.

My noble friend Lord Marlesford asked why the Chancellor had not taken any action on fuel duty. The Chancellor is mindful that fuel prices are a major cost-of-living issue for a very large number of drivers. It is an important input for business.

Various other suggestions have been made, from red diesel for council lorries to better uses for the tampon tax, to help for small shops from my noble friend Lord Carrington.

This has been a very good debate and I look forward to reading *Hansard* with great care. I say to the right reverend Prelate the Bishop of Chester on the NHS that the Government are supporting those geographic areas with strong cases for transforming the way that services are delivered to provide better care for patients and to put the NHS on a more sustainable footing, including investing a relatively small sum of £35 million over the next three years to back the first set of sustainability and transformation plans, which are so important.

To conclude, this is a prudent and fair Budget, with investment in skills, infrastructure and social care and with the longer-term perspective we need for sustained success. It paves the way for a truly global Britain and a country that works for everyone.

Motion agreed.

End of Life Care

Question for Short Debate

8.35 pm

Asked by Baroness Finlay of Llandaff

To ask Her Majesty's Government how they intend to ensure that Clinical Commissioners respect the undertakings made in *Our Commitments to You for End of Life Care: The Government Response to the Review of Choice in End of Life Care*.

Baroness Finlay of Llandaff (CB): My Lords, I thank the Government for having provided time for this important debate and declare my interests in palliative medicine, particularly as national clinical lead for Wales from 2008, chair of the National Council for Palliative Care and a vice-president of Marie Curie.

Cicely Saunders founded the modern hospice movement 50 years ago, with activity underpinned by evidence. It was she who said:

"You matter because you are you, and you matter to the last moment of your life. We will do all we can to help you, not only to die peacefully but to live until you die".

That scientific evidence has shown that morphine, given regularly at the right dose at the right time, can safely get on top of pain. Sometimes, other effective interventions, ranging from expert use of modern sophisticated analgesics to nerve blocks, are needed. Acute breathlessness and acute anxiety can now be managed. Open, calm and honest conversations with patients about their illness, their needs and what lies ahead can transform their experience as death approaches.

Care of the family, including children deeply affected by a person's death, is core to good person-centred care. It means thinking ahead, planning for "just in case" rather than simply responding. Those facing the uncertainty of life-threatening illness must not feel abandoned, must know that continuity of care at all times will meet their needs, and that unexpected crises will be responded to urgently. Disease does not respect the clock nor the calendar. Help and support must be available whenever and wherever people need them.

I have had thousands of difficult, honest conversations with patients, listened to the grief and pain of parting, to fears and to deep, unresolved guilt. I have seen how those in despair can live well again with appropriate care, often amazed at finding meaning again in their lives when they had given up all hope.

However, it is not easy. Palliative care is not like taking a course of antibiotics that either works or does not. It requires constant review, carefully helping people as they adapt to their new reality. It means "being there", and patients knowing that help is there for them at home and not just being rushed to A&E.

Relatives who have experienced gentle dying are not usually moved to tell the world of their reassuring experience, but a small number of bad deaths make headlines. Media coverage dramatises difficult situations as "human interest" stories. They sell papers, but they also paint a misleading picture of death and dying normally. Bad care should never happen. The failures identified in the ombudsman's 2015 report will be addressed only by adequate service provision, tasked with driving up improvements everywhere.

Palliative care has gradually become mainstreamed. In 2008, the Department of Health's *End of Life Care Strategy* set England's plan to improve end-of-life care. A similar planning group, led by Viv Sugar, set out Welsh goals for palliative care services. This created a natural experiment.

In Wales, an investment of £6 million per annum recurring allowed a funding formula to be developed that targeted services to plug gaps and ensure fair access to specialist palliative care wherever a person lived. It has provided face-to-face specialist palliative care across seven days a week and consultant advice to all health and social care professionals on a 24/7 basis. Services into hospitals are proportionate to the number of beds and, across the community, proportionate to the population size. Recent outcome evaluations in Welsh hospitals suggest that this is bearing fruit and that communication is better managed. Pain is being managed. In the last five years, more than 8,000 patient and family evaluations have shown outstanding ratings of their specialist palliative care experience overall. The average is high.

In any one year, 0.75% of the population overall will have palliative care needs. Death is ubiquitous and inevitable. In 2015, almost half a million people died in England and more than 33,000 in Wales.

Reports since 2008 include the NICE quality standards, an independent funding review and *One Chance to Get It Right*. Then in 2015 a collaborative of providers published six high-level goals in *Ambitions for Palliative and End of Life Care*. In 2015 Claire Henry, commissioned by the Government, published *What's Important to Me—A Review of Choice in End of Life Care*. People have clearly stated that they want the right care, at the right time, from high-quality, well-trained staff. They want honest conversations, not unrealistic expectations. They know that disease does not respect the clock or the calendar. People want to be involved in discussions about their care; they want to make sure that staff know their wishes and that all needs—physical, emotional, social and spiritual—are addressed. People facing dying want to know that their families are supported and involved.

The Government's response last year addressed much of the report, showing synergy with the main themes of both the choice review and the ambitions framework. However, the review called for an investment of £130 million. The Government declined, stating instead that end-of-life care was to become a core priority within the NHS transformation programmes:

"Improvements to end of life care should not occur in isolation. They should be threaded through the most effective New Models of Care that will deliver the new, transformed NHS. Sustainability and Transformation Plans (STPs) should fully take into account the contribution that sustainable, efficiently designed end of life care services can make to achieving better outcomes for dying people".

I was unconvinced that this was happening, so in 2015 my researcher and I analysed responses from all 209 clinical commissioning groups to a freedom of information request about their specialist and other palliative care services. We found wide variations across England in the core data that they collect and a disparity in the responsibility of service provision between clinical commissioning groups, trusts and local voluntary sector hospices. The decision-making devolved down to clinical commissioning groups suggests that palliative care is not being considered as a core service in some parts of England, despite much evidence of its cost-efficacy.

Two important randomised controlled studies of specialist palliative care input have shown that patients have a higher quality of life and better moods. Not only do they live better, but they also, surprisingly, live longer with good palliative care support, at no additional overall cost. Good palliative care saves money.

The Government's vision in 2009 created *Dying Matters* to empower people to talk, live and plan. A national conversation started with a focus on wills, how to get help, and how to ensure that someone can speak up for you if you cannot. Compassionate communities are growing, encouraging people to look out for each other, do what they can, and not shy away from those who are ill or bereaved.

But then came the sustainability and transformation plans. Preliminary analysis looks grim: they do not reflect the Government's stated intention. Almost half

make no mention of end-of-life care at all, or only transiently, and only six of the 44 STPs actually embed end-of-life care as a strategic priority.

