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PARLIAMENTARY DEBATES

(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

ORDER OF BUSINESS

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The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

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

Monday 4 December 2017

2.30 pm

Prayers—read by the Lord Bishop of Salisbury.

Children: Oral Health

Question

2.36 pm

Asked by ***Baroness Benjamin***

To ask Her Majesty's Government what action they are taking to address the problem of child tooth decay, in the light of the finding by Public Health England in its most recent oral health survey that 25 per cent of five year olds had experienced dental decay.

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): Public Health England, NHS England and the Department of Health are working together to improve children's oral health. For example, the "Starting Well" initiative will support outreach to children not currently seeing a dentist in the areas of highest need, while dental contract reform supports our longer-term aim for all care to have a preventive focus. Furthermore, we are taking steps to reduce the amount of sugar consumed by children.

Baroness Benjamin (LD): My Lords, I thank the noble Lord for that Answer. We all need to ensure that everyone fully understands the importance of oral health practice, which, ideally, should start when babies are six months old. It is therefore great to hear that NHS England has introduced the "Starting Well" programme. However, this is being delivered in only 13 local authorities, despite the fact that many children across the country suffer from tooth decay; indeed, it is the No. 1 reason for hospital admissions. Will the Government therefore consider taking further action by introducing supervised tooth-brushing sessions in all nurseries, as they do in Scotland, to improve oral health education for all our children?

Lord O'Shaughnessy: The noble Baroness is right to highlight this important issue. Twice as many five to nine year-olds are admitted to hospital with tooth decay as are admitted with broken arms—that is how bad the problem is. It has improved in recent years: 75% of all five year-olds have no sign of physical decay, up from 69% in 2008. Supervised tooth-brushing is part of the "Starting Well" programme, but Public Health England and local authorities are responsible for commissioning and will look at the results to see whether it can be rolled out into general dentistry practice.

Baroness Gardner of Parkes (Con): My Lords, does the Minister appreciate that in Australia and the United States there is widespread community fluoridation? Fluoride has been established as one way of preventing dental decay. I went on to Google today and found an article that states:

"With 60 Years of Data and 3000 Studies, Australia Declares Fluoride 'Completely Safe'".

That is supported by community water fluoridation, which means that your water authority cannot only see that the right amount is put in but will take out any oversupply above the optimum rate. The noble Baroness said that she thinks that oral health is important for children from an early age; I took my treatment antenatally for my children, who have very good teeth.

Lord O'Shaughnessy: My noble friend is quite right that fluoridation is effective. The 2012 Act allows local areas to choose to introduce it—with local legitimacy, which is important because this issue still stirs passions. We encourage any local area considering this—I believe that Greater Manchester is one—to look at the study my noble friend mentioned in order to see its effectiveness.

Lord Colwyn (Con): My Lords, I am delighted that my noble friend mentioned the dental contract because the current target-driven contract was introduced in 2006. The Government committed to reforming it in their 2010 manifesto, but progress has been very slow. The latest reports speak of a national rollout no earlier than 2021. We urgently need a new contract that rewards prevention. Does my noble friend not agree that patients and dentists should not have to wait so long?

Lord O'Shaughnessy: Yes, I agree with my noble friend. Preventive care is important. Pilot schemes have been going on in 75 practices to look at incentivising preventive care and population care. I understand that an evaluation report of that first full year of prototyping is due to be published in the new year.

Lord Turnberg (Lab): My Lords, regarding fluoride and dental decay in children, can the Minister provide figures for the incidence of dental decay in areas that fluoridate their water compared with those that do not?

Lord O'Shaughnessy: I do not have that exact comparison in front of me. I understand that areas that fluoridate have much better oral health than others, which is why, as I said to my noble friend, we encourage all local areas to look at the evidence and make decisions accordingly.

The Countess of Mar (CB): My Lords, does the Minister realise that, in order to get children to be seen by a dentist, their parents have to take them, and many parents are not happy themselves about going to the dentist? How can that be overcome?

Lord O'Shaughnessy: Probably not by giving out lollies to say well done for coming. The noble Countess makes an important point, but some 7 million under-18s were seen by a dentist in the last year for which data is available, which is an increase on previous years, so I think that things are improving.

Lord Bradshaw (LD): Will the Minister consider asking manufacturers of sugary cereals to include in the packet a free toothbrush, which would cost them very little?

Lord O'Shaughnessy: That is one idea that I will certainly take away. Some of the impact that we are having is on reformulation, which is perhaps even

[LORD O'SHAUGHNESSY]
more preventive than putting toothbrushes in cereals. There is a plan to reduce sugar in key foods by 20% by 2020, specifically for the benefit of children.

Lord Lexden (Con): Does not part of the answer to this problem lie in that attractive four-letter word "milk"? Does not research evidence show that milk helps to protect the teeth of young children, as well as combating obesity?

Lord O'Shaughnessy: I am sure that milk does have those benefits. I should also point out that one of the best things one can do for all bone health is to have vitamin D and calcium supplements, which are recommended for young children.

Lord Hunt of Kings Heath (Lab): My Lords, I am sure that we are all grateful to the Minister for his wisdom in advising us on such important matters. I declare an interest as president of the British Fluoridation Society. To return to the point that I have raised with many Ministers over the past few years, the Minister says that it is down to local decision-making. The problem is that the hurdles that have been put in place make it almost impossible for local authorities to get fluoride into their water supplies. Will he look again at the rules and the law and agree that this is a strategic decision that needs to be made by government?

Lord O'Shaughnessy: I am certainly happy to look again at that issue because we know the benefits of fluoridation. That is one reason why more children are having fluoride varnishes, for example.

Lord Colwyn: My Lords, I forgot to declare my interest, so I apologise.

Energy: Home Battery Storage
Question

2.44 pm

Asked by ***Baroness Jones of Moulsecoomb***

To ask Her Majesty's Government what assessment they have made of the potential for home battery storage to change the dynamics of energy supply and demand.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, the Government and Ofgem published a smart systems and flexibility plan in July 2017, which outlines a series of actions to support the transition to a smart energy system. They include an assessment of changes in our energy system and measures to address the barriers to storage, whether in the form of home batteries or the range of grid storage technologies.

Baroness Jones of Moulsecoomb (GP): I thank the Minister for his reply. I am sure that the Government have thought this through—or not—but as nuclear subsidies increase and the cost of national grid electricity rises, more people will move to solar and domestic storage of energy. That means that people still using the national grid will be the poorest in society because they cannot afford all these extra measures. Have the Government thought through how the poor will be relieved of paying for very expensive electricity?

Lord Henley: Obviously there will be changes as more people make use of storage. That will have an effect on the grid because if some people increase their use of storage, they may even be able to go off-grid in future. The noble Baroness is right to draw the House's attention to that issue. That is a matter for Ofgem; it can certainly look at that to make sure that it can create a level playing field for all consumers.

Lord Howell of Guildford (Con): My Lords, I declare my interests in energy, as in the register. Is my noble friend aware—I am sure that he is—that offshore wind producers are now saying that they can produce electricity at £62.50 per megawatt hour? Of course, commercial storage will make it considerably lower, if we go for it. Does that not cast a shadow over the costs of the contract at Hinkley Point C, which are for £92.50 for the next 35 years, indexed? Is it not time to question some of these lavish expenditures, which are having very little effect on carbon reduction and greatly increasing the charges to poor consumers?

Lord Henley: My Lords, at this stage, I do not want to get into the wider question of Hinkley C costs. I think it would be rather dangerous for me to go down that route. My noble friend is right to say that increased use of home battery storage, possible greater use of batteries in cars as a means of storage in years to come and greater use of other forms of storage, which the noble Baroness and my noble friend referred to—he is probably aware that we already have about 5 gigawatts of storage in the system, which is mainly pumped hydroelectricity—have implications for costs throughout the grid, which will need to be addressed.

Lord Campbell-Savours (Lab): Has an audit been carried out of lithium resources worldwide or has it all been left to market forces?

Lord Henley: My Lords, so far, we have seen the cost of lithium-ion batteries drop by some 50% over the last five years, since 2012. That implies that resources of lithium are more or less okay and that market forces are driving costs down. I do not have the figures on long-term estimates of quantities of lithium, but that will be taken into account by the market in due course.

Lord Broers (CB): My Lords, with respect to the previous question, would it not be a good idea for the Government to follow that issue rather carefully, so that the consumer can have a realistic price? Solar cells and storage batteries are expensive, and people selling them do not always give straightforward information. It would be a good idea, would it not, for the Government to look at this in some detail, so that consumers can be given reliable advice on the cost of such storage?

Lord Henley: My Lords, as I said in my answer to the previous question, the cost of lithium-ion batteries has come down considerably—by 50%. Batteries are still expensive but it is in the interests of some consumers to buy them to even out their use of electricity and make savings. Obviously, any advice that they can get, which was partly behind the Government and Ofgem's smart systems flexibility plan, would be of use to those consumers.

Baroness Maddock (LD): My Lords, the more smart meters are installed in our homes, the more potential there will be for battery storage. Will the Minister assure us that the promise the Government made of 26,000 smart meters in our homes before 2020 will really happen?

Lord Henley: My Lords, we are on track for that. As the noble Baroness will be aware, legislation dealing with this is coming forward. I hope we will get there; I see no reason why not.

Lord Hayward (Con): My Lords, does my noble friend not agree that one way to change the dynamics of our energy supply would be to approve the Swansea tidal lagoon as quickly as possible, a decision on which has been pending for rather a long time?

Lord Henley: My noble friend makes a very interesting point. No doubt that will be addressed, but it is somewhat wide of the Question relating to battery storage. It obviously will have an effect on our production of electricity overall.

Lord Brooke of Alverthorpe (Lab): My Lords, given the performance review in the summer and the driverless and electric vehicle charging point Bill currently in the House of Commons, why is there so little in the Bill to incentivise people to purchase batteries?

Lord Henley: My Lords, I do not think there is so little. There is quite enough to encourage people to buy batteries. That is why they are and why we have seen a reduction in their price.

Nurses and Midwives: Numbers
Question

2.51 pm

Asked by ***Baroness Thornton***

To ask Her Majesty's Government, in the light of the report of the Nursing and Midwifery Council published on 2 November which found that the number of nurses and midwives joining its register from the European Union had dropped by 89 per cent over the last year, how they plan to make good the anticipated shortfall.

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): My Lords, the Government value immensely the contribution of EU staff working across the NHS and social care systems. We are committed to ensuring a clear pathway to permanent residency for these EU citizens. The figures in the NMC report represent a 0.2% decrease in those currently registered. Meanwhile, there are more nurses on our wards since last year. Numbers will increase because of a 25% increase in training places.

Baroness Thornton (Lab): I thank the noble Lord for that response, although I think it borders on the complacent. I asked this Question because the statistics are very stark and concerning. Although we know that registration of UK-based nurses is falling—by 9% last year—the decrease from the European Union varies between 70% and 95%. That means that instead of there being 1,966 nurses from Spain, for example, the number has dropped to 104 in the last year. The numbers from Poland have dropped from 305 to 34. Even from Ireland the numbers have dropped, from 381 to 204. That looks, with winter looming, like a crisis might be looming. Given that it takes at least three years or so to train nurses and midwives, I return to my Question: how will the Government make up the immediate shortfall and replace those nurses and midwives that come to us from the European Union?

Lord O'Shaughnessy: I agree with the noble Baroness that there is a need for more nurses. That is why we are introducing more training places and new routes into nursing, such as the nursing apprenticeship. I know that she is particularly concerned about EU national nurses and health visitors. I think noble Lords will be reassured that between June 2016 and June 2017, there was an overall 5% increase in the total number of staff from the EU within the NHS, which is welcome. The one area, as I said, that has fallen marginally—by about 162 in practice—is in nursing and health visitors. That was significantly due to the new language test that was introduced. That is something that the NMC is looking at to make sure we are getting nurses capable of practising in this country to come here.

Lord Clark of Windermere (Lab): My Lords, as the Minister knows, citizens of the EU who have spent five years working in the UK can avail themselves of the opportunity to apply for a right to remain permanently in the UK. That is now unclear. Will he announce that those who have been granted the permanent right to remain in Britain as EU citizens will be entitled to stay and work here? That would be a good way to start building confidence.

Lord O'Shaughnessy: My Lords, the rules as they are apply, so those who are eligible to apply for a right to remain can do so. We are talking about providing a path for those who are not yet at that point, now or in the future, to achieve settled status to provide the kind of certainty that we know. I understand that this causes some people to pause for thought about whether they should stay.

Lord Naseby (Con): Will my noble friend ensure that the answer he has just given is publicised in every NHS hospital in the United Kingdom? There is not that depth of understanding in the average medical practitioner, nurse or administrator in our hospitals that he has so clearly communicated. Will he also reconfirm that the number of training nurses is going up, as I think he said, and is considerably higher than it has been during the previous decade? If that is the situation, it is surely to be greatly welcomed.

Lord O'Shaughnessy: I agree with my noble friend's point on communication. I shall certainly look at whether we can do that better as an NHS. It is why I do not miss an opportunity from the Dispatch Box to say how much those nurses are valued and how much we want them to stay. That is what the Government are committed to doing. I mentioned the increase in the number of training places which my noble friend has pointed out. New UCAS data out today show that the picture is slightly better even than when we talked about it last week. Although the total is slightly down on last year, it is the second-highest number of nurses recruited in the history of nursing being a degree profession.

Lord Rennard (LD): My Lords, is this not a problem particularly given that 35,000 nurses and midwives left the profession last year? Does the Minister agree with the Royal College of Nursing that the problem is made worse by the loss of student bursaries, deterring more mature students from applying to train as nurses and denying the profession the benefit of their valuable life experience?

Lord O'Shaughnessy: Retention is critical. A number of nurses have gone through return-to-practice programmes to make sure they can come back into the profession. I recognise that today's UCAS data show that while the number of applications has risen among the under-21s, it has fallen among the over-21s. It is important to point out that financial support is available for those people, in terms of both help with childcare and extra financial support. Now, for the first time, we are providing funding for second degrees if they are in nursing.

Lord Tomlinson (Lab): The Minister said clearly that he never misses an opportunity to say how much we value our nurses. Does he accept that "value" is best recognised in a tangible form rather than in words that have no meaning?

Lord O'Shaughnessy: I think that words do have meaning, and it is important not to miss the opportunity to say how much we value those nurses who have come from the European Union as well as all staff in the NHS. One example of the value with which we hold them is the announcement in the Budget that the Chancellor will fund an *Agenda for Change* pay settlement for nurses.

Baroness McIntosh of Pickering (Con): My Lords, I congratulate my noble friend on the increase in the number of training places, but can he give the House an assurance today on the figures for recruitment and retention of nurses in rural areas and, in particular, that their travel is fully paid for when they drive round remote parts of the country such as North Yorkshire and other isolated areas that they have to cover?

Lord O'Shaughnessy: Yes, absolutely—travel costs should be accounted for, as long as they are incurred in the course of an ordinary working day. I should also point out that extra travel costs are now supported as part of the student finance package for those who need to travel for study.

Lord Watts (Lab): My Lords, given the shortage of medical staff right across the board, should not the Government exempt them from quotas so that we can guarantee that we will have the medical staff and support staff that we need in our hospitals?

Lord O'Shaughnessy: In the long run, we want to be in a position to provide more of our staff domestically. There are concerns about the fact that we recruit from other countries, not least developing countries—I do not think that that is a long-term, sustainable position. In addition to the additional nurse training places that I mentioned, more medical training places for doctors are coming through, so we will be achieving that position in future.

Lord Pearson of Rannoch (UKIP): My Lords, do the Government accept that the £10 billion per annum in net cash that we shall no longer pay to Brussels after Brexit is equivalent to the annual salaries of some 1,000 nurses every day?

Lord O'Shaughnessy: The noble Lord's mental maths are far better than mine. I agree that it will provide for the possibility of yet more funding for the NHS, which is something that this Government have delivered in the past seven years.

Lord Turnberg (Lab): My Lords, I wonder whether the Minister can help clear up my confusion. He is telling us that the number of training places is increasing while my noble friend Lady Thornton suggested that the number of people coming into those places is decreasing. What is the correct interpretation? Have we got more, fewer, or what?

Lord O'Shaughnessy: I will do my best to provide clarity. If you look at nurse training places in universities, in 2016 the number was 3% higher than this year. One reason for that has obviously been the change in the financing arrangements. However, this year still represents the second-highest number since it became a degree profession. If we look to the future, from 2018 onwards there will be 5,000 more funded clinical placements which will enable the number of nurse training places to increase by some 20% to 25%.

Personal Identity Cards
Question

3 pm

Asked by ***Lord Campbell-Savours***

To ask Her Majesty's Government what discussions Ministers have had in the last year with United Kingdom security and border control authorities on the introduction of personal identity cards.

Lord Young of Cookham (Con): My Lords, in 2010 the coalition Government decided to scrap the ID card scheme and the associated national identity register because it was expensive and represented a substantial erosion of civil liberties. While many countries have identity cards, we have not seen any evidence that they offer greater protection against terrorism or greater control at the border. The Government are not planning to revisit that decision.

Lord Campbell-Savours (Lab): Many people would contest those conclusions. Does the Minister accept that the issues of national security, crime, protection against fraud, and entitlements are of concern right across this House and across the political divide? With that in mind, would it not be helpful if the Liaison Committee, which is about to select its ad hoc committee inquiry subjects for next year, were to support an inquiry into national identity cards? I appeal to Members across the House to write to Philippa Tudor, the clerk to the Liaison Committee, supporting this year's application for an ID card ad hoc committee inquiry? If not, once again, it is likely that the application will be rejected.

Lord Young of Cookham: My Lords, I understand the noble Lord's disappointment that when he applied to the Liaison Committee last time for an ad hoc committee on this very subject, his bid was not successful. There were 35 bids and only four ad hoc committees were established: I hope he accepts that his disappointment was shared by others. An email went to all noble Lords—I think it was last week—from the noble Lord, Lord McFall, inviting bids for the next tranche of ad hoc committees for this Session. The decision will be made by the Liaison Committee, on which the Government have only one member. The noble Lord appealed to the whole House to support his bid. The notion that the Government could stand in the way of the noble Lord's bid, which I think was implied in some way, implies that my noble friend who sits on the Liaison Committee could go around discouraging people from supporting it—like Henry Fonda in "12 Angry Men"—which is fanciful. However, the noble Lord has launched his manifesto on the Floor of your Lordships' House and his fate now rests with the Liaison Committee.

Lord Sterling of Plaistow (Con): My Lords, in 2003 the noble Lord, Lord Blunkett, who was Home Secretary at the time—in the Government of the party opposite, of course—published *Identity Cards: The Next Steps*. Anybody who reads it will realise that the reasons put forward are even more meaningful now than they ever were in that period of history. I totally support what the noble Lord, Lord Campbell-Savours, is proposing: I think it is hugely important to this country.

Lord Young of Cookham: I am grateful for the intervention of my noble friend. I am genuinely envious of those, such as him and the noble Lord, Lord Campbell-Savours, who think that the case for an identity card system is made, and equally envious of those who come with equal conviction to the other side of the argument. I say that as someone who, with my party, has voted both for and against identity cards. Having revisited this subject recently with some assistance from the Home Office, it seems to me that introducing identity cards now would be a 20th-century solution to a 21st-century problem, since so much identity fraud is now online and forgeries have become much more sophisticated. Other countries are now moving away from physical identity cards to other forms of digital identification of who people are.

Lord Paddick (LD): My Lords, if Ministers had discussed identity cards with border security services, no doubt they would have said, "We don't need ID cards —we need stronger border controls, including effective exit checks". With passenger numbers increasing, why have the Government reduced the budget of the Border Force, forcing it to cut the number of staff at UK airports? This morning two-thirds of the e-gates at Heathrow Airport terminal 5 were closed because of a lack of staff, resulting in queues that will only get worse if we have a damaging Tory Brexit.

Lord Young of Cookham: I think exit checks were reintroduced in May 2015. I will correct that in writing if that is not the case. The Government want tourists to be able to visit this country and not spend a disproportionate time going through passport or visa control. The last statistics I saw a few weeks ago indicated that the average time it takes to get through passport control was coming down, but I take note of the noble Lord's representations. I agree that we should allow people to come in without undue delay.

Lord West of Spithead (Lab): My Lords, the Minister has not addressed the issue, which is that the Government are undertaking work at the moment and have tasked businesses with coming up with options to provide a means of identifying yourself online by using a card with biometrics. If you have a biometric card which identifies you, which is being used so that you can get online to all the government services we want to put online, what do you call it? It seems to me that it is an identity card. If we have one, why can we not use it more thoroughly?

Lord Young of Cookham: I think what you call it is a voluntary system, as opposed to a compulsory one.

Lord Ramsbotham (CB): My Lords, is the Minister aware that there is already an identity card in existence and use? Thanks to the initiative of an organisation called Headway, people with acquired brain injuries are issued with a card which not only has on it their photograph but lists the symptoms that the brain injury has resulted in, such as speech defects or movement defects. That has been recognised by the police and is helping a great deal in preventing people with acquired brain injuries being arrested so often. It is interesting that the police, having recognised that card, are now very much in favour of an identity card, on which such information could be included.

Lord Young of Cookham: I am sure the whole House applauds the introduction of the voluntary system which the noble Lord has just referred to. Eighty-four per cent of the people in this country have a passport. That is a perfectly feasible form of identity available to anyone who wants one.

Procedure Committee
Motion to Agree

3.08 pm

Moved by ***The Senior Deputy Speaker***

That the 1st Report from the Select Committee (Procedural changes arising from the two-year session) (HL Paper 33) be agreed to.

The Senior Deputy Speaker (Lord McFall of Alcluith): My Lords, the first report from the Procedure Committee proposes a number of changes to existing procedures, arising from the Government's announcement in June that the current Session would last for two years instead of the usual one year. In effect, the recommendations will double the present limits by resetting them half way through the Session. The details of the changes proposed are set out in full in the report but noble Lords may find it helpful if I set them out briefly.

First, for both Oral Questions and topical Oral Questions, the report recommends that for the duration of the current Session, the limit on the number of Questions per Member should be reset at the point of any Whitsun Recess or on 1 June 2018, whichever comes first. This would allow each Member to ask a total of 14 Oral Questions and eight topical Oral Questions during the current Session.

Secondly, the report covers Thursday and balloted debates. It recommends that the Thursday general debates should run from June 2017—the start of the current Session—to the end of January 2018, and then again from the first sitting Thursday in June 2018 until the end of January 2019. Balloted debates should run from June 2017, the start of the current Session, to the end of December 2017 and then again from the first sitting Thursday in June 2018 until the end of December 2018; and the limit on the number of balloted debates per Member should be reset at the point of any Whitsun Recess or on 1 June 2018, whichever comes first. This would allow each Member to initiate two balloted debates during the current Session.

Thirdly, the report covers topical Questions for Short Debate and recommends that: topical Questions for Short Debate on every Thursday should run from June 2017, the start of the current Session, to the end of January 2018 and from the first sitting Thursday in June 2018 until the end of January 2019; and that the limit of one topical Question for Short Debate per Member should be reset at the point of any Whitsun Recess or on 1 June 2018, whichever comes first. This would allow each Member to initiate two topical Questions for Short Debate during the current Session.

I hope that noble Lords will agree that these changes are an appropriate response to the longer-than-usual Session. I beg to move.

Motion agreed.

Data Protection Bill [HL]
Order of Consideration Motion

3.11 pm

Moved by ***Lord Ashton of Hyde***

That the amendments for the Report stage be marshalled and considered in the following order:

Clauses 1 to 9, Schedule 1, Clauses 10 to 14, Schedules 2 to 4, Clauses 15 and 16, Schedule 5, Clauses 17 to 20, Schedule 6, Clauses 21 to 28, Schedule 7, Clauses 29 to 33, Schedule 8, Clauses 34 to 84, Schedules 9 and 10, Clauses 85 to 110, Schedule 11, Clauses 111 and 112, Schedule 12, Clauses 113 and 114, Schedule 13, Clauses 115 and 116, Schedule 14, Clauses 117 to 147, Schedule 15, Clause 148, Schedule 16, Clauses 149 to 171, Schedule 17, Clauses 172 to 194, Schedule 18, Clauses 195 to 198, Title.

Motion agreed.

Drug Dealing Telecommunications Restriction Orders Regulations 2017

Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2017
Motions to Approve

3.11 pm

Moved by ***Lord Young of Cookham***

That the draft Regulations and Order laid before the House on 12 October and 11 September be approved.

Considered in Grand Committee on 29 November

Motions agreed.

Community Drivers' Hours Offences (Enforcement) Regulations 2017
Motion to Approve

3.12 pm

Moved by ***Baroness Chisholm of Owlpen***

That the draft Regulations laid before the House on 14 September be approved.

Considered in Grand Committee on 29 November

Motion agreed.

Selection of the President of Welsh Tribunals Regulations 2017
Motion to Approve

3.12 pm

Moved by ***Lord Keen of Elie***

That the draft Regulations laid before the House on 14 September be approved.

Considered in Grand Committee on 29 November

Motion agreed.

Budget Statement
Motion to Take Note

3.13 pm

Moved by ***Lord Bates***

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

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, just under two weeks ago in the other place, the Chancellor set out a Budget to define the UK's future. It was a Budget which acknowledged the fundamental strengths of the UK economy, responded to immediate challenges and laid the foundations for an economy that is fit for the future. It is a privilege to present this Budget to your Lordships' House today.

The Budget demonstrated the underlying strength and resilience of the British economy, which has grown over the past year by 1.5% and has now expanded for 19 consecutive quarters. Employment has risen by 3 million since 2010 and is close to a record high, with a near record number of women in work as well. The unemployment rate has fallen as well, to its lowest level since 1975.

This is all very welcome; however, there remain challenges that need to be addressed. In particular, productivity growth remains stubbornly low. Accordingly, the independent Office for Budget Responsibility has revised downwards the outlook for productivity growth across the forecast period. This has a direct impact on its forecast for GDP growth, which the OBR now predicts to be lower in every year of the forecast period compared to that forecast in March this year. As a consequence, business investment is expected to remain subdued, while inflation is set to peak at 3% this quarter before falling back towards the target over the next year. The Budget therefore takes action to support households and businesses in the near term while investing further to improve productivity and drive future growth in the medium to long term.

The Government have made significant progress since 2010 in restoring the public finances to health, but borrowing and debt remain too high. The Government's fiscal rules take a balanced approach, getting debt falling while continuing to invest in our key public services and keeping taxes low. The OBR reports that, having taken into account the new forecast and the measures presented in this Budget, the Government are on track to meet both their interim fiscal targets during the forecast period. It is in this context that this Budget seeks to address the future challenges and opportunities for the UK, embracing change while providing immediate support for people, businesses and our public services where it is needed most.

This Government have already set in train a series of long-term reforms to deliver real improvements in growth. We have seen more than a quarter of a trillion pounds of public and private investment in our infrastructure since 2010. We are overseeing the biggest rail programme since Victorian times, and we are transforming skills through apprenticeships and the launch of T-levels at the previous Budget.

In this Budget, the Government have taken further steps to increase our long-term prosperity through investing in the skills and infrastructure needed to compete in future. The national productivity investment fund introduced last year will be extended to 2022-23 and funding will be increased to £31 billion. The fund will support an additional £2.3 billion investment in R&D, taking total R&D spend in 2021-22 to £12.5 billion. That is the largest public-sector R&D investment programme over the past 40 years. This will be alongside an increase in the R&D expenditure tax credit from 11% to 12%, an ambition to create the most advanced regulatory environment in the world and further funding to roll out fibre-optic broadband and 5G networks across the UK.

The Government are also committed to using funding from the national productivity investment fund, along with other transport spending, to boost regional infrastructure. Plans include an ambitious strategy to maximise the growth in the Oxford to Cambridge corridor through projects such as the completion of the east-west rail that will connect Oxford to Cambridge by train. The Budget also announced an action plan to unlock £20 billion of new investment in high-growth, innovative businesses in response to the patient capital review.

On skills, the Budget invests £406 million in maths and digital skills to help everybody get the skills they need to succeed in a modern economy. These efforts are complemented by the industrial strategy, which set out a clear plan for how we can boost the productivity and earning power of people throughout the UK and ensure that our country can embrace and be empowered by the excitement of technological change.

We speak about the infrastructure our businesses need to thrive, but we also need to talk about the infrastructure people need to survive. Increasing the supply of housing in the right places supports productivity improvements. It encourages a flexible labour market and enables people to work where they can be most productive, but, more importantly, providing homes is key to building communities and giving families the stability and security they deserve. Yet home ownership has become increasingly unaffordable, with the average house price in England and Wales now almost eight times the average person's salary, compared to 3.6 times two decades ago. The number of 25 to 34 year-olds owning their own home has dropped from 59% to just 38% over the past 13 years.

So the Budget sets out an ambition to deliver 300,000 homes a year, supported by a comprehensive package of planning reforms and targeted investment. It commits over £15 billion of financial support to boost housing supply over the next five years, bringing the total amount of support to £44 billion over this period. It makes proportionate planning reforms, focused on urban areas where people want to work and live, helping towns grow in the right way while protecting the green belt.

But we also want to take action right now to help young people who are saving for a home, so the Budget permanently reduces the up-front cost of stamp

[LORD BATES]
duty for over 95% of first-time buyers who pay it. This is a comprehensive plan that will deliver on the pledge that we have made of ensuring that the dream of home ownership becomes a reality for the next generation once again.

The Budget is committed to ensuring that we have the foundations in place to support growth in the long term, but it also recognises that there are immediate challenges caused by rising prices. So the Budget will boost wages, reduce the cost of living and support businesses by freezing fuel duty, reducing the burden of business rates by a further £2.3 billion, increasing minimum wages and increasing the personal allowance to £11,850, lifting some 1.2 million out of tax altogether.