Public Health England has just published guidance on *Cost-effective Commissioning of End of Life Care*. It is a worthy review, but it does not provide a clear template to plug gaps. The Government's commitment of last July was that,

"every person nearing the end of their life should receive attentive, high quality, compassionate care, so that their pain is eased, their spirits lifted and their wishes for their closing weeks, days and hours are respected".

However, gaps remain. Today's King's Fund report shows the impacts of financial constraints on patient care, particularly in the community. So I respectfully ask the Government whether they will now look again at a framework funding formula that works in conjunction with voluntary sector providers—who do so much—to make sure people everywhere can access the care they need rather than depend on the lottery of commissioners' views.

8.45 pm

Lord Judd (Lab): My Lords, it is always challenging to follow the noble Baroness. Her knowledge and expertise are well heard in this House, and are informed by a direct, personal engagement in the front line that is outstanding. We all pay tribute to her on both scores.

We are dealing with a gigantic cultural and social problem. Modern, high-tech society has many benefits that we spend a lot of time debating but it has many casualties, too. Life goes faster and faster, pressure on families is greater and greater, and it is more and more difficult for them to provide the care which might have been more readily available in a more steady age when life was less frenetic. This is a reality we must face.

However, we must also be very careful about loose press reporting. Sometimes the pressure on staff trying to deal with these issues is immense. Perhaps understandably, sometimes things that go a little bit wrong can be played out of all proportion. Anyone who has been through a situation of this kind within the family knows very well that things are not always perfect. People are human and sometimes cannot live up to their own standards because the pressures are too great. So we need a great deal of understanding about the pressures being borne, carried on behalf of society.

I just want to raise several points. First, I am a vice-president of Hospice at Home West Cumbria and was previously president. I cannot speak highly enough of the quality and commitment of the volunteers and staff alike, and what they do not only in their immediate work but in relating to the wider community in a really remarkable way, drawing it into a sense of responsibility for the hospice at home movement and feeling that it is their movement to sustain.

Are we yet doing enough in our training and preparation of doctors for their profession to ensure that the care of the elderly, vulnerable and dying is central to their concerns? All of them will face this issue, and some will specialise in it. It should be a central part of medical training and preparation to take into account the needs of the dying and the elderly, and how that can be covered. Demography

[LORD JUDD]

demonstrates the high and growing proportion of our population that this will affect. It is sheer madness not to make this a priority in the profession at all levels.

Still there is too much evidence of postcode lottery in the provision of services but the sort of thing that worries me when talking about the work of Hospice at Home West Cumbria, for example, is that it can have remarkable results when the health service co-operates and they work together.

But does the health service, as a matter of course, take that expertise and insight into consideration in the preparation of its plans, not only nationally but locally, and join all that up as part of the whole process of developing its work?

At the moment it is alarming that one in three health and well-being boards does not consider the needs of dying people when assessing health and care needs in its local population. Almost six in 10 health and well-being boards do not include the needs of dying people in their key strategies. More than one in four—27%—of clinical commissioning groups do not have a strategy for addressing end-of-life care. More than seven in 10 do not have a strategy for children and young people with life-shortening conditions.

These are alarming statistics. A tremendous amount has to be done. The Government have stated their intentions but the road to hell can be paved with good intentions. What matters is what is actually done and what resources are actually arriving to give effect to the intentions that are expressed.

8.51 pm

Baroness Bakewell of Hardington Mandeville (LD):

My Lords, I congratulate the noble Baroness, Lady Finlay, on securing this very important debate. My contribution is specific and restricted entirely to children who have life-limiting conditions, in particular those under the age of three. Young children with complex medical conditions receive no support from the state. They may require specialist equipment. They may need adapted buggies, beds or cots. There will be considerable strain on the family, especially if there are other siblings. However, there is no support for these hard-pressed families.

In January, the BBC's "Spotlight South West" featured the case of a two year-old boy from Devon with Tay-Sachs disease. This arose from his family not having the financial means to secure the specialist vehicle they needed to transport him in a wheelchair. Because he is under three, his family are denied access to the disability living allowance mobility component. Had they been able to claim this benefit, it would have enabled them to achieve some simple but important objectives, such as going to the park. Most families take this activity for granted, but this family were not able to enjoy the fresh air, feed the ducks or watch the birds.

In 2016 there was a 61% cut in funding for children's palliative care charities from upper-tier local authorities, despite these having a statutory duty to provide short breaks. However, their annual statement of provision gives no detail on this particular provision. Short breaks provide important relief for families. The lack of a break could lead to family break-up, and other siblings may suffer.

Adult hospices receive 33% of their funding from clinical commissioning groups but children's hospices receive only 25% funding. Some CCGs do not fund children's hospices at all, on the basis that their ethos means they are unlikely to turn children away. It is, as the noble Lord, Lord Judd, said, a postcode lottery. Best practice is to be found in Luton, where the NHS, local authorities and GPs are collaborating. Some areas do nothing, not recognising the problems that these families face. Can the Minister say how the Government will support CCGs to recognise the benefits of funding vital, cost-effective, non-clinical child palliative care services for the whole family to enable them to cope more effectively with their situation, and thus deliver both short-term and long-term savings for CCGs?

The charitable organisation Together for Short Lives has been pressing the DWP to change the DLA rules so that children under three who depend on access to a vehicle for a variety of reasons can access the mobility component. They are already recognised by the DfT as having specific mobility needs through access to the blue badge parking scheme—so why not by the DWP?

The families of children with very complex needs deserve support. They wish to do the very best for their child's short life—to make the most of their time with their child and have happy memories to comfort them when their child has died. This is not just about the quality of life for such children; it is also about the quality and dignity of their death.

The number of children and young people with life-limiting conditions is increasing. Children's palliative care charities want to provide vital care for every child who needs it, but state funding is not keeping pace with demand. A 2015 report showed a 50% increase over 10 years in the number of children with life-limiting conditions in Scotland—from over 4,000 in 2004 to over 6,000 in 2014. If this was replicated across the UK, the number of children with life-limiting conditions could be much more than the current estimate of nearly 50,000.

The number of these children has never been monitored. As a result, the Government, the NHS and local councils are failing to plan accurately and budget to meet the needs of children and young people in this category. What action can the Minister commit to in order to better understand the number and needs of children with life-limiting and life-threatening conditions? I look forward to his response.

8.56 pm

Baroness Lane-Fox of Soho (CB): My Lords, I too pay tribute to the noble Baroness, Lady Finlay, and I look forward to some exciting debates about digital and dying matters.

Doteveryone, the charity that I founded to make the internet work for everyone, spent six months last year looking at how technology can help improve the care of people with life-limiting conditions. Even in the complexity that inevitably plagues the end of life, dramatic improvements can be made to people's lives through relatively simple use of digital, thereby—to answer the challenge from the noble Lord, Lord Judd—allowing for more time to live and more time for human care.