Finally, I turn to our public services and the taxes we need to pay for them. I take the opportunity to point out that this is the second Budget this year. The investment this Budget provides to core parts of our public services builds on the previous funding that the Government set out, such as the additional £2 billion we invested in social care in the spring Budget. The Budget takes further steps to put the NHS on a strong, sustainable footing, with £6.3 billion of additional funding, of which £3.5 billion will be invested in upgrading NHS buildings and improving care, while £2.8 billion goes towards improving A&E performance, reducing waiting times for patients and treating more people this winter. This is a significant first step towards meeting the Government's commitment to increase NHS spending by a minimum of £8 billion in real terms by the end of this Parliament.

The Budget also commits an extra £3 billion to prepare for Brexit over the next two years, to make sure the Government are ready on day one of exit.

On welfare, the Government are committed to building a modern welfare state that is sustainable, in which work always pays and claimants are supported to increase their earnings. That is why the Government are continuing to roll out universal credit, which delivers long-overdue reforms to the welfare system. However, the Government recognise the genuine concerns raised in many places, including in your Lordships' House, about the operational delivery of universal credit. In response, they are introducing a £1.5 billion package of measures to address those concerns.

The Government are clear that everyone must pay their fair share of tax in order to support our vital public services. The actions taken by this Government since 2010 have secured a £160 billion in additional tax revenue that would have otherwise gone unpaid, and brought the UK's tax gap down to 6%—its lower level ever and one of the lowest in the world. The Budget will continue to collect tax due, with a package of measures that is forecast to raise £4.8 billion by 2022-23.

A sustainable tax system also needs to keep up with developments in the wider economy. The Government recognise that the development of the digital economy creates imbalances between those firms with and those without a physical presence. This is not sustainable. Therefore, the Budget sets out how the UK will ensure that all businesses—both digital and bricks and mortar—operate on a level playing field within the corporate tax system.

In summary, the Budget takes sensible actions in the light of revised forecasts to address the some of the key challenges and opportunities that lie ahead, and in doing so, lays the foundations for a prosperous future. It invests sustainably in our public services, while supporting people and businesses and continuing to invest to secure a bright future for Britain. I commend it to your Lordships' House.

3.24 pm

Lord Tunnicliffe (Lab): My Lords, in opening this debate for the Opposition, I am somewhat in awe of the speakers list, in terms of both its length and, principally, its quality. I will therefore try to be brief. I look on this Budget as a confessional. Economic growth is the lowest it has been since the Tories came into office, and the Budget confirms that failure: growth is revised down in every year of the forecast. The Government have promised to eliminate the deficit by 2015, 2016, 2017 and 2020, and now I believe they say the mid-2020s, yet the answer—continuing austerity—remains the same. The long-term economic plan has been and continues to be a shambles.

The investment promise is inadequate. Labour would bring forward investment in infrastructure in every region and nation to create a high-wage, high-productivity society. Real wages are lower than they were in 2010. The Budget confirms a further hit to living standards in 2017. The national living wage will not be the £9 per hour that was promised when it was introduced; in March it was revised down to £8.75, and it has now been revised down to £8.56. By 2020, average full-time workers on the national living wage will be £900 per annum poorer. If Labour's promise of £10 per hour had been introduced, they would be £3,000 per annum richer.

What is the overall growth effect of the Budget? This can be found in the OBR's *Economic and Fiscal Outlook*, somewhat obscurely, in paragraph 1.19:

> "The short-term fiscal loosening announced in this Budget boosts growth by 0.1 percentage points in 2018 and 2019, but its withdrawal then reduces it by the same amounts in the following two years".

Plus 0.1 plus 0.1 minus 0.1 minus 0.1 equals zero. When have a Government, with an economy as in the doldrums as this one is, ever turned down an opportunity to stimulate it? So growth is low, deficit reduction has failed, investment is inadequate, real wages are static and the national living wage is down.

I turn now not so much to the Budget as to what is not in it. I would call it a hope-free Budget, looking at it from the point of view of the poor, the aspirant, the sick and the old. First I want to look at it from the point of view of the poor. I think few of us in this House really understand what it is like to be poor. I came from a modest background where my household income was certainly in the bottom quintile and probably in the bottom decile. However, they were different times: I lived in a council house where the tenancy was secure and rents were reasonable, and my father was a hospital worker but he knew he had a job and he had stability. Yes, there were things that we did not have, but we did not have fear. I put it to the House that today's poor have fear in a way that probably very few here can understand.

So what have this Government done? By introducing universal credit, they have taken £3 billion per annum from the poor, and this Budget produces a miserly £300 million a year to try to ameliorate the impact. People will not particularly believe me because I am standing here at the Labour Front Bench, but today the Joseph Rowntree Foundation published a report whose key finding is:

"Over the last 20 years the UK has seen very significant falls in poverty among children and pensioners. Twenty years ago a third of children lived in poverty; this fell to 27% in 2011/12. In 1994/95, 28% of pensioners lived in poverty, falling to 13% in 2011/12. This progress is now at risk of reversing: poverty rates for both groups have started to rise again, to 16% for pensioners and 30% for children".

Is there any relief in this Budget for the poor? No.

Let us turn to what I call the aspirant group. What makes society work is social mobility. In my day it was surprisingly more available than people tend to think, and I was lucky to enjoy social mobility. To be fair to previous Governments, this was recognised and a Social Mobility Commission set up, chaired by Alan Milburn. Now, all the commissioners have resigned. I quote from his resignation letter:

"For almost a decade, I have been proud to serve under Labour, Coalition and Conservative governments in various social mobility roles. I remain deeply committed to the issue, but I have little hope of the current government making the progress I believe is necessary to bring about a fairer Britain".

Does the Budget bring any hope of improved social mobility? No.

I turn to the sick. Yes, there was money in the Budget, but because of demographic and other effects, it was effectively delivering a cut. I must commend NHS England on its openness in decision-making. It places on the web its board papers and minutes. Therefore, I was able to look at the paper that the board produced for the meeting immediately after the Budget, which took account of the Budget. Under the heading:

"Be realistic about what can be expected from the remaining available funds",

it states:

"For example, new advisory NICE guidelines can only expect to be implemented locally across the NHS if in future they are accompanied by a clear and agreed affordability and workforce assessment at the time they are drawn up".

That is distinctly different from the present situation, where NICE guidelines are based not on affordability but on whether they are effective and give value. That paragraph continues,

"and even assuming this year's unprecedented elective demand management success continues, our current forecast is that—without offsetting reductions in other areas of care—NHS constitution waiting times standards, in the round, will not be fully funded and met next year".

Press reports indicate that the paper was fully endorsed by the board. The NHS has been honest, but this does not contain hope. Is there any comfort for the NHS in the Budget? No.

Finally, I turn to the old—perhaps we have more empathy with this subject. Let us face it: we all have to think about the last few years of life. Sadly, we live in a society where, throughout our nation, we are likely to feel most insecure in our last few years, because adult social care has been steadily ignored. There is a particular crisis in the care home sector. In July this year, Andrea Sutcliffe, chief inspector of adult social care in the CQC, said:

"Last October, CQC gave a stark warning that adult social care was approaching a tipping point. This was driven by more people with increasingly complex conditions needing care but in a challenging economic climate, facing greater difficulties in accessing the care they need.

While this report focuses on our assessment of quality and not on the wider context, with the deterioration we are seeing in services rated as Good together with the struggle to improve for those with Inadequate and Requires Improvement ratings, the danger of adult social care approaching its tipping point has not disappeared. If it tips, it will mean even more poor care, less choice and more unmet need for people".

That is the CQC's view of the world.

Interestingly, on 30 November, the Competition and Markets Authority reported on care homes. It said:

"Our assessment based on larger providers is that self-pay fees are now, on average, 41% higher than those paid by LAs in the same homes. This represents an average differential of £236 a week (over £12,000 a year)".

It then discusses what will be the effect of that on the market. It argues that the effect is absolutely obvious: care homes will be built where there is a big market for self-pay, not built to meet the needs of local authorities. The area is approaching crisis. It goes on to say:

"Our assessment is that if local authorities were to pay the full cost of care for all residents they fund, the additional cost to them of these higher fees would be £900 million to £1.1 billion a year".

Is there any hope in this sector? No. The care home sector is in crisis, and adult social care is in crisis. For the poor, the aspirant, the sick and the old, this is a no-hope budget.

3.35 pm

Lord Razzall (LD): My Lords, I am sure that all noble Lords would agree on the speech that the Chancellor of the Exchequer wishes that he could have made when he rose to his feet 10 days or so ago. In his dreams, he would have said that world growth is significantly benefiting the UK economy. In his dreams, he would have said that, as a result, company confidence has increased capital investment significantly in the UK. In his dreams, he would have said that there has been an improvement in the skills base driven in part by huge growth in apprenticeships, which is now feeding through to significant growth in productivity. Of course, he would also have said that the strong pound is reducing the inflation rate—and all those factors would be feeding through to stronger tax receipts. Sadly, noble Lords will be aware that quite the opposite is true.

On the basis of the OBR forecasts, which were set out in his Budget speech, productivity is now in the bottom quartile of all our economic competitors. The growth forecast is way below that of our competitors, with the OBR downgrading the 2021 GDP figures by £45 billion by comparison with the 2017 Budget estimates. The OBR indicates that tax receipts by 2021 will be £28 billion less than forecast.

On the Government's own admission, a number of factors are applying to the British economy. The Government recognise that our workers lack the necessary technical skills. They recognise that infrastructure spend

[LORD RAZZALL]

in the UK is not in the top 20 on World Economic Forum ratings and that R&D expenditure at 1% of GDP is below the OECD average of 2.4%, a figure that we are not aiming to reach until 2027. The Government recognise that the number of apprentices is falling. They say that that temporary fall is due to the introduction of the new procedures on the apprenticeship levy. Well, let us hope so.

Of course, there is some good news. Our creative industries are now worth £92 billion to the UK, which shows a 7.6% growth in 2015-16, twice the growth in the rest of the economy. The creative industries sector is probably bigger than our manufacturing sector, as a result. The drop in the exchange rate, as Brexiteers constantly remind us, has helped manufacturing exports—but, of course, the huge increase in import prices as a result of this drop is now starting to hit consumers, who face no real rise in their living standards for years. The Resolution Foundation says that it will see the largest squeeze on living standards for 60 years. As the noble Lord, Lord Tunnicliffe, has indicated, it is the poorest 20% of families who will be hit the hardest by this.

On the plus side, the corollary of poor productivity is a record high level of employment. It seems that, without any deliberate decision, we have sleepwalked into a world of low-paid jobs rather than improvement of skills and spend on R&D and infrastructure.

The Government's big idea, I suppose, is the industrial strategy. It is a big idea of interventionist sector deals, which Tories traditionally baulk at—but, in this case, they are wilfully imprecise. Maybe the free market needs a strategic nudge from the Government, but a deliberate lack of detail in a chosen four industries—life sciences, construction, artificial intelligence and automotive—is worrying, and the arrangements with Nissan are, of course, still top secret. Nevertheless, we have to praise the industrial strategy. After all, its grandfather was the noble Lord, Lord Mandelson, its father was Vince Cable and its child is Mr Clark, so we cannot object to it across the Floor, but the proof obviously will be in the results.

There can be no doubt that the most challenging issue facing the British economy is Brexit. Without a successful Brexit, the business confidence and investment necessary to maintain our economy will not take place and it will continue to bump along the bottom as measured against all our economic competitors. We all know what industry wants: manufacturers want a tariff-free environment and a frictionless border. There are examples of that within Europe—for example, Sweden and Norway have an allegedly frictionless border. However, everybody knows that it is not entirely perfect. Companies such as the motor car manufacturers and Airbus want to move their components freely across borders in a tariff-free, frictionless environment. The finance industry wants to sell its services across Europe. The creative industries which, as I said, are now probably bigger than the manufacturing industry, want no restrictions on trade within Europe. Everybody wants the continuation of regulatory systems without necessarily establishing new structures employing tens of thousands of civil servants if we attempt to replicate what we have been used to in the European Union.

Time is lacking. The banks have to make key decisions on whether they relocate some of their functions outside the United Kingdom. The car manufactures have to decide where they will source new models and companies such as Airbus have to decide where they will source the next generation of their planes. Therefore, the ball is very strongly in the Government's court. Those who advocate a hard Brexit must recognise that if we do not have something equivalent to a single market and the customs union, the OBR forecasts are likely to be grossly optimistic.

3.42 pm

The Lord Bishop of Portsmouth: My Lords, one of the duties in which I take particular pleasure is chairing the governors at Ripon College, Cuddesdon, just outside Oxford, a theological college at which men and women are prepared for ministry. It is known by those associated with it more colloquially as a vicar factory. Notices around the college remind the residents that, after night prayer or Compline, they are expected to abide by what is known as the great silence. It is not, I suspect, adhered to with the same severity as in years past. Indeed, one has a sense that the silence masks all kinds of feverish activity, all of it associated with theology, of course.

Last week's Budget was characterised by a great silence on two issues, and that silence too hides, I suspect, feverish activity and fevered discussions on social care and defence. On defence, I cannot help but think that behind the silence, titanic struggle is joined. We hear an echo of that struggle in the media. The new Secretary of State kept his cards close to his chest at defence Questions. My anxiety is that others will determine what cards he holds, and that he will not be dealt the hand he, or we, would hope for.

I comment on just one area on which I have touched before: capability. I endorse the Government's rhetoric and aspiration on defence but remain concerned that we do not, and will not, have the resources to deliver on that rhetoric. We have responsibilities as a force for good in the world which we may not be able to meet. That is bad in itself for those we seek to assist and bad for our ability to combat evil, but it is just as bad for how Britain is perceived in the world, especially by those who would do us harm. This will be thrown into stark relief on Thursday: we will all stiffen with pride as HMS Queen Elizabeth is commissioned by Her Majesty in Portsmouth. Many of us will also be concerned that we do not and will not have sufficient capability to support this great ship.

My second point concerns social care—the subject of another great silence. I did not hear a syllable on it pass the Chancellor's lips. The status quo is bad enough. The decision to link business rates to CPI, not RPI, is no arcane statistical recalibration. It may be good for business; it is surely bad for hard-pressed local authorities, reducing their already highly pressurised ability to fund social care. It goes without saying that the losers will be those who need, and deserve, care. The Government have committed to publish proposals on social care in the summer, and thereafter to consider responses. Action is not on the horizon. Somewhere over the rainbow is a long time away for a situation that is already unsustainable.

My third point is on an issue about which I have spoken before: universal credit. Here my point is also about a silence although not one, I fear, which betokens feverish activity. I recognise the care that the Government are taking over universal credit and once again confirm my support in principle for a coherent system that enables and encourages work. However, I have, alas, a degree of scepticism that the Government's confident statement that people are moving into work faster and staying in work longer can be justified, since rollout of benefit currently covers 9% of those it will eventually apply to, and the basis for the claim is data from three years ago, albeit only published this September. Perhaps the Minister will confirm that later. This is an extrapolation too far, based on modest—to say the least—rollout and out-of-date evidence.