I shall share three of Doteveryone's recommendations. First, on the problem of NHS legacy technology, as many noble Lords will know, each trust is supported by hundreds of systems. On average, each hospital has over 600 IT systems that may or may not usefully speak to each other. Much communication still relies on fax, and a small number of big suppliers dominate essential services such as booking appointments. So the gap between innovation and legacy continues to grow, leaving patients and professionals to work with technology that is not fit for purpose.

Resourceful people, however, always find ways round these problems. Doctors message each other using WhatsApp, and I have found hundreds of people who have commissioned apps to solve small bits of the clinical problems. Doteveryone's research has shown that carers and people with multiple long-term conditions therefore become full-time administrators, supporting the NHS with unpaid work to manage these information flows, appointment bookings and all the other things that follow from bad IT. This is entirely to the detriment of healthcare outcomes. The burden falls disproportionately on those who can least afford it.

Doteveryone built a prototype for a collaborative healthcare record that allows people, carers and clinicians to see the same data and information. This was not a tortuous project: it was a quick, responsive and cheap one based on hundreds of research interviews with people at home and in care homes, hospices and hospitals. There are, however, not enough of these ideas and services out there, and not enough that are being allowed to scale through the system.

As one person we met—Joe, who is living with severe heart conditions—told us:

"I panic when I am listening to doctors and I don't hear it all ... I need a better way to record our conversations or make sure I always have someone with me".

There can always be someone with you: they just do not always have to be a person.

Our second recommendation was around wi-fi. We need beautifully designed wi-fi in care homes. I use that word "beautiful" carefully. Some 70% of care homes have no wi-fi at all; and 80% of people living in care homes say that they are scared to leave their room. How brilliant would it be if by having better wi-fi across the estate, they could chat to someone just down the corridor, or even better perhaps, back home or even in another country? Sometimes, simple tech solutions can provide imaginative leaps for problems that people are not seeing.

The overarching point of all this is that there is so much opportunity to implement technology that enables people facing the most difficult of times with more hope, more joy and, crucially, more time. Infrastructure and services are vital, but so is experience, imagination and skills within the system.

The third recommendation we made is that we must make digital skills a priority or we will have no chance of meeting the mammoth social challenge we face. This is not about learning to code but about a digital understanding that enables you to make better decisions.

I was at my grandmother's funeral yesterday. She was lucky: she lived until 96 with plenty of family and support around her. But even she faced 12 months of

hideous loneliness when my grandfather died. Despite being able to stay in her own home until the last few weeks, she was desperately unhappy in the very well-run local care home she moved into. Along with quantities of cheese, the only thing she took pleasure in was seeing videos of her grandchildren and great-grandchildren on my iPad. We recorded messages from her and to her, and her face would light up. This is not a complex technical solution or a crazy innovation. It is a humane and obvious use of digital.

I urge the Minister to look at older people with multiple conditions as superusers of the NHS. Improving service delivery for them at the end of life will lay the foundations of an improved service for everyone. End-of-life care is not a specialist clinical issue but a building block for a better NHS.

9.01 pm

The Lord Bishop of Durham: My Lords:

"The medical side of a patient's health is not always the key to treating them".

So said a medical student recently, describing what he had learned from a leading end-of-life care specialist at St Benedict's Hospice and Centre in Sunderland. Another medical student said:

"Palliative care is not just end-of-life care. It is a very holistic approach which supports the patients' needs very well".

End-of-life care must be about the whole person, so the Government's commitments in this regard are to be welcomed. While *The Government Response to the Review of Choice in End of Life Care* does not explicitly mention the word chaplain, it is clear that the contribution of chaplains is central to holistic end-of-life care. I am sure that all in this House will join me in paying tribute to chaplains in the NHS and independent hospices for the work they do in walking alongside people at the end of life.

Well-resourced chaplaincy, involving paid professionals and trained volunteers, plays a role in meeting every part of the commitments detailed here. But I want to focus particularly on the commitment that says that people should,

"have honest discussions about your needs and preferences for your physical, mental and spiritual wellbeing, so that you can live well until you die".

Spiritual well-being is neither an add-on nor the monopoly of these Benches. No matter who you are, end-of-life care would be incomplete without space for reflection on the meaning of death and life. This point was underlined forcefully to me by the staff, medical and administrative, of St Cuthbert's Hospice in Durham when I recently visited there. They also raised with me the struggle they face in providing care to those of specific faiths. In particular, they wanted to highlight the difficulty of resourcing end-of-life religious care for those from smaller faith communities. Rightful consideration that everyone has a spiritual well-being must not crowd out an attentiveness to the particularity of one's religious convictions, and the requirement on clinical commissioners to provide religious care to those of all faiths.

A family coming to terms with a diagnosis recently got in touch with an NHS chaplain in my diocese to express how much of a comfort it is to know that she is

[THE LORD BISHOP OF DURHAM]

simply there for them. It struck me how vital it is that the NHS makes sure that in each and every context where end-of-life care takes place, there is someone there for them. Action 5 of the report states:

“We will ensure we have the right people with the right knowledge and skills to deliver high quality personalised care”.

This makes it clear that it is the responsibility of the NHS to provide chaplaincy services. In partnership with faith and belief groups, yes, but the responsibility for adequate religious and spiritual care lies with the NHS. This is a point underlined in quality statement 6 of the 2011 NICE quality standard for end-of-life care for adults, which requires that:

“People approaching the end of life are offered spiritual and religious support appropriate to their needs and preferences”.

The NHS chaplaincy guidelines 2015 also underscore the importance of NHS chaplains in providing pastoral, spiritual and religious care. I therefore look forward to hearing more on how the Government will ensure that clinical commissioners will provide well-supported chaplaincy for those of all faiths and none as part of integrated care for those at the end of life.

In closing, I add my support for the call by the noble Baroness, Lady Finlay of Llandaff, to ensure that palliative care is truly seen as a top priority for all CCGs and that the Government ensure that they are held to this and provide specific funding to enable it.

I leave my final word to a consultant from St Benedict's Hospice, Sunderland:

“Many palliative care professionals will tell you of a time that the involvement of the chaplain was the key intervention in a person's care. Not so much the drugs, the nursing care, the therapy support or the hospice bed. Instead it was the confession, the sacrament, or the calm and unhurried listening ear that brought a person peace at the end of their life”.

9.06 pm

Lord Suri (Con): My Lords, in his foreword, the Parliamentary Under-Secretary of State, now the Minister for the Cabinet Office, quoted Dame Cicely Saunders, who said,

“we should see the last stages of life not as a defeat but as life's fulfilment”.

I wholly subscribe to the spirit in this report of ensuring that everyone who dies in England can have a peaceful and compassionate death. It is one area where the Government can do some good and have a direct impact upon people's quality of life, or, indeed, death.

In the government response to the report, point 2 lays out a commitment to put in place measures to improve care quality for all across different settings. This is an aim to which I wholly subscribe, and I wish to draw attention to one area in particular. In Wales, managed clinical networks are used to create a strategic and joint approach to children's palliative care across local areas. This is a recommendation from the National Institute for Health and Care Excellence's clinical guidelines on end-of-life care. Will the current Parliamentary Under-Secretary of State say whether they plan on implementing this recommendation, and if so, what steps are they taking? If not, why not? A recent Written Answer stated that this is a responsibility of English commissioning groups, which I understand, but I wish to know the plans in place moving forward.

Another important issue also rests on point 2, and on point 7: the commitment to strengthen accountability and transparency. The commissioning map of children's palliative care produced by Together for Short Lives reveals a worrying lack of consistency across commissioning groups. One in six groups commissions children's hospice services, and more than one in four groups does not commission out-of-hours community children's nursing. I understand and support the arguments for devolution and for handing greater budgetary control over to the bodies closest to the patient, but some level of basic consistency must be maintained. Many of the clinical commissioning groups which fail to commission the aforementioned services are across the north of England and the south-west, and some have simply failed to answer freedom of information requests, which I hope the Minister can look into. Given that, my question is quite simple. Will the Government ensure that local commissioning groups are held accountable to NHS England for delivering comprehensive children's palliative care to end this worrying inconsistency in palliative services?

There is, however, much to applaud in the report. The beefing up of the Ambitions for Palliative and End of Life Care website is to be welcomed, as it will become a more valuable and accessible source for patients, physicians and managers. I would recommend it host more blogs to share the first-hand experiences of physicians more directly. I also hope the new suite of metrics to measure progress in end-of-life care will cover the availability of support for young people, given that the current reporting mechanisms do not appear to provide immediately accessible information.

9.11 pm

Baroness Masham of Ilton (CB): My Lords, I congratulate my noble friend Lady Finlay of Llandaff on all she does for end-of-life and palliative care and thank her for having secured this debate. In a few days' time this month, it will be the anniversary of when my husband died, on a Sunday. In the few minutes I have, I want to relate to your Lordships the experience I had with my husband's end of life, so that, I hope, it will improve the lot of others when it happens to their loved ones, and to put some suggestions forward.

I was married for 47 years, and my husband would have preferred to die at home, but this was not to be. One day, while sitting watching cricket on the television, he had a stroke, which triggered diabetes and Parkinson's disease. For about 10 years, he had many complex problems, such as bleeds and a cancer tumour; the wound did not heal. As time went on, swallowing became a problem, and care had to be taken when eating. One Friday, he had a chest infection, and in the evening, an out-of-hours doctor came out and prescribed an antibiotic which had to be in liquid form. As we lived in rural north Yorkshire, it took time chasing around to find a supermarket which had the antibiotic in liquid form. The next day, his condition had not improved. I telephoned the out-of-hours doctor, but it being a Saturday, a different doctor was on call and refused to come out. Had it been one of my sheep, the out-of-hours vet would have been out within the hour. My husband needed the antibiotic in a drip, but it was impossible, even though I tried, and tried very hard. My husband's carers could have managed it.

On the Sunday, my husband wanted me to represent him at a lunch he would have attended. On my return, his condition had worsened, and I telephoned again. Another out-of-hours doctor sent an ambulance, and my husband was taken to A&E in the hospital which was receiving patients that weekend. I followed in my car. In A&E, there was a doctor, a charge nurse and me. As this was not the hospital which had looked after my husband before, there was no way in which the doctor could access his medical notes, and the GP's surgery was shut. The doctor could not get a cannula in a vein, and given my husband's very complex condition, the situation became untenable.

I feel there should be some system so that vulnerable people who may become very ill are known by the local health bodies. The hospital chaplain of my husband's faith was late. My husband died with me holding his hand while his life ebbed away, and the doctor and nurse could do no more. Afterwards, as it was classed as a sudden death, two young police officers arrived, but no one seemed to know what was happening. The GP came and saw me on the Monday so he could sign the death certificate.

More help should come into the home, and there should be the ability to have a drip. Records should be with the patient and there should be better planning at weekends, as things can happen so quickly. Out-of-hours doctors should be understanding and compassionate. There should be a system with good communication for end-of-life situations. I hope the Government, CCGs and all concerned can come together and commit to finding a way of providing compassionate end-of-life care.

9.15 pm

Lord Carlile of Berriew (Non-Affl): My Lords, I am sure the whole House will have been moved and instructed by the courageous speech that we have just heard from the noble Baroness. I look forward to the Minister's response to it.

I pay my tribute to my noble friend—and indeed my very good friend—Lady Finlay for obtaining this debate and opening it with such skill. We in this House all benefit from her knowledge of palliative care, and indeed many of us have deferred on many occasions to that knowledge in quite specific circumstances.

It is a very good thing that we are able to debate the subject in this House and that so many noble Lords wish to take part. Indeed, I pay my tribute to the Government producing a document called *Our Commitment to You for End of Life Care: The Government Response to the Review of Choice in End of Life Care*. I cannot imagine that such a document would have appeared from a Government 10 or even seven or eight years ago. We are now beginning to talk properly about death and end-of-life care.

There must be many in this House—many of us have lost our parents, for example—who have witnessed the death of someone we love and have long loved. We heard the phrase “the quality of death” earlier in this debate. For me, one of the greatest privileges I have had was to witness a quality death in people whom I loved. Witnessing the death of someone you love and have long loved is a profoundly moving experience if it

happens to you. To my mind, it is capable of being as profound an event as witnessing the birth of someone you are about to love as a parent. For death to be an event of that quality, however, good end-of-life care is essential.

I turn to children's end-of-life care, a subject very eloquently spoken to by the noble Baroness, Lady Bakewell, and the noble Lord, Lord Suri. At the end of the 1990s and the beginning of this century I was a trustee of a children's hospice, as it then was, on the Wales/Shropshire border. It made an enormous contribution to the lives of sick children and the lives of their families, who sometimes desperately needed respite from the difficulties that their dying children brought to the whole family, including their siblings, who often find that situation very difficult to cope with. It provided a process of death for children that was effective and moving and meant that everyone in the family was able to look back on that death as one of the most significant and historic events in the life of the family.

What worried me then, and worries me still, is that the statutory sector was reluctant, and remains reluctant, to recognise the contribution made by charitable organisations that provide hospice care for children. At the time when I was a trustee, there was barely any funding coming from the statutory sector to charities that were running children's hospices. The situation is better now. Nevertheless, nearly one in five of commissioning groups do not commission children's hospices at all, and seven commissioning groups refuse to commission children's hospices to provide care just because they are charities. That is part of the very useful information that I and other Members of your Lordships' House have received from Together for Short Lives and the Rainbow Trust, which I applaud for the assistance they have given to us towards this debate.