I also urge the Government to be careful as they consider responses to their consultation on eligibility for free school meals. One of the welcome attributes of universal credit is to encourage work and remove cliff-edge changes in support. An arbitrary, and probably low, earnings threshold for free school meals entitlement would be a return to the bad old times.

Finally, I remain animated by the moral injustice of the taper rate. I acknowledge the Government's action in reducing it by 2% last year and that under universal credit it is lower than it was. The issue is one of equity. It is surely wrong that those on universal credit who are on the lowest incomes and are doing the right thing by going back to work are subject to a clawback or withdrawal of a minimum of 63%. That rises if you pay national insurance, to a 75% marginal rate if you earn over £11,500—a figure which is soon to rise—and are liable to income tax, and more still if housing benefit is factored in. We are invited to believe that the bulk of the population, like many in this House, behaves one way with marginal tax and national insurance rates of 32% or 42%, but those on low incomes behave in another, facing much higher rates.

The Government are showing commendable thoughtfulness in seeking to get universal credit right. These are areas where they should think again. I trust that the silence to which I have pointed will be a prelude to a burst of activity.

3.49 pm

Lord Wakeham (Con): My Lords, I am delighted to follow the right reverend Prelate the Bishop of Portsmouth. I do not quite live in his diocese—I live on the very edge of it, in Winchester—but I have heard him speak on many occasions. I do not usually agree with him and I am not sure that I entirely agree with him this time, but he always makes his case very persuasively and he adds greatly to the debates in the House. I congratulate him.

I first spoke in a Budget debate in the spring of 1974 following Denis Healey's first Budget, and I have spoken in most of these debates ever since. I am pretty sceptical about the Budget forecasts that Chancellors make on growth, inflation, productivity and what have you. I am not saying that they are always wrong but they seem to be wrong as often as they are right, and it remains to be seen whether this Chancellor is right or wrong. I hope that things will be better than he suggested. I can well understand why George Osborne subcontracted the forecasting problem to an outside body, so it is not revolutionary to be somewhat cautious about Budget forecasts.

Of course, our productivity is too low, and I welcome the steps that the Chancellor is taking to improve matters, but I am particularly concerned about the way we make comparisons regarding our productivity without mentioning the level of employment in this country. Employment and low unemployment are, in their different ways, both at record levels, and I do not believe they can be totally dissociated from productivity. They are things which any civilised society ought to be proud of. If you add to that Brexit and the need to recover from the economic disaster of recent years, my view is that the Chancellor did a pretty good job in his last Budget.

Looking at the measures that have or have not been included in the Budget, I think that one or two things could have been done differently. The last time I spoke on these matters—it seems only a few days ago that my noble friend spoke from the Front Bench—I was very critical of the level of consultation between HMRC and professional bodies over taxation matters. Maybe I was a bit unfair, as I was very pleased to see from the Red Book that the Government will consult before making any changes to taxing the self-employed. That is good, but the Government have a role in that. They need to make the differences in taxation and national insurance between the self-employed and the employed as small as possible. It is not easy but, the more they can do that, the less of a problem they will have.

When I was in business years ago, Jim Callaghan, as Chancellor, gave capital allowances at more than 100% for a short while. That increased capital expenditure and was particularly valuable to a number of small businesses, and is another thing the current Chancellor could do.

Perhaps I may for a moment look back to when I ran a small businesses. My difficulty with getting working capital was due not to the cost of the capital but to my inability to persuade the banks to lend me the money that I needed. That was much more difficult than the rate of interest I had to pay. Of course I wanted the lowest rate I could possibly get, but that was not the main factor. Currently, many people who are not in business—I guess that some here today are—have money in their bank current account, whereas if they put it on deposit they would get interest of 0.5% or 1%. I just wonder whether the banks could be encouraged to find a way of lending money to smaller businesses to a greater extent than they currently do, and perhaps give a slightly greater return to those with deposits.

The Government will know—there is no need to go over the subject again—how carefully we shall be watching their progress on the Making Tax Digital initiative. What they are doing is highly desirable but, as I said in the last debate, they have set about it in the wrong way. HMRC knows what has to be done to make these desirable reforms happen. The Government need to encourage it to do it in an acceptable way.

I will finish on a much bigger issue facing us, and in particular the Treasury and HMRC. The Chancellor certainly referred to it, but we have not yet got to the

[LORD WAKEHAM]
problem. I think all of us realise that we are at the beginning of a massive industrial revolution in which technology will revolutionise our whole economy. Much of this is good, but there are dangers. The five biggest companies in the world are now internet companies. They will fundamentally change the fiscal landscape, and that trend will continue. We have to work out how to handle that in terms of taxation and a competitive marketplace. These enormous companies can make their profits and pay tax, I suspect, pretty much where they like, and as a result corporation tax will become yesterday's tax before very long. The answer is that if you are a small business based in the UK, you will pay corporation tax; if you are a big, powerful company that trades internationally, you will have many other options.

Coupled with this is the ability of any of these super-national corporations to enter virtually any business they want and put the competition out of business through predatory pricing. That runs the risk of standing on its head virtually every norm on which our economy and many of the world's economies have been run, changing them beyond recognition. I think the Government understand this, and I hope proper consideration is being given to the problem of the downsides, as well as the upsides.

3.56 pm

Lord Darling of Roulanish (Lab): My Lords, it is a pleasure to follow the noble Lord. I agree with everything that he said in terms of his last point on the problems that all Governments face with large corporations. I also have some sympathy with what he said about forecasts and Budgets. I presented no fewer than six separate forecasts in my time, during a rather turbulent period, so I understood what he was saying. Before I turn to the Budget, I draw the House's attention to my entry in the *Register of Lords' Interests* in that I chair the Standard Life Foundation and am a director of Morgan Stanley.

Regarding the Budget, on any view the forecasts tell us one thing: that 10 years after the financial crash, our economy has still not returned—or showing any sign of returning—to the growth levels that endured in the preceding years if not decades. That ought to worry us. Whether or not the figures are precisely right, and they probably are not, they give us a fairly strong view of what is happening in the economy—which is that the economic prospects that we thought by now would have been getting a lot better appear to be stagnating, at best, if not deteriorating. Of course, that has implications for us all.

I note simply in passing that it seems a long time ago that I was told that my assumption that you could halve the deficit between 2010 and 2015 was dangerous thinking. Here we are now, where the whole target has slipped back. As I understand it now, we are expecting to balance the books on the never-never—it is just slipping into the distance. There is a problem in that our economy seems to be stagnating, and I think it is absolute fantasy to believe that if only we were free of the European Union at the earliest opportunity, somehow things would get better. Indeed, I would argue that, at the very time when the economy has been limping along, the last possible thing we need is the biggest disruption to our economic prospects since the Second World War.

I want to say a word about infrastructure. Like everybody else, I welcome what the Chancellor said on housing. However, none of this will resolve the fundamental problem, which is that not enough housing is being built. It used to be a badge of honour of successive Governments, Conservative and Labour, after the Second World War, to say how many houses they had built in the preceding five years. Housing policies, rather like industrial policies, went out of fashion in the 1970s and 1980s. Unless and until we resolve the problems in relation to planning permission, the problem will subsist.

My noble friend Lord Tunnicliffe referred to today's Joseph Rowntree report. One thing that it identified that is causing an increase in poverty is rising rent levels. Fundamentally, that is a problem of a lack of supply. This is not just a London problem: it is a problem in most towns and cities throughout the whole of the United Kingdom. Unless the Government accept that and find a way to speed up the planning process and remove some of the logjams, the problem will simply subsist.

I will say a word, too, about the railways. Yes, it is welcome that the investment in railways is largely being sustained. When we started doing that in the late 1990s it led to the huge increase in the number of passengers using our railways. Last week, however, we saw something that is an issue of good governance. The Government appeared to announce the prospect of reopening a whole bunch of lines closed by Beeching in the 1960s. Actually, I doubt whether we will see any one of them opened in our lifetimes. But buried in the small print of the same announcement was the fact that Virgin Trains East Coast was being allowed to hand back the keys to its franchise three years early because it was finding the going a bit tough.

There is a pattern here. Railway companies are signing up for franchises and making all sorts of assumptions but when it gets difficult, they hand the keys back. If the Government take them back without penalty we will simply see more of this. For four years I tried to make the hybrid system that we have on the railways work. I found at times that it was difficult. Bringing the two, track and train, together is essential, but it was very ad hoc. I am not sure that we have not reached a time when this model is broken and needs to be looked at again. However, we certainly cannot have a situation where all the risk lies with the taxpayer and any profit goes to the individual operator. Noble Lords will know that I am probably not the most ardent Corbynista in my party, but there is a real problem here that we need to address.

I welcome the industrial strategy. However, we are very good in this country at producing industrial strategies—what we have to master is implementing them. This one is welcome. It has lots of the stuff that my noble friend Lord Mandelson published nearly 10 years ago, and I think the coalition Government did too, but we need to do more. Some would argue, and I would argue, that perhaps the best industrial strategy to help our industry and our country would be to avoid the worst effects of Brexit. The second-best strategy would be to have a strategy as to what we want in these Brexit talks, because I cannot see that the Government actually know where they want to go. They talk about transitions but you can transition only if you are going from A to B. If you do not know where you are going, it is little more than a standstill agreement.

Even as we debate this afternoon, discussions are going on over lunch in Brussels. It must be some lunch because I understand that it is still going on. But if it is true that the Government are contemplating saying that Northern Ireland will be in the customs union and the single market in all but name, you begin to ask: why on earth are we getting into this mess in the first place? If we are really saying, "Don't worry: nothing is going to change in Northern Ireland and the border won't really exist", why should not other parts of the United Kingdom get exactly the same treatment? How will it operate in practical terms if someone sends a good from Liverpool to Belfast and it then crosses the border? Obviously, in Liverpool, too, there will be no divergence in terms of construction regulations and so forth. It seems a very odd way of going about things. If it is true, it blows apart the entire argument for Brexit. If we are saying, "Actually, we're leaving but nothing is going to change except that the European Union will make the rules and we will have no say in what they do", it seems absolute nonsense.

We will presumably see by the end of lunch and the beginning of dinner where we get to on all of this, but if it is true, the Government need to think long and hard about the implications, as they do about what transition actually means. By the way, I welcome that it now seems to be common ground that we will have a transition agreement if for no other reason than that we have run out of time—which is a warning of where we are and are likely to be in the future.

The last thing I want to touch on—there is no time to develop this theme but we will return to it again and again, and it has been adverted to by previous speakers—is the growing problem of income inequality in this country and the problems between the generations that are now building up. The Joseph Rowntree Foundation report is well worth reading. It is not just about rents. Another issue that it raises is the fact that getting people into work cannot now be assumed to be sufficient in itself to get people out of poverty. The whole question of financial well-being is one reason why I referred to the Standard Life Foundation, which is about to commission research into that issue. We need to look at this because it is a very real problem. Every time we look at Brexit and other such events, people say that this issue must be addressed, but we do not get round to doing so. It is a real problem and one that we cannot afford to ignore.

4.05 pm

Baroness Pinnock (LD): My Lords, I want to focus my remarks on what was not in the Budget Statement. The right reverend Prelate the Bishop of Portsmouth has already raised concerns about social care, and I make no apology for doing the same.

Before I start, I draw the House's attention to my interests in the register: I am a councillor on Kirklees Council and a vice-president of the Local Government Association. Therefore, I speak with some experience about the real and direct impact on people in the absence of government action on social care funding.

The Chancellor made no mention of the crisis in care for adults who depend on local authorities to fund all or part of their care. Those adults include older people—we often focus on that—and adults with complex physical and learning disabilities. The fact that there is a funding crisis is well-documented. A House of Commons Library briefing last month described adult social care as the largest discretionary budget of local authorities, and it is in crisis.

In my own council, the combined proportion of the net council budget for adults and children's social services is 70%—70% of the council's total net budget is spent on the care of others. That ratio has grown significantly, across my council and all councils, as cuts are made in other services, such as road repairs and keeping libraries open, to enable care to be provided.

However, the consequences of continued and substantial cuts in local authority spending by the reduction in central government grants, plus increasing numbers of older people in need of care and the rising costs in the care sector, have resulted in people not being able to get the care they need. One estimate is that there are 1 million people in this country who are not getting the care that ought to be provided. The reason for this, apart from the consequences of funding, is that councils are reducing eligibility criteria so that only those with the most urgent and complex needs qualify for care; everybody else is left to cater for themselves. The Local Government Association estimates that there will be a £2.3 billion funding gap by 2019-20. That is only for adult social care.

This is not just a local government perspective on what is going on. As has already been said by the noble Lord, Lord Tunnicliffe, the Competition and Markets Authority reported last month that the care sector is not sustainable. The Institute for Fiscal Studies analysed care funding from 2009 to 2016, and it concluded that chronic underfunding and short-term fixes are making it simply impossible for local authorities to plan effectively. On local government funding, the IFS went on to comment that it is not appropriate to use an outdated formula that everyone agrees is no longer fit for purpose. Which?, the consumer campaigning organisation, also investigated the care home market and reported last month. It concluded that the crisis is real and that urgent action is needed now.

Last month, prior to the Budget, the King's Fund said that unless the Chancellor finds additional funding in the Budget, people will be denied the care they need. In 2016, the King's Fund produced a report on the care sector that stated:

> "Access to care depends increasingly on what people can afford – and where they live – rather than on what they need".

It went on to state:

> "Local authorities have little room to make further savings, and most will soon be unable to meet basic statutory duties".

So the crisis is real and getting worse. That cannot be disputed.

[Baroness Pinnock]

The Government can, of course, point to some sticking-plaster fixes. They have passed on the cost of social care to some extent to hard-pressed council tax payers by enabling councils to increase council tax by adding a 3% social care precept last year and this coming year. In the spring financial statement, the Government allocated additional funds over a three-year period—which, of course, is not sustainable—and then tied that funding to NHS bed-blocking criteria, rather than trying to deal with the fundamental answer to the crisis.

We have been promised a Green Paper—we have been promised one for a long time now—to lay out a long-term solution. We have had the Dilnot report, which you would have thought would be a sufficient solution. The Green Paper is now promised for next summer, but a Green Paper is a long way from a fundamental fix for the situation. Meanwhile, people struggle with daily and basic living needs.

So I ask the Minister: do the Government agree that there is a funding crisis in adult social care and that there is duty on them to provide leadership and solutions with additional long-term funding? If so, the failure to address the need is both inexplicable and damning. I have not even referred to children's social care, which is by some estimates facing an even greater funding crisis. I look forward to a constructive and positive response from the Minister.

4.11 pm

Lord Maude of Horsham (Con): My Lords, I draw attention to my entry in the register of interests. It is a pleasure to follow the noble Baroness, Lady Pinnock, and those other distinguished Members of your Lordships' House who have spoken. I warmly commend my noble friend the Minister on the lapidary way he opened the debate, making a persuasive case, which sometimes gets lost, that most of the fundamentals of the UK's economy are in pretty decent shape.