I shall simply ask the Minister one or two of the many questions posed by those charities. Given that it is the Government's stated intent to make sure that commissioners prioritise children's palliative care in their strategic planning, will the Government now take steps to make sure that clinical commissioning groups understand that they are responsible for commissioning for children's palliative care and that they embrace the work that is done in the third sector? Will the Government also make sure that they are accountable to NHS England for delivering comprehensive children's palliative care to end the postcode lottery that has been mentioned?

The final point I shall mention, because the hospice that I was a trustee of was in a rural area, is to ask the Government to try to ensure that rurality is not a handicap for families with dying children.

9.21 pm

Baroness Massey of Darwen (Lab): My Lords, I am indeed grateful to the noble Baroness, Lady Finlay of Llandaff, for raising the issue of end-of-life care and for introducing the debate in such a knowledgeable and sympathetic manner. I also thank the House of Lords Library for setting out the issues for debate in such a clear manner, following the report of the programme board's review and the Government's response.

[BARONESS MASSEY OF DARWEN]

I come at this debate from personal experience as my brother died in a hospice last October, having been diagnosed with cancer of the tongue, followed by secondary cancers, in January.

There are many positives about end-of-life care in the UK in all settings, and the intentions expressed to improve it are to be admired. I note the recommendations on offering choice of care; on honest conversations with healthcare staff; on recording of a chosen plan of care; and on having a named responsible senior clinician in charge, and a care co-ordinator. I note the recommendation that carers for people at the end of life should have their needs for support met and that family members, carers and those important to the individual should be involved in discussions about care preferences. Joint working between palliative care specialists and other clinical staff, and between secondary and primary care staff to identify need, is highlighted, as is breaking down organisational boundaries to allow staff working in acute settings to play a role in community settings. There is a welcome reference to NHS and social care organisations working together with the voluntary sector to support hospices in response to the concept of a national framework.

Those issues ring very true when I consider my brother's path through care in east Cheshire. The staff at all levels were superb, from diagnosis through to treatment and finally to death. The GP visited the home and was understanding and caring of the needs of both my brother and my sister-in-law, who was caring for him at home. The district nurses were wonderful, as were ancillary staff. One of them recommended a hospice respite twice as my sister-in-law, a complete star, was doing a difficult job with resilience and strength but under immense pressure. She was becoming exhausted, caring day and night for my brother. A suction pump for mucus in the mouth and throat caused him to have panic attacks. By this time, he could not speak.

I turn now to some more negative issues. One is about communication. Sometimes there was a letter indicating the next hospital appointment, sometimes there was not. There were phone numbers to contact in case of emergency. This mainly worked—but, occasionally, there was a long wait. For example, my brother collapsed twice, and twice a suction tube became blocked—once at night. Some nurses did not appear to know how to use a suction pump.

But to go back to the positive, services such as physiotherapy were automatically brought in for my brother. I was impressed by the directness of the staff whom I met; there was no dissembling about the serious and inevitable nature of the illness, which helped all of us.

I come, finally, to hospices and their funding. The East Cheshire Hospice was superb. My brother received treatment not only for the clinical aspects of his condition—he received massage, art therapy, reiki, acupuncture and other alternative therapies. He also had wi-fi. There is a centre called the Sunflower Centre attached to the hospice, where my sister-in-law could get advice and treatment if she wished. At my brother's death, the chaplain ushered the family into the garden,

brought tea and biscuits and chatted. None of our family is religious; she simply offered quiet reflection and advice on what next. She knew all the religious bodies in the area, and the humanists, and offered to contact whoever we wanted to take charge of the funeral ceremony. A nurse offered counselling sessions to my sister-in-law. All these non-medical interventions were so important and so life-enhancing in the midst of death. Often, it was little gestures that counted.

It seems that NHS funding does not follow a patient into a hospice, although it would into a nursing home. Hospices, seemingly, have to fundraise to provide their services. Could the Minister explain this situation? Just before he died, my brother wrote me a note which said, "You have to do something about hospice funding". Well, I am doing what I can. Can the Minister help?

9.26 pm

Baroness Meacher (CB): My Lords, I am most grateful to my noble friend Lady Finlay for initiating this debate. I declare my interest as chair of Dignity in Dying, the sister organisation of Compassion in Dying, which is a slightly separate charity. Ensuring that people have genuine, meaningful choice at the end of life is central to improving care. Over the past decades, much of our NHS has shifted significantly from a somewhat paternalistic model of care, where the doctor is assumed to know best, to one where the patient's wishes are paramount. This trend was strikingly evident in mental health care, where I worked for about 25 years. End-of-life care is lagging behind far too often.

Ben Gummer MP, Parliamentary Under-Secretary of State for Care Quality, in his foreword to the government response to the review of end-of-life care pointed out that,

"our care of dying people is ... variable, haphazard and at times shockingly poor".

The Government's response also says:

"We know that too many people are not involved enough in decisions about their care ... care is not sufficiently focused on the person's individual needs and preferences".

That seems profoundly true.

Dying people must be aware of their legal right to plan ahead for their own care and, crucially, their right to exercise their choice step by step along the way. Polling shows the enormous job that lies ahead to achieve those objectives. According to a YouGov poll in 2014, 82% of us have strong views about end-of-life care, yet only 4% of us have made an advance decision or appointed a lasting power of attorney. The Macmillan briefing points out that 73% of people with cancer would prefer to die at home, yet only one-third actually do so. Healthcare professionals and providers still too often impose their own views about what is best for their patients. My principles for end-of-life care come very much from the five years I spent chairing a clinical ethics committee. The principles of compassion and patient choice dominated then and, for me, they dominate today. A very important tool for patients and their end-of-life clinicians is, of course, the advance care planning process. One key message from this debate is surely the importance of commissioners funding the promotion and implementation of that process.

What are the benefits of advance care planning? Why does it really matter? Research shows that, when people are able to make informed decisions about their own treatment and care, those patients are far more satisfied. A 2015 YouGov poll revealed that when a patient's wishes are not documented, 53% are likely to receive treatment they do not actually want—a complete waste of money. Academic research shows the potential of patient choice to produce significant financial savings to the NHS, a reduction in unplanned hospital admissions and the length of time spent in hospital in the last 12 months of life when, of course, most hospital care takes place. A real culture change towards patient choice, which involves planning ahead, is not only better for individuals but absolutely vital if the NHS is to cope with the financial pressures ahead. It is disappointing that only a minority of sustainability and transformation plans have laid out clear plans for addressing improvements at the end of life. Can the Minister assure the House that NHS England will insist that plans which fail to address end-of-life care—and preparation for advance care planning in particular—will be revised?