I will focus particularly on the Government's fiscal stance and where it is heading, but I note in passing the tendency in this debate, as is often the case in Budget debates—I do not go back quite as far as my noble friend Lord Wakeham; my first Budget debate was my noble friend Lord Lawson's first in 1984—to lament the lack of fiscal discipline and to plead for more public spending. I share the concerns that the date at which fiscal balance will be struck has receded. Every year it seems as far away as it was the year before. We have to accept that if we want that date to come further forward we have to exercise real discipline over public spending.

I will focus on productivity, particularly in the public sector, which got less of an airing in the Budget than productivity in the private sector. The ONS tells us that in the years between 1997 and 2010 productivity in the public sector was essentially flat, while in the private services sector—the nearest analogue we can find—it rose by nearly 30%. During the coalition Government, with the strong support of Liberal Democrat Ministers in that Government—I worked very closely with Sir Danny Alexander during that time—we discovered that we could get more for less in the public sector. There were plenty who said at the outset that it was simply impossible; we showed you can. We saved cumulatively some £50 billion from the overhead running costs of central government during that time. If we had not done that, the national debt would have risen by that amount, or there would have been tax increases, or front-line services and programmes would have been cut by that amount. In the Autumn Statement of 2014, we published a document, signed off by George Osborne, Danny Alexander and me, which showed that, by 2020, one could essentially do the same again and double those efficiency savings from central government. However, there seems to have been a sad loss of focus on that objective since. I would be grateful for some reassurance from my noble friend the Minister that this is still a priority for the Government.

We achieved those savings by strong leadership from the centre of government, particularly with central authorities for those cross-cutting functions of government which receive far too little attention, either from the Civil Service or from politicians. Let me give a couple of examples. We persuaded a reluctant Treasury to put in place a full-time head of financial management for government. In any big complex organisation in the private sector, it would be automatic that such a post would exist, with finance directors in disparate parts of the organisation having a strong reporting line into that head of financial management. That has now been disbanded. The head of financial management for Her Majesty's Government is now the finance director in the Ministry of Justice. He is a very talented individual, but he is looking after a budget of some £20 billion, and he cannot possibly give the leadership to financial management that it requires. The Government Digital Service, now copied in many places around the world, which saved vast amounts of money by putting services online, supported a burgeoning tech sector in this country and got the UK Government to the top of the UN's ranking for digital government last year, seems largely to have been marginalised.

Two weeks ago in this House, we discussed the case of the chief executive of the Student Loans Company, who has been summarily dismissed having been brought in as a seasoned and robust operational leader to turn around that failing organisation. Productivity in the public sector will not improve if seasoned operational leaders brought in to turn around failing organisations in the public sector are driven out at the very moment when they are beginning to get to grips with its failings.

The other side of sound money is the need for the country to earn it before it is spent. I want to say a quick word about the industrial strategy. I am an old, unreconstructed Thatcherite, proud to have served in the Thatcher Government in the 1980s, when the whole idea of an industrial strategy was deeply unfashionable. I think that what we now see as an industrial strategy is a very different beast from what was regarded very poorly at that time. Then, the focus was on very large companies, often state owned, and on the companies themselves rather than on the sectors that could benefit from support. This time—and great credit is due to Vince Cable for the work he did in making the case for an industrial strategy in the coalition Government—the focus has been much more on the need to support the seeding, expansion and growth of smaller businesses, particularly through things such as the catapults, which were a feature of the coalition Government.

That requires a relentless focus on enterprise. Making that case should be an open door for the millennial generation. The young people of the generation of my children, in their 20s and early 30s, are much more likely than was my generation to be doing their own thing, to be starting something up—sometimes speculatively, sometimes developing something very serious indeed. The case for enterprise as the mainspring of economic growth, wealth and prosperity for all is more important today than it has ever been.

I echo the point made by my noble friend Lord Wakeham that when the Revenue takes the approach that it has sought to take towards the taxation of self-employed people, we need to be very careful. When I was Financial Secretary, the Inland Revenue, as it then was, had a rooted belief that people became self-employed only to pay less tax. The truth is that most people become self-employed because they want to make something happen and to have control of their destiny. They are taking a risk, which we as a society ought to be encouraging. I encourage my noble friend to take back from this debate to the Treasury that we want to see a sensible, risk-weighted approach to how we tax self-employed people.

4.20 pm

Baroness Blackstone (Lab): My Lords, I declare an interest: I chair the board of the Orbit Group, a large housing association, and it is on housing that I want to focus all my remarks. It seems appropriate to do so as we were told some time before Budget day that housing was to be the centrepiece of the Chancellor's announcements. While there are some welcome proposals in the Budget, unfortunately the actuality does not match the preceding hype. Andrew Sentance, a former member of the MPC of the Bank of England, described the Budget as a whole as,

"a bits and pieces budget",

with "small measures" and "little impact". I describe the housing sections as medium-sized measures with a likelihood of limited impact when very large measures are needed to have a substantial impact on the serious housing crisis we face. The Government's White Paper which came out before the 2017 general election recognised that the housing market was bust and proposed some, although not enough, radical measures to address the massive problems we face. The Budget picks up on some of the proposals in that White Paper but is not nearly ambitious enough if we are to crack these problems.

As my noble friend Lord Darling said, at the heart of the issue is a problem of supply. We simply do not have enough houses to go around, especially in London and the south-east, but elsewhere too. Moreover, there is an acute shortage of social and affordable houses for rent. This supply-side problem has driven up the price of houses for sale, making them unaffordable for most first-time buyers, yet until now the Government have fiddled around with demand-side measures, such as Help to Buy, that have driven prices up further. I congratulate the Chancellor on recognising that we need to build 300,000 new homes per annum, which is a big increase on the 140,000 average over recent years, but it is a sad reflection on our failure to give new housing the importance it deserves that the last time this country built more than 250,000 new homes a year was under the Labour Government of the 1970s.

The target is to achieve this supply increase by the mid-2020s. I recognise that it will take time to achieve the target but I wonder whether there is enough urgency in the Government's proposals and whether the £15 billion of new money will be enough to get us there. Incidentally, it is not the £44 billion that was hyped up earlier. I welcome the decision to loosen the housing revenue account borrowing cap on local authorities in areas of high demand for housing. This was a central recommendation of the Economic Affairs Select Committee, on which I sat, in its report on the housing market.

We must be pragmatic and go for a mixed economy in the building of new homes, to which public and private sectors both contribute. I remind the House that in the 1970s 40% of new accommodation was built by local authorities. The ideology of the 1980s and 1990s, of cutting them out and leaving it to the private sector, has contributed to the mess that we are now in. Local government must return to building more social housing for rent, sometimes in joint ventures with housing associations. Allowing them to borrow to do so is vital. I agree with the LGA, the RICS and others that the lifting of the cap does not go far enough to get to the scale that is needed to reach the 300,000 target.

It is obviously crucial to building new homes that land is available and that better use is made of it. Sadly, this Budget fails to address this issue adequately. The National Housing Federation is right to say that the Government must stop selling public land at the highest possible price. They should update their guidance on best value so that all public bodies are required to set a price for their land that will support the delivery of more affordable housing. The Government should also insist that unused brownfield sites owned by their own departments should be sold off in areas of high need. A more radical approach to support social and affordable housing would require new developments on private sites to set aside 35% for it and for public-owned land to deliver 50% affordable housing.

Turning to the related subject of planning reform, I accept that focusing on urban areas and avoiding the green belt avoids a political storm in many Conservative constituencies but I wonder why the Government have not been brave enough to include a policy of green-belt swaps so that suitable sites on the edge of urban areas could be made available for housing. Perhaps the Minister could say whether this will be considered in the review of the planning system that was announced in the Budget. Resolving the scandal of the discrepancy between planning permission levels and the building-out rate should not be batted into the future by including it in the proposed review. We need action now so that developers are forced to get on with the job after permissions are granted. The suggestion that densities in urban areas should be increased and more small sites should be made available is welcome, and I congratulate the Mayor of London on announcing his intention to adopt this approach.

[BARONESS BLACKSTONE]

I will end with one of the few tax changes announced in the Budget: the abolition of stamp duty for first-time buyers purchasing a property costing £500,000 or less for the first £300,000 of the price. Apparently, Conservatives in another place cheered this announcement. Perhaps they should think again. The cost of the concession is an enormous £3 billion and it helps only a tiny proportion of those with housing need. Because this is a permanent reduction in stamp duty for first-time buyers, the OBR has calculated that it will increase the price of properties by twice the size of the tax saved; in other words, a first-time buyer of an average-price property will experience a £3,200 price increase to offset a £1,600 tax cut. This really is a nonsense. Moreover, the OBR calculates that the change will increase the number of first-time buyers by just 3,200.

In addition, the Resolution Foundation has calculated that this change will make a tiny difference to how long it takes a first-time buyer to save for a new property. Thirty years ago, it took three years. The current estimate is 19.1 years. Removing stamp duty will lower it to—wait for it—18.5 years. This is not a gain that young people would think worth a celebratory drink in their local pub. The £3.2 million spent on tax relief would be enough to provide government funding to support building 400,000 social rented properties in high-demand areas or to see around 140,000 properties built through the Government's own Housing Infrastructure Fund. Would the Minister care to comment on this in his reply, especially since these figures are from the OBR?

In conclusion, of course there are elements in the Budget's housing provisions to welcome. However, I regret that the Government have not been radical in devising policies to ensure that they reach their targets. I fear that the Government have not matched the expectations we had of them after the PM dedicated her premiership to fixing "the broken housing market" and the Chancellor trailed this Budget as the "housing Budget". It has been a lost opportunity. What is needed most is a big, comprehensive housebuilding programme directly commissioned by the Government, working with local authorities and housing associations. Then and only then will the target of 300,000 new homes per annum be reached, and then and only then will the poor and the just about managing have the housing and, in the words of the Minister in his opening remarks, "the stability and security they deserve".

4.29 pm

Lord O'Neill of Gatley (CB): My Lords, despite a lot of obvious things that—understandably—worry many people around the world, in fact the world economy has strengthened quite notably in 2017. Based on many of the indicators that I have followed for a very long time, the world economy is ending 2017 on a cyclically rather strong footing. I suspect that when we look back, world GDP growth may have been in the vicinity of 4% this year. In addition, eight of the 10 largest economies in the world have accelerated at the same time. The other two, India and—surprise, surprise—the UK, have weakened. Rather interestingly, even both of those have in recent weeks shown some better signs after their previous disappointments.

This level of global economic activity is probably the best that we have seen for 10 years and some of the economies most relevant to us here in the UK are showing particularly good signs, ironically including the eurozone. Its November purchasing managers' index, published just last Friday, was the strongest since 2000. Of course, this is merely the cycle and, as I said, there are all sorts of things that worry people all the time, many of which could derail the global economy at any stage. But I say all this because it is important to remember it as the backdrop to the Budget.

In this regard, it is disappointing that the UK economy has slowed, although there may be a reason why the economy has not slowed as much as some might have thought. Looking forward, if this global environment were to remain so benign, it might help us more than many of us have previously thought with some of the challenges ahead, including of course Brexit. As I have stated in this House before, as important as I believe Brexit to be, we have bigger challenges here in the UK which, if addressed, could actually help diminish the dilemmas of Brexit, as well as forming an appropriate response to the challenge. At the core of these are weak productivity, poor educational outcomes for a country with our development, poor skills and regional and intergenerational inequality.

I therefore re-emphasise that some recent signs in the UK, albeit tentative, show surprising improvements. Our own November purchasing managers' index, also published last Friday, was the strongest for four years. Moreover, and in my judgment of greater importance, there are tentative signs of regional economic change, especially in parts of the so-called northern powerhouse. Many people are still unaware that we have regional purchasing managers' indicators: up to October, those regional PMIs show the north-west in particular, but also now Yorkshire, continuing to outperform London as they have for most of this year. Employment trends have also been stronger in some of these areas in recent months. On top of this, there are perhaps growing signs that the peaking of house prices in London is not yet being followed elsewhere in the country; indeed in parts of the north and elsewhere, house prices are picking up somewhat. If for some reason these trends were to persist—this is very tentative—they would be highly welcome developments which, among other things, would have a large impact on regional inequality in the UK.

Against this global and domestic background, and given the rather emotional political environment, I believe that the Budget was quite sensible. The Chancellor is to be commended for avoiding some of the considerable pressures for major shifts in taxation or spending. It is also possible that with the abandonment of its acknowledged previous multi- year anticipation of a future improvement in productivity, the OBR could still turn out to be wrong but in a different direction. While there are obvious reasons that can explain our persistent productivity weakness, some of which I have spent far more time looking at than I sometimes think I would like to have done, many aspects of them remain a bit of a mystery. It is also the case that despite persistent tightening of the labour market our productivity could suddenly start to improve—even if we do not know why—especially if wages were to accelerate.

The whole issue remains quite uncertain, as it was even without the OBR's shift. Whatever path follows on this score, the Chancellor was right to focus on policies to boost productivity rather than pursuing a major shift in spending or tax policy focus. It was especially heartening, after a gap of more than 12 months, to see fresh policy measures, albeit modest, with respect to devolution. In this regard, I congratulate those in North Tyneside as well as the Government for their persistence in these endeavours, and encourage others in the remaining urban areas of England to put aside their ongoing petty squabbling and seize these greater opportunities. There may be many reasons why the north-west economy has recently started outperforming elsewhere, but being a trailblazer in the context of devolution certainly has not been a hindrance. Let us have some more of these policies as we may have found something that is actually working.

I shall finish quickly with a cautious welcome of the industrial strategy launched a few days after the Budget. It is so easily fashionable to dismiss it as merely a set of good concepts and wishes, which indeed it is, but it is generally the right sort of framework in which to deliver further long-term economic improvement, especially in helping to contain the damage from Brexit and other inevitable things that lie ahead. The focus on significantly boosting government support for R&D as well as more financial support for those emergent sectors that might develop as world-class industries are the right sort of policies, as are even more ambitious policies with respect to place-based devolution. The Government should get on and deliver them.

Social Mobility Commission
Statement

4.36 pm

The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con): My Lords, with the leave of the House, I will now repeat a Statement made in the other place by my honourable friend the Minister of State for Children and Families:

"Thank you very much indeed, Mr Speaker, for taking this Urgent Question, which gives us an opportunity to underline our commitment to improving social mobility in our country.

I am extremely grateful to Alan Milburn for his work as chair of the Social Mobility Commission over the past five years. We had already told him that we planned to appoint a new chair, and we will hold an open application process for that role to ensure we continue to build on this important work and that the foundation laid by Alan Milburn and his team can be built on.

Tackling social mobility is the department's priority. We are driving opportunity through the whole education system. We have made real progress in recent years. The attainment gap between disadvantaged children at the end of reception has narrowed. The proportion of eligible disadvantaged two year-olds benefiting from funded childcare has risen from 58% in 2015 to 71% in 2017. We are putting more money into the early years than ever before, spending a record £6 billion per year on childcare and early education support by 2019-20.

We are also increasing the number of good school places, with 1.9 million more children in good or outstanding schools than in 2010. There are more than 15,500 more teachers in state-funded schools in England than in 2010. The £140 million strategic school improvement fund will target resources to support school performance and pupil attainment at the schools that need it most. The attainment gap, as highlighted by the commission, between disadvantaged pupils and their peers has narrowed since we introduced the pupil premium, now worth around £2.5 billion per year, a coalition policy we continue to embrace.

We know that there is more to do, and we are focusing on areas of the country with the greatest challenges and fewest opportunities, including investing £72 million in 12 opportunity areas. Plans for the first six areas were published on 9 October, and we will publish plans for the second six areas early in the New Year.

The outgoing chair of the Social Mobility Commission welcomed the launch of the opportunity area programme and the Government's commitment to addressing disadvantage. This remains a priority for the Government".

4.40 pm

Lord Watson of Invergowrie (Lab): My Lords, I thank the Minister for repeating that Statement. However, those words and the catalogue of claimed achievements are in stark contrast to what the outgoing chair of the Social Mobility Commission said yesterday, and indeed what the Joseph Rowntree Foundation report said today. I am not making a partisan statement, because of course one of those resigning from the commission was the noble Baroness, Lady Shephard, a former Conservative Secretary of State for Education. Reinforcing that is today's editorial in the *Times* newspaper—not a source I normally quote, and usually a friend of Conservative Governments—which said of Theresa May that the resignations were,

> "an embarrassing failure of both politics and policy … No wonder her social mobility commissioners have quit".

When the commission was established in 2012, it was as the Social Mobility and Child Poverty Commission and had nine members. Two years ago, the Government indicated that they regarded child poverty as having been ended, because they dropped that part of the commission's title. They also took away its remit to advise Ministers. Meanwhile, the number of commissioners had dwindled to four.

How can the Government claim to have social mobility as an aim when at this year's general election, their manifesto contained a proposal to increase the number of grammar schools—the effect of which would have been the very antithesis of social mobility? Can the Minister tell noble Lords why the Government did not adopt a single recommendation of the Social Mobility Commission? Do the Government remain committed to the commission and, if so, why?

Lord Agnew of Oulton: My Lords, I reassure the noble Lord that we are committed to the Social Mobility Commission and it will remain an important force in encouraging the Government to improve social mobility. He asked specific questions around the recommendations that have been made by the commission in the past. One which I am familiar with is the opportunity area concept, which came from the commission's recommendations, including the use of the social mobility index. As the noble Lord will be aware, and as I mentioned in the remarks from my honourable friend, we have created 12 opportunity areas, six of which have already released their plans for tackling some of the deprivation in those areas.

Lord Storey (LD): My Lords, the Joseph Rowntree Foundation report that was alluded to found that 3.7 million in work are now classified as poor compared with 2.2 million a decade ago. As we see the economy of London and the south-east pulling away from the rest of the country, it is strange that we should do things such as stopping the regional growth fund, which seemed to me to be a good mechanism that was trying to rebalance funds at a time when over half the money for infrastructure projects goes to London and the south-east.

As for the co-ordination of such matters, a number of staffing vacancies in the Social Mobility Commission were of course left unfilled. Does the Minister not think it is time to appoint a Minister whose department could co-ordinate the various activities that are now taking place—or not taking place?

Lord Agnew of Oulton: My Lords, the process of appointing a new chair of the Social Mobility Commission will be run from the Department for Education, and internal discussions have already started to begin that process. It is a public appointment and so will receive the scrutiny that that requires. In terms of regional growth, the social mobility fund of £140 million that we have established in the last year is very much aimed at helping education in the areas of need which go beyond the opportunity areas referred to by the Social Mobility Commission.

Lord Campbell-Savours (Lab): Why were the commission's resources cut and the membership reduced by over half?

Lord Agnew of Oulton: My Lords, I have not been privy to the discussions about the size of the commission and its commissioners, but I reassure this House that it remains a very important part of our strategy for social mobility and that we look forward to appointing a new chair. As your Lordships will be aware, Mr Milburn served five years, and it is time for a new face.

The Lord Bishop of Salisbury: My Lords, I very much welcome the work of the commission and of the outgoing commissioners. We live in a very divided and polarised time. After a period of low economic growth and austerity, and with Brexit, it feels as if the divisions in society are very great. This piece of work has the potential to be cross-party, and indeed it has been. How will the Government ensure that it continues to be cross-party as a process of building the common good and mending some of the divisions, as well as paying serious attention to the growing inequalities in society to which the Joseph Rowntree Foundation has drawn attention?

Lord Agnew of Oulton: My Lords, I completely agree with the right reverend Prelate that this should be a cross-party action. That is why we had a former Labour Cabinet Minister as the chair of the last commission. To pick on one policy of this Government over the last seven years, the sponsored academy programme has gone out to 150 local authorities and taken in some of their most failing schools. Those schools were in areas where 21% of the pupils in the secondary sponsored academies were eligible for free school meals, which is dramatically higher than the average of 13%. When we began the programme and those schools joined it, only one in 10 was good or outstanding, but today nearly seven in 10 are good or outstanding. That makes another 400,000 children who were in failing schools but are now in better schools, and largely they were in areas of deprivation.

Baroness Berridge (Con): My Lords, I was a member of your Lordships' Select Committee on Social Mobility in 2016. The committee looked at the transition from school to work for the majority of young people. The majority actually do not go to university or end up as NEETs; they go into vocational education, training or apprenticeships. Can the Minister outline whether the Government will ensure that at least one of the commissioners who was appointed has personal or other direct experience of that transition or the social mobility of being from the vocational or apprenticeships sector and then achieving a position in society as a result? It seemed to us that many of the policy workers—Whitehall civil servants and indeed Ministers—came from degree backgrounds and did not necessarily have a full understanding of the challenges facing the majority of young people who do not go to university.

Lord Agnew of Oulton: My Lords, my noble friend makes a very good point, and it is something I will take back to the department for consideration. I can speak personally as someone who never went to university. I realise how important it is that we provide good career paths for pupils leaving school who do not go to university. That is part of the reason why we have created T-levels, which will involve a substantial investment of nearly £500 million a year when they are fully rolled out over the next three years. So I can give some reassurance that we regard this as an important part of the strategy.

Lord Cunningham of Felling (Lab): My Lords, what changes do the Government intend to carry out to restore the credibility of the Social Mobility Commission, which, frankly, is in shreds, as is the Government's commitment to it? Without a change in attitude on behalf of the Government, let alone new personnel, there seems little purpose in continuing with it at all.

Lord Agnew of Oulton: My Lords, I have already complimented Mr Milburn on the great work that he has done with his commissioners over the last five years. We are determined to keep the Social Mobility Commission. If the Government were not interested in social mobility then perhaps we could do as the noble Lord suggests and shut it down, but that is not the intention. We want a strong and vocal commission to hold us to account. I know we fully intend to appoint a new board in the next few months.

Baroness Tyler of Enfield (LD): My Lords, the Social Mobility Commission's report *State of the Nation 2017*, published earlier this month, paints a very stark picture of a country with many deep divisions—economic, social and geographical— and makes a heartfelt plea for the Government to publish an overall strategy for tackling them as well as a detailed action plan to respond to the specific recommendations in the report, a number of which are aimed directly at the Government. When do the Government intend to respond to the report?

Lord Agnew of Oulton: My Lords, I can confirm that we will be publishing a social mobility action plan shortly; I cannot give an exact date but it will be soon. It might also be worth mentioning some of the achievements of the last seven years because I think people can get rather downhearted by the whole issue of social mobility. It is important to remember that today we have 3 million more people in work; 950,000 fewer workless households; 600,000 fewer people in absolute poverty; 100,000 fewer pensioners in absolute poverty; and 300,000 fewer working-age adults in absolute poverty. Lastly, 600,000 fewer children are living in workless families than in 2010.

Budget Statement

Motion to Take Note (Continued)

4.49 pm

Lord Freeman (Con): My Lords, I shall concentrate my remarks on the problems faced by private sector pension schemes in this country, something that the Chancellor is very well aware of. I am greatly indebted to him and his staff for monitoring the situation, which is growing to alarming proportions. The financial position of private sector pension schemes—10 million people in this country are covered by such schemes—is in difficulty at present. I declare my past interest as a chairman of one of the large pension schemes in this country. The problems are that the liabilities of the pension schemes are growing, and the promised increase in the final payment made in the private sector to those who retire looking forward to a decent pension is coming under great pressure for the simple reason that interest rates have been extremely low for a number of years now. That means that gilt rates, in particular, are so small that provision for pensions is not growing as fast as demand.

The Department for Work and Pensions reported in February 2017, identifying this as a major problem for the private sector in industry and commerce—and, indeed, in the Civil Service—but did not provide any solutions. I have every confidence that the Chancellor will be addressing this. He has referred indirectly to an understanding of the growing problem, and I very much look forward to his and the department's comments in due course.

The aggregate deficit of private sector pension schemes in January 2017, the beginning of this year, was £20 billion, and it has grown. It has been caused by very low gilt rates, which I am sure are a tremendous advantage and much appreciated by large sections of industry and commerce, but these low rates have been coupled with the growing obligations of industry in this country to provide a decent pension depending on length of service, and to augment that pension when unions and companies agree to increases. I know that the Chancellor is well aware of these problems. I keep a close connection with the Treasury, and know that he will continue to monitor the situation.

I touch briefly on two other problems. First, I very much welcome the Chancellor's decision that foreign buyers of commercial properties in the United Kingdom must pay capital gains tax. This has been a problem for many years, and the decision is warmly welcomed not only by the property industry but, more importantly, by the community and electorate as a whole. Also, overseas purchasers of house properties in the United Kingdom—I am now talking about individuals—should have their ownership fully revealed. That is not the case at present. In London, in particular, unknown owners of recently acquired properties are escaping the full vigour of examination not only by the tax authorities but in terms of their proper maintenance. This matter has been debated in your Lordships' House, and I believe that transparent ownership records will ensure that tax is fully paid. I know that the Chancellor is interested in this issue, and I ask the Treasury to continue to follow it up.

I welcome the tone and content of the Budget very much, and have confidence that the Chancellor will continue to monitor not only the pension fund problems to which I just referred but the well-being of our economy.

4.55 pm

Lord Livermore (Lab): My Lords, this Budget reveals an economy that is weaker, less resilient, and unprepared as we approach the biggest economic challenge faced by our nation in decades. It confirms that the Government's economic plan is failing; that the price of Brexit is severe damage to our economy; and that those who can afford it least will be those who pay the most.

The independent Office for Budget Responsibility has set out the facts: growth has been cut sharply, and will now average just 1.4% a year. Indeed, growth will stay below 2% in every single year of the forecast period for the first time in history. Productivity growth has been cut to just 1.1%, making this the worst decade for that crucial measure since 1812. Household incomes are set to fall for an unprecedented 19 successive quarters, the largest fall in living standards since records began. On the public finances—the centrepiece of the Government's economic strategy and the metric on which they have repeatedly asked to be judged—borrowing is up yet again, this time by an additional £30 billion by 2021-22. As a result, the Chancellor has abandoned

[Lord Livermore]

his goal of reducing debt as a proportion of GDP, and it will now stay at around 80% for the entire forecast period. Even these debt levels, as the Resolution Foundation points out, are dependent on avoiding another downturn.

The Chancellor was also forced to abandon his overall fiscal objective—indeed, it was a manifesto commitment—to reach an absolute surplus by the middle of the decade. That target has been pushed back to 2030, meaning that Britain is now only one-third of the way through an unprecedented 20-year programme of austerity, with growth and productivity falling, wages stagnating and borrowing rising. The Government's economic strategy keeps failing; their targets keep sleeping, and their austerity keeps biting. The sun has barely shone, the roof has not been fixed, and now the Brexit storm clouds are beginning to gather. Indeed, this Budget makes crystal clear that this fragile and failing economy is utterly ill equipped to withstand the challenges Brexit will bring.

In this Budget, the price that we are already paying for Brexit is clear: Britain has now officially fallen from fifth to sixth place among the world's largest economies. Before the referendum, Britain was the fastest-growing economy in the G7; now we are the slowest. While the UK is slashing its growth forecasts, the global economy is enjoying the most synchronised recovery since 2007, with the EU seeing its fastest growth in a decade. Our GDP per capita will now be 3.5% smaller than forecast before the referendum, a loss of £65 billion to the economy. Before the referendum, a surplus of £10 billion was forecast by 2022. That is now predicted to be a deficit of £35 billion, a £45 billion deterioration, with the deficit now lasting 16 years longer than planned. Average earnings will now be £1,400 a year lower than expected before the referendum. With inflation higher following the sharp devaluation of the pound, disposable income will be £540 lower per person. The ONS has confirmed that business investment fell to just 0.2% in the last quarter, and the OBR has remarked that the renewed weakness of productivity is exacerbated by Brexit.

Our nation is poorer and its people are poorer, now and for years into the future. But this is no accident, nor the result of bad luck—it is a direct consequence of the Government's determination to pursue the most extreme interpretation of the referendum result and the hardest possible Brexit, a determination driven not by the economic needs of the nation, but by the ideological needs of the Conservative Party. So the Government continue to spend billions of pounds in order to damage our economy even further—another £3 billion for Brexit in this Budget, on top of the £700 million already spent, the £2.1 billion for extra civil servants and now, apparently, a £50 billion divorce bill. We are surely entitled to ask: what are we getting for our money? We are getting nothing. In fact, we are getting worse than nothing. We are paying billions of pounds to make our country and its people poorer, weaken our economy, diminish our influence as a nation and leave the world's largest free trading area, leaving us with a far worse deal than the one we have now. This is an unforgiveable waste of money on an act of monumental self-harm.

The Chancellor began his Budget speech by repeating the asinine claim that leaving the European Union would bring new opportunities to Britain. I am sure we would all like to know who these opportunities will be for, because they certainly will not be for Britain's working families. This Budget confirms that working people will now pay the heaviest price for this deteriorating Brexit economy and shows that many of those who voted for Brexit in the greatest numbers will be among those who suffer the most from the outcome.

We have heard much from the Prime Minister and the Chancellor about their concern for those struggling to make ends meet. However, the Institute for Fiscal Studies has spelled out the reality: the entire bottom half of the income distribution will see their incomes fall; the second-poorest decile will lose £1,500 a year, a 10% fall, while the second-richest decile will gain £600, a 2% rise; the poorest working-age families with children will see an extraordinary 20% fall in their income, losing over £3,500 a year; a lone parent in work will have their income cut by 10%; and an out-of-work couple with children will lose over 17% of their income, some £4,000 a year. By their actions and because of their values this Government have shown that they cannot govern for all in society. This Budget from a faltering Government reveals an economic plan that is failing, with downgraded forecasts, falling living standards and a poorer country. With the price that we are paying for Brexit now so high, it is a plan that can lead only to a deeper and still more devastating failure in the years ahead.