It is encouraging that the Government asked for advance decision-making to be central to the remit of the National Mental Capacity Forum. A recent study by the charity Compassion in Dying again emphasised the importance and benefits of making advance decisions. The report received widespread public support. Patients need information if they are to make informed decisions. Compassion in Dying recently commissioned qualitative research interviews with dying people. The results are worrying. One respondent—we will call her Sally—had ovarian cancer. She said:

“There are so many people out there who are certainly not getting the information they need from the professionals they're dealing with, not about benefits, not about prognosis, not about symptoms, not about support, not about end of life care or the choices. Nothing. Nothing, unless you bring the subject up”.

The Government's response to the choice review pledged that people would be able to have honest discussions about their needs and preferences. Clearly, this is often not happening. Commissioners need to ensure that doctors are trained to have difficult conversations with patients, and that doctors understand that patient choice is not a luxury add-on to good care but central to it.

9.32 pm

Lord Rees of Ludlow (CB): My Lords, I add my thanks to the noble Baroness, Lady Finlay, for introducing this debate with such authority on an issue of inescapable relevance to us all.

We already have some options. We can ask not to be resuscitated if we have heart failure; we can decline invasive cancer treatment. We can legally formalise such wishes via an advance decision to refuse treatment, or via lasting powers of attorney. It is dismaying that only 4% of people who should take such measures have actually done so, and of course this has to be done before they lose the capacity to make choices for themselves.

A clear signalling of our wishes for end-of-life care will become even more important as medical science advances, creating, in consequence, a widening gulf

between what could be achieved by extraordinary measures and the way in which most of us would prefer to end our days. This leads me to a parenthetical comment prompted by the short debate only last week on assisted dying. That debate focused on those who, even with the best palliative care, spend their last days in a predicament where they feel that life is no longer worth living.

I realise that this is viewed as a separate issue and that many people are deeply opposed to legalising assisted dying, but there will be an increasingly fuzzy boundary between assisted dying and the consequences of having signed a directive to refuse treatment. There will be cases when doctors will be prevented from acting even in cases when they feel confident that they could achieve genuine improvements in someone's quality of life. The blurred distinction between killing and letting die is familiar to anyone who has had courses in philosophy and ethics.

Paragraph 13 of the end-of-life care review urges that,

“by the end of 2019, every local area should establish 24/7 end of life care for people being cared for outside hospital, in line with the NICE quality standard for end of life care, which supports people's choices and preferences”.

The Government's response, as far as its sentiments go, ticks all the right boxes. However, what causes anxiety is the gap between the aspirations and what can realistically be provided in a policy regime where austerity and the small state are the mantras, and where the demands are growing because more people are surviving to an advanced age with consequent more complex needs. What is surely uncontroversial is that far more resources should be deployed to care properly for those nearing their end, either in hospices or at home.

If we were in Japan, we would hear futurologists extolling the role that robots will play in caring for the old. Automations can indeed help with household tasks and with mobility. As the noble Baroness, Lady Lane-Fox, has emphasised, digital technology is of crucial value. However, let us not kid ourselves that they are an acceptable substitute for genuine carers—real human beings, with empathy and time to talk with, and comfort, those who are dying. Robots may surpass humans in precision surgery and medical diagnostics, but they will never replace humans as carers. Even if a vulnerable person—say, with advanced dementia—is comforted by a machine or even a soft toy, their human dignity is being betrayed if that is all they have. We would be short-changing the old if we offered them just a mechanical simulacrum of sympathy.

Not only are there now too few jobs for carers, but these jobs are poorly paid, insecure and carry low status. This is surely a signal that we need a change in public attitudes, in the deployment of funds and in the labour market. We are told that workers in whole segments of the economy will be displaced by automation. Huge numbers of people, mainly themselves in middle age, may become less employable in traditional economic roles. However, many of them will have just the qualities needed to be excellent carers. That is why there needs to be a policy rethink, leading to innovative ways of funding in both the public and charitable sectors an expansion of upgraded, esteemed and secure employment

[LORD REES OF LUDLOW]

for carers so that we can all feel confident, when our time comes, that we will have access to the support, both physical and spiritual, that is now available only to some.

9.37 pm

Baroness Walmsley (LD): My Lords, as the King's Fund report *Understanding NHS Financial Pressures* commented yesterday, terminally ill patients have very little political voice. Therefore, I am delighted that the noble Baroness, Lady Finlay, has spoken up for them this evening. Indeed, I am very grateful that I live in Wales and will probably die there.

Over the last five years, we have seen several reviews of palliative and end-of-life care with multiple recommendations. Therefore, I hope that, at the end of this debate, the Minister will be able to provide us with an update on progress towards meeting those recommendations. For example, the Government's response to the review of choice made two commitments that are particularly relevant to the topic we are debating today—namely, to,

“engage with clinical commissioning groups and Health and Wellbeing boards on improving end of life care provision through local strategic planning and commissioning”;

and,

“to provide commissioners with data, tools and palliative care currencies to help identify palliative care needs in local areas and the best ways to commission services to meet those needs”.

I hate jargon, so I looked up what “palliative care currencies” means. I found that it refers to payment models for palliative care. As the Minister will know, the majority of community palliative care providers in England, which are largely in the voluntary sector, are currently commissioned by block contract, and a lot of hospices in particular have been working within the same cash envelope for many years. Indeed, yesterday's report from the King's Fund commented that one of the factors that make some services particularly vulnerable is that block contracts have not been adjusted to match rising demand, and that demand is continuing to rise.

In 2010, Marie Curie's review of funding recommended that the NHS move to a per-patient funding model, defined by phase of illness, so that providers would be paid more for patients with more complex care needs. One of the major difficulties encountered was the fact that most voluntary sector providers have a mixture of NHS and charitable funding, so it was difficult to identify which aspects of care were NHS-funded and which were charitably funded. Therefore, moving every provider to per-patient funding has its problems. Can the Minister now confirm that NHS England will provide a number of different palliative care currencies so that commissioners can choose which method is right for their locality? If that is the case, how will value for money be audited and by whom?

We have heard that palliative care in this country can be the best in the world. However, successive national care for the dying audits have found wide variations in the quality of care in different hospitals. I welcome the fact that end-of-life care is now a key area for assessment in the Care Quality Commission's

inspections of hospitals, but can the Minister update us on the plans in place for those that perform badly to learn from the best?

However, poor patient and family experiences are often due to poor commissioning, planning and co-ordination, as well as insufficient provision for family support, rather than poor delivery. Clinical commissioners have a vital role in co-ordination because it is increasingly rare that individuals' needs will be met by one service alone and they often need to be moved from one location to another as their needs change. Co-ordination is particularly crucial when terminally ill patients wish to die at home. Last year I spoke in your Lordships' House about a particularly distressing case that I know of where that all went wrong. Obviously it makes sense to get services right in the community rather than have the patient admitted to hospital when the family can no longer cope.