5.01 pm

Baroness Randerson (LD): My Lords, it is fair to say that expectations were low prior to the Budget, and that the Chancellor lived down to them. He may have saved his job but he certainly did not save our economy, which in the last 18 months has gone from a position where we were vying for the championship to one where we are in the relegation zone. One after another, the dire forecasts and economic results have stacked up from the OBR, the IMF and the OECD. Their analysis shows the enormous act of self-harm we are inflicting on ourselves, and the predictions are dire. However, even more worrying are the structural failures in our economy, with a quarter of our workforce low-skilled at a time when technological change puts a massive premium on skills, productivity so much lower than that of our rivals at which the Brexiteers like to sneer, and skill shortages at a time when we are turning away those with skills who happen to come from the European Union.

To combat the economic threats posed by Brexit, we needed a Budget of exceptional skill and dramatic investment. Philip Hammond came over instead as the Paul Daniels of the Treasury. With a great flourish and an amusing line in gags, he pulled some carefully groomed rabbits from the hat. However, on careful inspection, his announcements turned out to be smoke and mirrors. Take that much-trailed plan to introduce railcards entitling 26 to 30 year-olds to reduced rail fares. It is apparently supposed to encourage young people to vote Conservative again, but it turns out to be puffed up way beyond its significance. It cannot be used for season tickets or at rush hours, so most people cannot use it to travel to work or college. Above all, it overlooks the fact that only one in six public transport passengers uses the railways. After all, large swathes of the country—Wales, where I come from, is one of them—have very few railways to use. The bus passengers who make up five out of six public transport users tend to be poorer as well and should be the ones we look at first.

If the Government really wanted to tackle social and generational inequality, they would introduce a reduced-fare bus pass for all. The Liberal Democrats have been advocating that for some years. Sadly, thanks to the huge amounts of money we are wasting on Brexit preparations, the Government feel they cannot afford significant social justice measures like that. In fact, the Government cannot afford not to introduce bold measures. As the resignation of the social mobility commissioners this week has underlined, the Government have a woeful record on this. The Joseph Rowntree Foundation report says it yet again. Faced with a crisis, the Chancellor should have read and digested his John Maynard Keynes, rather than his Paul Daniels magic guide. He should have recognised the importance of investment in infrastructure as an economic driver—that borrowing for capital investment is the only sensible solution.

This afternoon, the Minister repeated the much-vaunted list of rail projects. This was also repeated in the industrial strategy and the rail strategy last week. It is a rather disappointing list: it is a re-announcement of a re-announcement of a re-announcement. I was particularly disappointed by the Government's go-pause-stop approach to electrification. There are lots of problems with not going ahead with this. Not only are electrified railways quicker and more comfortable for passengers, but they are better on emissions. After all, why is it all right to have new diesel trains when we are not supposed to have new diesel cars? There are also issues associated with the fact that areas such Swansea have been encouraging local investment by companies on the basis that they are going to get an electrified railway line, which they are not going to get any more.

We need a much bolder rail investment programme. Above all, we need it for the whole of Britain, not just the south-east. The social divisions to which I referred are mirrored by the geographical ones. Over £6 billion spent on transport in London is matched by a miserable £500 million in the north-east. That is just inequitable. There was nothing in the Budget to redress that balance. As a result, we have a dangerously unbalanced society. Another missing link in the Budget was the absence of any mention of the Swansea Bay tidal lagoon. Before the 2015 election, senior Conservatives were queuing up for photos there but there has been absolutely no action since. I am disappointed at the lack of effort on renewable energy.

This Budget was long on rhetoric and very short on real funding. Money for electric charging points and the development of autonomous vehicles was announced with a big fanfare. That was welcome as far as it went, but it will not make us world leaders. The Chancellor has let us down in that regard. I spent the weekend at a gathering of Europeans. They think that we are having a national nervous breakdown. They cannot understand why we are being so stupid, because Britain is normally so sensible. Why, oh why, are we wasting billions and billions of pounds on Brexit when what we hear from everyone in industry, across Britain, is, "Please can we recreate what we have now?"? It is stupid.

5.09 pm

Baroness Neville-Rolfe (Con): I am among those who are thankful that the Chancellor resisted the many siren voices, heard again today, calling for a significant move away from so-called austerity. That is despite the fact that the OECD has forecast weakening economic growth, falling consumer confidence and even a collapse in private investment. I shall explain why.

I wish to concentrate, first, on the levels of the deficit and the national debt. Nearly 10 years after the financial convulsion of 2008, the annual deficit is still above the rate of growth in GDP—hence the debt is still increasing in real terms. The OBR expects debt to start falling in real terms from 2018-19, and even that partly relies on a reclassification of housing association liabilities. In 2017-18 debt is now predicted to peak at 86.5% of GDP.

What flows from these facts? First, if there should be another major economic convulsion in the next decade, we will be much worse placed than we were in 2008. Then, we were able to allow debt to increase from 40% of GDP to over 80%. However, it would be a very different matter to allow debt to increase by 40% of GDP from a base of over 80%. Indeed, it would be most imprudent. In short, we have used up much of our financial flexibility. The Bank of England has recently reminded us of these facts, not that we should need reminding. There is nothing complicated about it—the facts are there for all to see if they are willing to look.

There has been much hand-wringing in political circles about the so-called austerity of the last decade, but in truth policy has arguably been too lax. Certainly, there was more austerity in Ireland, where some really tough decisions were adopted. For example, public service pay was cut dramatically, not just frozen. In the UK, concessions to this and that interest in this and that Budget—the rabbits that the Chancellor of the day feels obliged to bring out of the Treasury hat—and the political pressures which lead to these should be seen against a sombre background.

Yet there are some obvious sources of revenue that have not been adopted. I confess to your Lordships that I benefit from at least one of them. In particular, because of my, sadly, advanced age, I do not pay national insurance on earnings from working, rather than savings or pensions. Why ever not? Everyone knows that in reality national insurance is just another income tax, and to allow unjustified exemptions is unwise. I cannot see that I, or others like me, should be treated more kindly than those who are younger.

We all know that, in the long run, increases in living standards depend on rising productivity, and that the West, and especially the UK, has a problem in this respect. The problem featured prominently in the OBR analysis and, I am very glad to say, in the Chancellor's

[BARONESS NEVILLE-ROLFE]

presentation. I have spoken before in this House about the beneficial impact on productivity of improved skills, housing and research, and I stand by all of that today. On Thursday I shall be leading a debate on regulation, which can be another productivity-killer, but today I will focus briefly in the time available on infrastructure and on the impact of immigration.

Improving infrastructure—that is, reducing travel times, expanding Heathrow, improving the provision of broadband and the like—is one vital way to improve productivity. The unfortunate fact is that most investigations suggest that as a country we invest less in improving infrastructure than many others do. Nevertheless—I disagree with the noble Baroness, Lady Randerson—some important steps have been taken to improve our infrastructure in recent years, and I particularly welcome the technology and innovation-linked measures in the Budget. Even so, the rate of movement on infrastructure seems to be rather slow. We decided fairly recently to go ahead with the third runway at Heathrow. If China had resolved similarly, diggers would now be on the ground, but I am told that the advance guard has not even arrived at Heathrow.

Traffic is a nightmare in too many parts of the UK. Noble Lords will remember the list of blackspots I have been collecting as I get about, often by chance in marginal constituencies. A fund was announced last year to eliminate traffic blockages. Has that got going properly? I fear not, and the Local Government Association tells me that cash-strapped councils, which might apply for smaller projects, which could reduce traffic and free up housing plots, find it too risky and too expensive to prepare the fancy applications needed to bid in this uncertain climate.

Speaking as a practical person, if there are institutional constraints on challenge funding that make it difficult for local authorities to bid—that is, which prevent our moving forward in a businesslike manner—they should be identified and proposals put forward to deal with the problem. The Chief Secretary was kind enough to say recently that she would look into this for me, and I very much hope that the Minister will have some better news today.

Finally, on immigration, it ought not to come as a big surprise if productivity stutters when large numbers of relatively unskilled people are constantly added to the population—a trend that continues as the Brexit process drags on. This supply of labour reduces the incentive for firms to invest in capital and training. I know from my experience in retail and the food supply chain that investing in capital and associated training is what shifts the productivity dial. You see that in sectors such as cars and lorries—the automotive sector—which is one of our most productive.

A proper immigration policy would place greater emphasis on skills. EU membership limits our ability to deal with this problem now, but not completely. We need to devise a satisfactory policy with a productivity focus, to be deployed rapidly post Brexit, and we need to do it now. Indeed, one of the opportunities of the difficult Brexit transition could be an increase in productivity after over a decade of flat-lining. This is because companies will start to invest capital—many are sitting on piles of cash because of current uncertainty—and develop the skills of our own workforce. In the meantime, we need to be honest and up to date about the size and location of our growing population. For years we have underestimated the scale of demographic change. This has made it impossible to forecast and build the right number of homes, the right number of hospitals, the right number of GP surgeries, the right number of schools and the right road, railway and broadband networks.

To conclude, I have concentrated on some difficult issues. My thesis is that, unfortunately, we have not faced up to these questions as fearlessly as we ought to have done. The background to this is that, especially with Brexit looming, the days of allowing wishful thinking are gone. It is time for reality.

5.17 pm

Lord Campbell-Savours (Lab): My Lords, I will confine my remarks to *Autumn Budget 2017*, document HC 587. I will start with paragraph 3.78, which refers to online VAT fraud:

"The government will legislate in Finance Bill 2017-18 to extend HMRC's powers to hold online marketplaces Jointly and Severally Liable (JSL) for the unpaid VAT of overseas traders on their platforms to include all (including UK) traders".

On the same issue, it continues:

"where the business was not registered for VAT in the UK and that online marketplace knew or should have known that the business should be registered for VAT in the UK".

How do they know unless they are aware of the UK business turnover? It suggests that there will be some sort of inquiry by the marketplace of the individual trader; perhaps that could be clarified. It goes on to say:

"They will also be required to display a valid VAT number when they are provided with one by a business operating on their platform".

What will happen if they are not provided with any number? Will they have to establish the turnover of the UK trader to know whether they have met the VAT threshold? If you take into account the early rumours of the VAT threshold reduction to £10,000 a year, which was mooted in the press over a number of weeks, that provision may well have been devised at the time when we were talking about a £10,000 threshold. It does not seem to apply now that it remains at the present rate.

I turn now to paragraph 3.41 which refers to alternative fuels. This year, the Government have chosen to end the fuel duty escalator on LPG. We are led to believe that next year there is to be a full review of all fuel duties. I appeal to the Government to further incentivise the treatment of LPG by reducing the fuel duty. It is less polluting for the environment and would greatly help in reducing air pollution. It could be of considerable benefit in conditions of inner-city pollution, such as in London, where it could be accompanied by concessions on the congestion charge.

Paragraph 3.51 concerns tackling waste crime. The report proposes that,

"operators of illegal waste sites will become liable for Landfill Tax".

What interests me about landfill tax is to what extent the higher rate of £86.10 per tonne is promoting illegal dumping operations. We all support the tax, but its effectiveness is totally dependent on enforcement. The allocation to the Environment Agency in the Budget of £30 million is clearly intended to fund investigation and the enforcement effort. But local authorities across Britain are complaining about the very substantial costs that are falling on them. They too need additional resources. For every Niramax waste-dumping scandal—where the alleged loss to HMRC was reputed to be over £75 million—there are hundreds of occasions where local authorities are required to deal with problems of fly-tipping, which in many areas is now completely out of control. Will the Government respond and deal with their financial difficulties, which all stem from landfill tax rates?

The Budget report includes some major reforms to vehicle excise duty. They are very welcome in dealing with pollution, but there is one historic reform that is back-firing. It is turning the law-abiding into Road Traffic Act offenders, causing deep distress to the elderly who unknowingly can make a mistake. It is tying up public officials in enforcement, and is simply unfair. I refer to the ending of the tax disc on the windscreen. The incidence of accidental non-compliance is up, as is the incidence of deliberate evasion. There were supposed to be savings of £10 million a year, and I think we should be told what has been the effect on the public finances. I have seen estimates of up to 1.33 million non-taxed vehicles on our roads and losses of up to £107 million in a year to the Exchequer arising out of this change. The irony is that an AA survey has estimated that up to 3 million drivers were keeping old redundant tax discs in their windscreens as a reminder to renew.

I raised the issue of the change in stamp duty a couple of weeks ago. The change appears to me to be of little consequence. The problem is housing shortage, as was mentioned by my noble friend Lady Blackstone. The stamp duty changes will work only in conditions of adequate supply. Buyers set a budget when they purchase homes. The budget is adjusted or set dependent on local supply, scarcity, affordability and interest rate forecasts. Whether the purchase price paid includes stamp duty or not is often not the issue. In a steady market, the purchase price paid includes stamp duty or not. The higher the duty, the lower the price. The lower the duty, the higher the price. It is the total cost that matters. The Budget is simply boosting the housing market by pushing up house prices, with a tax loss of £125 million in 2017 and £560 million in 2018-19.

I asked the Government in a recent contribution to review the stamp duty surcharge. People are caught in a trap when buying and selling. If you buy and sell in a static or falling market, when houses are difficult to sell, you are particularly hurt as the house that you are selling is treated as your second home and you end up paying the 3% surcharge up front. People carrying bridging loans are particularly badly affected. I have argued for extending the second home resale period from three to five years, with payment payable only at the back end of the transaction and then only if the second home remains unsold.

I was going to deal with CGT payments, but my time is up.

5.25 pm

Lord Tugendhat (Con): My Lords, many years ago, I was the Parliamentary Private Secretary to Willie Whitelaw. As many noble Lords will recall, one of his most famous comments about politics was that things are never quite as good or quite as bad as they seem.

This saying came into my mind when I heard about the OBR's downgrade of our productivity. It is understandable, after the OBR's overestimates in the past, but I wonder whether the situation is quite as bad as it appears; I think that there is scope for looking further and deeper into its estimates. I say this because when one considers, on the one hand, the impact of hi-tech developments on the way in which services are bought, sold and produced in this country and, on the other, the impact of the gig economy, it is very difficult to believe that the situation is as dire as the OBR points out. I also feel that the way in which tax revenues have held up rather better than expected is another reason why one ought to query whether the OBR's figures are as sound as they appear. This is not a criticism of the OBR at all. We all know that models are very difficult things; it is very difficult for them to keep up with changes in the economy. I wonder whether we can be confident that the model being used by the OBR is fit for purpose in the present circumstances. I hope that a good deal of work will go into looking at that and determining whether the situation is as it currently appears, despite all that is happening in the realm of hi-tech, despite the gig economy and despite the way in which tax revenues have held up.

My next point concerns the housing market. I do not wish to carp; I welcome what has been done. However, there is no getting away from the fact that what has been done is modest. As the Institute for Fiscal Studies pointed out, the extra spending will amount to about £1.5 billion a year and the target is 300,000 new houses. That was pretty good when Harold Macmillan did it, but a target that was regarded as good in the 1950s seems a little modest when we are almost in the 2020s. The stamp duty concession is certainly helpful, but I do not think anybody would suppose that it is game-changing. How much better it would be, as the noble Lord, Lord Darling, pointed out, if there had been changes in the planning rules as well. Some time ago, we had a debate on intergenerational fairness; I, along with several noble Lords, made the point that if something was going to be done on stamp duty, it would push up prices unless something was also done about planning. Of course, I quite understand why nothing was done—the Government are not strong enough to do it. Political reality is what it is.