Despite the numbers needing these services, according to Marie Curie, just over half of health and well-being boards in England made no mention of palliative care in their strategies, only a third had comprehensive plans, and 30% of STPs made no mention of end-of-life care at all. Given that NHS England says that it requires local leaders and professionals to ensure that a strategy for end-of-life care is in place, this is pretty disgraceful, and, having made that statement, it does not audit what is in place, so there is no accountability. Therefore, I ask the Minister how CCGs and health and well-being boards are being held to account for this state of affairs.

Finally, I want to raise clinical training. A professor of palliative care who is a friend of mine told me recently that some medical graduates have no more than one day of training in end-of-life care. In other places, such as Royal Liverpool University Hospital, students spend three weeks in local hospices, which equips them much better. Although we need palliative care specialists, we also need generalists with enough knowledge of pain management and other issues linked to end-of-life care, including how to help the bereaved. I understand that Health Education England's end-of-life care core skills education and training framework—what a mouthful—is soon to be published. Can the Minister say how soon it will be implemented?

9.43 pm

Baroness Wheeler (Lab): My Lords, I too congratulate the noble Baroness, Lady Finlay, for her usual forthright and expert introduction to what has been an excellent debate, coming at a crucial time as STPs are taking shape and underlining the need for strong national and local leadership to achieve the improved care that we all wish to see. The publication of the *BMJ's* CCG research, which she was involved in, could not have been better timed for our debate, and I thank her for that too.

I also commend the excellent work of the End of Life Care Coalition on the independent choice review and the ambitions framework. The national choice offer of what should be offered to everyone who needs end-of-life care, backed by dedicated funding, better training for healthcare professionals and better research and data collection around the care given, provides a clear way forward and is fully supported by these Benches.

Today's debate makes it clear that if STPs are to be the route for implementing the Government's national commitment, local plans have to be backed with the money to implement them. CCGs that are failing to prioritise and appropriately commission end-of-life care that meets people's needs must be called to account both locally and nationally and supported to do better.

The context for the debate has been clear—a familiar story of many examples of excellent quality and compassionate care in community, voluntary sector and hospital settings, but examples of considerable variation in the nature and quality of services provided both between and within geographical areas and between different medical conditions. Instead of national leadership from NHS England and the Government, however, we have the deafening silence in the Government's response to the choice review's call for an extra £130 million to deliver choice by the end of this decade. Like other noble Lords, I look forward to hearing from the Minister how he expects to seek improvements in end-of-life care without committing to the additional funding called for in the review. What action will be taken to address the failure in so many STPs to see end-of-life care as a core service and to prioritise funding and planning? As the Marie Curie charity puts it:

"It is unclear to us how the Government intends to support more people to get out of hospital at the end of life without additional money to boost capacity".

Delayed transfers of care jumped by 29% between September 2015 and September 2016, and about 30% of those people are in the last year of life.

Providing national choice in end-of-life care means increasing out-of-hours hospital care and co-ordinated, integrated services and close partnership working between the NHS, voluntary sector and community services and social care. Excellent care at home programmes such as Macmillan specialist care deliver a proactive model that we all support of early patient referral to a multidisciplinary team, clinical interventions at home where possible, close and proactive working between primary and other service providers, flexible teamwork between specialists, generalists and trained volunteers and the close involvement of family and carers.

End-of-life care has well-established systems for working together, particularly in hospital, hospice and home care, but some STPs do not fully recognise the importance of third sector involvement in the delivery of end-of-life care plans and there is particular concern that hospice services, which rely heavily on charitable donations to cover full running costs, are especially vulnerable, as my noble friend Lady Massey stressed. Will the Minister give us reassurances on this?

On STPs, the King's Fund's recent progress assessment, while not specifying end-of-life care, asked highly relevant key questions about how it can be improved in the current NHS and social care climate. How are plans to be funded? How will integrated care be delivered in the concept of having to "work around" the,

"fragmented and complex organisational arrangements in the NHS created by the 2012 Act"—

its words not mine—and when the NHS is under huge pressure to make efficiency savings and improve performance? These questions all need to be answered

if the vision set out in the national commitment is to be delivered. What is the Minister's response to that?

We have heard particular concern about CCGs' poor commissioning of children's and young people's palliative and end-of-life care in England. The noble Baroness, Lady Bakewell, raised the issue of the care of under-three year-olds and the noble Lord, Lord Carlile, spoke about hospices in that context. Together for Short Lives has found that 7% of CCGs do not commission palliative care for out-of-hours children's nurses to support families and carers and avoid unnecessary, often traumatic, hospital admissions. The Rainbow Trust, which provides emotional and practical support to parent carers and families whose children have a terminal or life-threatening illness, received no funding from CCGs in 2015-16 and just 3% from local authorities. Hospice UK's survey found that seven in 10 CCGs do not have a strategy for children and young people living with life-shortening conditions. I hope that the Government will undertake to work with charities such as Together for Short Lives to produce guidance for CCGs that outlines best practice and makes their responsibilities clear.

The ambitions framework stresses that every CCG board should have a clear vision of what package of services locally will deliver the goals of high-quality, professionalised end-of-life care and should actively seek out commissioning resources to achieve this. I look forward to hearing from the Minister how the Government intend to make sure that that happens.

9.49 pm

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): My Lords, I thank the noble Baroness, Lady Finlay, for precipitating the debate. In many ways this is the most difficult of all subjects to discuss. I pay tribute to her courage and leadership in the work she has done to bring it to the fore and to make it an issue of such public policy importance.

As the noble Lord, Lord Carlile, said in his speech, in recent years there has been a much greater focus on improving the quality of people's experiences of end-of-life care—to help them, as my right honourable friend the former Health Minister, Ben Gummer, put it in his foreword to the Government's response, to experience a "good death", or as the noble Baroness, Lady Finlay, put it, gentle dying. As the noble Baroness said, bad care should never happen. We know that many people in England already receive good end-of-life care and internationally we continue to lead in the overall quality of end-of-life care provided. That is the result of sustained effort over recent years to improve people's experiences of end-of-life care. I join all noble Lords in thanking the staff who work in our health and care system, and the many charities that have been mentioned tonight and others besides that support people at the end of their lives.

However, as we recognised in our response to the independent review of choice in end-of-life care, and as all noble Lords have rightly argued, there is too much unacceptable variation in quality and provision. This can have real consequences for the care that some people receive at this all-important time in their lives.

[LORD O'SHAUGHNESSY]

I thank deeply the noble Baroness, Lady Masham, for sharing the moving story of her husband's death and the noble Baroness, Lady Massey, for sharing the story of her brother's death. I and, I know, the whole House will agree wholeheartedly with them that the description of what end-of-life care should be like, with compassion at its heart, is what motivates us. That is what sits behind everything the Government are trying to do and is what motivates people who work in this important sector.

To address the issue of variation and to provide the kind of patient choice that the noble Baroness, Lady Meacher, called for, last year we set out our ambition for everybody approaching the end of life to receive high-quality care that reflects their individual needs, choices and preferences. I thank my noble friend Lord Suri and other noble Lords for welcoming these plans. The plan is based on six commitments, setting out what all people at the end of their life should be able to expect from care. They include honest discussions between care professionals and dying people, and dying people making informed choices about their care. The noble Baroness, Lady Meacher, brought out a helpful statistic that while 82% of people have strong views, they may not be informed of the choices available to them. The third commitment is personalised care plans for all; then there is discussion of personalised care plans with care professionals, the involvement of family and carers in dying people's care, and a key contact so dying people know who to contact at any time of day.

These commitments apply to all end-of-life care, whether delivered in a hospital, a hospice, or as part of a community service in a care home or a person's own home. They apply to all parts of the country and underpin local plans to deliver end-of-life care in every clinical commissioning group.

The national end-of-life care programme board has been set up to oversee the implementation of this plan. It is chaired by Sir Bruce Keogh, NHS England's medical director. We have also called on local health and care leaders, including commissioners and all health and well-being board chairs, to prioritise improvements to end-of-life care in their plans to improve local services. We are taking a number of specific actions to support these commitments. I will give a few examples.

To improve the quality of care in hospitals, all NHS trusts that have a poor CQC end-of-life care rating been visited by NHS Improvement to support them to improve their offer.

Several noble Lords have highlighted the importance of training. Health Education England is changing its training standards so that care workers have the right skills mix, including, I hope, digital skills, as the noble Baroness, Lady Lane-Fox, pointed out. I will check that that is the case. They should have the right training to support honest conversations and personalised care. NHS England is currently working with two new care model sites in Airedale and Southend to test an innovative approach to serious illness conversations, in which clinicians are trained to support people with serious illnesses to discuss what is important to them.

I thank the right reverend Prelate the Bishop of Durham for highlighting the important and very powerful impact that chaplains have on people at the end of

their lives. They provide an invaluable service. I will write to Sir Bruce Keogh, who, as I mentioned, is chairing the national board, to emphasise the important role that chaplaincy can and must play in provision of end-of-life care for people with or without a religious belief.

On greater personalisation of care and care planning, NHS England is working to ensure that shared digital palliative and end-of-life care records will have been rolled out to the majority of local areas by 2018 and all areas by 2020 to enable preferences to be recorded, shared and achieved more easily. As the noble Baroness, Lady Lane-Fox, highlighted, good data and digital provision can help enormously to improve end-of-life care. I am encouraged by the work that she is doing, although alarmed by the statistics that she mentioned about care homes not having wi-fi—that has been addressed in hospitals but not in that setting, and is something that I will investigate.

To improve access to urgent clinical advice and support for end-of-life care, including expert advice on specialist palliative care, NHS England is ensuring that each clinical advisory hub across the country will include clear and explicit processes for access to palliative care and will be accessible to individuals who need the service, their families and professionals involved in their care.

Several noble Lords mentioned the importance of good commissioning, including the noble Baroness, Lady Meacher, who demonstrated the impact that good commissioning can have on improving outcomes and quality of life. In line with the plans we are setting out in the government response, we are also taking a number of actions to improve the way in which care is planned and commissioned. This includes work between NHS England's regional offices and local commissioners to put end-of-life care at the centre of activity as part of local sustainability and transformation plans.

The noble Baronesses, Lady Wheeler, Lady Meacher and Lady Walmsley, all mentioned sustainability and transformation plans—indeed, the noble Baroness, Lady Finlay, mentioned them both today and in an earlier debate on this issue. The plans are now being consulted on, so this is now an opportunity to make sure that they properly represent all the imperatives that they should. The national programme board, chaired by Sir Bruce Keogh, is preparing a support offer to those STPs that have not yet planned for it well to make sure that it is done properly.

The noble Baroness, Lady Walmsley, asked about care currencies. She was quite right about the tendency to jargon in this area; it is described as a specialist palliative care currency model, I am afraid, so it is worse than she feared. But the idea is a good one—she highlighted the importance of it—which is to provide a level of transparency and certainty on the kind of funding that will follow. It will not be precisely payment by results or payment by outcome, because of the importance of the charitable sector, but it will provide greater transparency and certainty on the funding of hospices. We aim to publish that shortly.

The government response has made key commitments on holding the system to account for the improvements that we want to see, including addressing unacceptable

variation. It includes introducing a separate priority area within the CCG improvement and assessment framework for end-of-life care, as the noble Baroness, Lady Walmsley, pointed out. We are also developing new metrics for end-of-life care that have been put forward for potential inclusion, which will allow us to hold CCGs to account for their performance in this area.

Several noble Lords referred to children's hospices. In a difficult subject, the heart-breaking idea of tiny children with short lives and life-limiting conditions makes it even harder. I agree with all noble Lords about the importance of palliative care for children. Some £11 million is available through the children's hospice and hospice-at-home grant which goes to support children's hospices on top of what clinical commissioning groups do. NHS England is engaging in consultation with Together for Short Lives on its 2017-18 grant allocation. It is intended that this new palliative care currency will also help to provide greater transparency, clarity and consistency for the funding of all hospices, both for adults and for children.

The noble Baroness, Lady Finlay, asked about better outcomes for dying people. There are now new NHS clinical guidelines that those working in the sector must follow, as I am sure she will know. We have also commissioned the charity Sands to develop a standard bereavement pathway so that there is greater consistency across the country. The noble Baroness asked about a framework funding model. I hope that I have addressed her questions on that in describing the palliative care currencies, which will be published shortly.

The noble Lord, Lord Rees, asked about more resources. There was of course an announcement in the Budget of additional support for social care, which I realise is not the same as end-of-life care, but does incorporate people who are at the end of their lives if they are in a care setting. I hope this was welcome. We also have an important commitment to a long-term solution for care, and a further Green Paper to follow on that issue. For that to be truly comprehensive and sustainable, it must also incorporate a sustainable regime for end-of-life care within those kinds of settings, so I hope noble Lords will welcome the announcement that that will be coming later this year.

To conclude, I thank the noble Baroness, Lady Finlay, for highlighting this incredibly important issue. I remember as a teenager reading *A Happy Death* by Albert Camus. As a teenager, I think you veer between being horrified by the idea of death and thinking that it will never happen to you; and then you grow up. While I may no longer be an existentialist, I still agree that a happy death—gentle dying—is the right outcome that we want to achieve universally in this country. We are starting from a point of variation and, as the noble Baroness said, there is bad care and there should not be bad care. We are fully committed to working with all people in the care sector, with carers, to ensure that anyone with a terminal illness has access to the high-quality, personalised care that they deserve.

House adjourned at 10.01 pm.