Of course, political reality has also made it very difficult for the Government to tackle another problem—the privileges of the elderly. That problem also came up in the debate on intergenerational fairness; my noble friend Lady Neville-Rolfe had some wise things to say on it a short time ago. Unless and until the Government are in a position to tackle the very privileged position of the elderly, many of whom are sitting around me—I am myself an octogenarian—it will be very difficult indeed to do anything to help the younger generation. I draw particular attention to the

[LORD TUGENDHAT]

triple lock, which provides an extraordinary boost to pensioners' incomes at a time when the average pensioner's income is above that of people in work.

The third striking feature of the Budget was the £3 billion for Brexit. That is certainly a very wise precaution, but it confirms what many of us have said for a long time: whatever the long-term consequences of leaving the EU may be, the short-term ones are extremely expensive. The Government were wise to put the £3 billion aside, but they now need to be far more open and up-front about where the cost will fall in disruption and changes to existing practices. My noble friend Lord Bridges has from time to time pointed out the need for honesty in this respect. Until there is more clarity on that point there will be a very considerable cloud hanging over investment decisions. Certainly today, after the disappointing news from Brussels, that is particularly true.

Finally, as we all know, the Government's record in office will be defined by Brexit. Whether we bring it off successfully or fail to do so, the amount of effort, time and energy Ministers have to put into Brexit leaves very little time or energy for other matters. There is very little time for tackling intergenerational unfairness, social inequalities and regional differences. These are the issues that the electorate will judge us by. To the extent we are unable to play on those wickets, we leave a huge gap for the Opposition to take advantage of. The more Conservative Ministers and MPs make it difficult for the Prime Minister to bring about an agreement and pursue her chosen course, the more difficult it will be for the Conservative Party to win the next election.

5.32 pm

Lord Hain (Lab): My Lords, I enjoyed the spirited exposé of octogenarian privilege from the noble Lord, Lord Tugendhat. I noted that before the Budget George Osborne's former chief of staff, Rupert Harrison, called for a "safety first" Budget. He thought the Chancellor could not afford another slip-up like the mess he made in March over self-employed national insurance contributions. The last thing the Tories needed was another bananadrama.

Mr Harrison got what he wanted. Nevertheless, it was a Budget that brought more bad news—very bad news—about Britain's economic prospects. Just eight months ago, the Chancellor began his March Budget by claiming that the British economy had confounded critics with "robust growth". He contended in November that it "continues to grow". He should have said it "continues to slow", because March's "robust growth" proved to be a flight of ministerial fancy that melted away with the winter snow.

The stark reality is that Britain's growth rate has fallen every year for three consecutive years and is set to plumb fresh depths next year, in 2019, and again in 2020. It is in their failure to get the economy growing at anything like the rate it did under Labour before the global financial crisis, let alone the growth rates achieved in the 30 years following the Second World War, that the Tories have done most damage. By the way, the debt bequeathed after the Second World War fighting Hitler was double as a proportion of GDP what my noble friend Lord Darling had to cope with after the global financial crisis.

The Tories have spent the past seven years sacrificing living standards, public services and our social safety net on the altar of their austerity policy. The Institute for Fiscal Studies says we face two decades without a rise in average pay, with average earnings in real terms £750 a year lower in 2022 than in 2007. What a total, shameful failure of Conservative economic policy.

The pedestrian pace of economic expansion since 2010 is the root cause of the hardship Britain has endured for years now. What has held growth back is the Tories' savage tax and spending squeeze. George Osborne used to boast about having squeezed the UK economy tighter than any in the advanced world, all in the name of ending the budget deficit, but squeezing growth out of the economy has left the Tories well short of a balanced budget while doubling national debt. Having failed to end the deficit completely by 2015—their original target—they now say they will only halve it by 2022. By then your Lordships can be sure the goalposts will have moved yet again to maintain the illusion that their plan is still on track and to justify still more austerity. Clearly the modern Tory Chancellor is like the frog in a pond whose successive jumps only ever take him half way to the edge. He and the frog share an aim that they cannot realise unless they try a new approach. In the Chancellor's case that means abandoning austerity and promoting faster growth, as Labour, in particular its shadow Chancellor, is indeed urging.

Some people think, mistakenly, that the Chancellor has already done so. The BBC economics editor Kamal Ahmed said that, compared to the March Budget, the Government are,

"doing more to stimulate the economy".

I am afraid that is wrong. By making a smaller cut in the structural deficit than he had planned in March, the Chancellor is doing less to hold the economy back, not pushing it forward. There has been no U-turn. He still plans to take a big slice out of overall spending in the economy. More cuts are coming to departmental budgets, with real-terms cuts outside the NHS of more than 6% according to the Institute for Fiscal Studies. More cuts to working-age benefits are already in the pipeline—£12 billion on top of the £29 billion already made. Local government is being hammered. Head teachers are in despair. Further education colleges, surely key to any recovery, face even more cuts.

Their obsession with ending the deficit has blinded today's Conservatives to the fact that bringing down Britain's debt burden does not require a balanced budget. No Tory leader delivered more budget deficits than Margaret Thatcher—11 in her 13 years in power. Only one of the last six Tory Chancellors ever ran a budget surplus, the noble Lord, Lord Lawson, and he managed it in only two of his six Budgets.

At the Conservative Party conference Theresa May pledged to revive what she called the British dream. Perhaps her inspiration came from "The Island of Dreams", the Springfields' last hit before they broke up in the 1960s. That left Dusty Springfield to launch her solo career with two other features in the Prime

Minister's repertoire: "I Just Don't Know What to Do with Myself" and "Wishin' and Hopin'". Ministers keep saying that they want to send a signal to the world that Britain is open for business, but all our friends abroad can hear is a garbled transmission on channel 16, the international distress frequency: "Mayday, mayday, mayday". The British economy is in deep trouble. Frankly, that is because of primitive Conservative economic policies.

The Chancellor pledged to meet the challenge posed by Brexit and new technology, and to make whatever change is needed to fix Britain for the future. But by only easing his fiscal squeeze, instead of ending austerity altogether, he is cheating the challenge and faking the change. What the economy needs more than ever is a strong stimulus, not a weaker squeeze. Instead, all we are getting is austerity for ever, and that means failure for ever. Meanwhile, as my noble friend Lord Livermore pointed out so eloquently, Brexit grimly awaits to make the situation even worse.

5.40 pm

Lord Bilimoria (CB): My Lords, the UK economy is forecast to grow by 1.5% in 2017, and we still have debts of £1.7 trillion. Within eight months, the OBR's GDP forecasts for the next five years have been revised down to the lowest in our history. In those eight months since the last Budget, our productivity growth forecasts have been drastically reduced and, in eight months, the OBR expects the UK to perform worse than our main competitors, with the table of real GDP per capita growth in the G7 from 2016 to 2022 listing in the following order: Germany, France, United States, Japan, Italy, Canada and then the UK. The IMF says 6%; the OBR is even lower at 5%. It makes for pretty grim reading. Mr Johnson of the IFS says that,

"We are in danger of losing not just one but getting on for two decades of earnings growth".

So what are we going to do about this? George Osborne talked about fixing the roof while the sun is shining. He wanted to achieve his growth by balancing the budget by 2020. This is a pipe dream; it is not going to happen. The IFS calculates that it will be,

"well past 2060s for debt to fall to its pre-crisis levels of 40% of national income".

There have been some indications recently that we might be heading for recession within the next year and a half. Does the Minister agree? Every 10 years, whatever happens, we have a recession. Are we going to have another? And then we face the longest period of falling real incomes since records began more than 60 years ago.

There are some good things in this Budget. For example, the Government listened to the Economic Affairs Finance Bill Sub-Committee, on which I sit, when we said of making tax digital that they should trial it out and not implement it straightaway. I am grateful for that. They will pilot it and limit it to turnovers above the £85,000 VAT threshold.

When it comes to research and development and innovation, the good news is that the Government say that they will invest more in this area. But what is "more" and what is required? We spend 1.7% of GDP on R&D and innovation; Germany and America spend some 2.7% and 2.8% respectively. Two billion pounds a year is a good move, but it is £20 billion a year that we need just to catch up with them, let alone the backlog.

What about agriculture? The National Farmers' Union said that it was,

"disappointed to see no meaningful measures to help prepare farming businesses prepare for life outside the EU".

Just wearing my Cobra Beer hat, I am grateful to the Government for the fact that duty on beer was frozen. On a very serious note, the British pub desperately requires encouragement and protection. This measure will help the great British pub at the heart of our communities.

It is good that the Government want to reduce single-use plastics waste, and there is no question but that the 5p carrier bag charge has reduced the use of plastic bags by 80% in the past two years. I applaud the Government for going down that route.

On business rates, much more needs to be done. Yes, there has been a move to CPI, but more needs to be done. Where rates are concerned, there is an initiative for pubs in England to continue to receive a £1,000 discount. Much more needs to be done there, too. Will the Minister agree to that?

And, of course, the Oxford to Cambridge rail line being revived is wonderful news. I congratulate the Government on that.

The noble Lord, Lord Tugendhat, has mentioned the £3 billion to prepare for Brexit over the next two years. However, in spite of the national living wage and national minimum wage being increased, we know how low they are going to be. In February 2016, this country was flying: we were the fastest-growing economy in the western world. We were at the top table of the world. Today, I am ashamed to say that we are no longer at the top table. There is only one reason: Brexit. There is only one reason behind this Budget being called lacklustre and boring: well, the Chancellor survived. Alan Milburn resigned because he said that social mobility is not happening. He said that many people voted Brexit because they were dissatisfied with the Government of the day—it was an anti-establishment, dissatisfaction vote. Just yesterday, the poverty figures were released. Britain, a rich country that spends £800 billion a year on government expenditure and is the sixth-largest economy in the world, has poverty today. That is what the focus needs to be on; that is where the Budget needs to focus.

Three reasons were given for Brexit, and they are all linked to the Budget. The first was: take back control of our money; take back control of £8 billion a year, the net contribution. I have just said that £800 billion is our government expenditure per year—a pie chart, a line, an arrow: 1% of our government expenditure per year is Brexit. A second reason was: take back control of our laws. I ask people and businesses, "What laws? Tell me one law that affects you on a day-to-day basis". They cannot name one, because the laws that affect us every day are made over here in this Parliament, in this House and in the other place. The third reason was: take back control of our borders. There are no exit checks at our borders. Whatever the Minister may say, there are no physical, visible exit checks at our

[LORD BILIMORIA]

borders. I ask people what percentage of our population of 65 million is made up by the 3 million people from the European Union. The answer is less than 5%. It is said that that 5% is a "burden" and causing our public services to collapse; without them, the public services would collapse, with 130,000 EU citizens working in the NHS and care sector alone and 250,000 working in the construction sector.

Then we talk about skills. The university sector is hardly mentioned in the Budget. International students alone bring in £26 billion to the economy. There are 450,000 international students—I am president of UCISA, representing them—with 130,000 from the EU. What will happen if we leave? They count as domestic students; they are entitled to loans. What if they reduce the billions of pounds with which they enrich our universities? What about research funding from the EU and research collaboration with the EU? What about the academics from the EU? Some 20% of academics in most of our universities are from the EU. These are the things that will affect our economy, because when it comes to R&D and innovation, it is investment in university research and innovation that is going to work.

What about the negotiations now? They have stalled. We have heard the news: the lunch was lunch; fudge was served. The bill is to be £40 billion to £50 billion, yet Boris Johnson said they could go whistle and Priti Patel said words that I could not repeat in this House. We are now prepared to pay £40 billion to £50 billion and perhaps give some control to the ECJ. Then there is the question of the Irish border. We will not allow Brexit to break up our union. And then there was the £3 billion in the Budget for Brexit expenses. What about all the expenses that have already taken place?

I conclude on the issue of trade—again, not mentioned much in the Budget. Fifty per cent of our trade is with the EU and another 20% is through free trade agreements via the EU, including now with Japan. Seventy per cent of our trade is FTAs and Liam Fox talks about going after the other 30%, of which the Commonwealth makes up less than 10%—including India, Australia and Canada. We need to do more with those countries, but the Indian high commissioner said very clearly, "Yes, we'll do a free trade deal with you, but it might take till 2030 and, by the way, it includes the movement of people as well".

This Budget is completely overshadowed by Brexit. It is only a matter of time before the British public wake up to the realities, realise that the Brexit emperor has no clothes and we will not be leaving the European Union.

5.48 pm

Lord Horam (Con): My Lords, it is always a pleasure to follow the noble Lord, Lord Bilimoria. He may be interested to know that, when I first became a Member of Parliament along the Corridor, the Prime Minister was Ted Heath—that rather gives away my age. He had a Secretary of State for Trade and Industry called John Davies, who had been chief at the CBI. John Davies had a very tough policy on lame ducks. As it happened, Norman St John-Stevas, had had an accident rather similar to that of the noble Lord's. He rose at Question Time pleading with him not to be tough on lame ducks. It is a rather long-winded way of saying that I hope that the noble Lord recovers from his accident. He has certainly shown no lack of energy.

We are used to Budgets unravelling with great rapidity in recent years, usually over some relatively trivial, second-order issue. This one has not unravelled so far, as the Chancellor said the other day: 12 days with no unravelling must be some kind of record. It was not only sensible but sure-footed in that respect. There were some extremely sensible provisions in it.

I particularly welcome the help for the homeless. The noble Lord, Lord Best, and I, with a great deal of help from Shelter, lobbied the Chancellor about this before the Budget. Never has my lobbying succeeded before, but on this occasion it did. The Government responded by increasing the so-called targeted affordability fund. This is the fund that puts money into those areas where the gap between the rate of benefit, which has been frozen so far, and local rents is highest. The calculation is that this will save 140,000 people over the next two years from becoming homeless. The upside of this, I tell my noble friend Lord Bates, is that we have cancelled our application to have a further lobby with the Minister for Housing, but we are keeping an eye on things because the fact is that housing is, as the Prime Minster herself said, a core issue for this Government, and much more needs to be done than was evident in the Budget.

The objective, as we know, is to achieve 300,000 houses a year. My noble friend Lord Tugendhat was a little disappointed by the figure of 300,000, pointing out that it was what Harold Macmillan aimed for and achieved in the 1950s. Does he not remember how much simpler things were in the 1950s, when we were very young? It was easy in those days for us to achieve that objective. I do not think that 300,000 houses a year, given the planning difficulties we have in this country, which have accumulated over the years, is that bad an aim. Indeed, I think it will be quite hard to achieve.

I recommend to the Government that they concentrate on two things in trying to get there. The first is incentivising housing associations. Housing associations have committed themselves to achieving a target of 120,000 houses a year, which I think is a very challenging target. They will need all the help they can get to get there. Remember that housing associations are no longer part of the public debt; therefore, the Chancellor can help them without adding to public borrowing, which is a very admirable situation to be in. Secondly, we need to stop selling publicly owned land at the highest possible price. We need to look at the guidance on best value to local authorities, because the land issue is fundamental to getting house prices down.

On the bigger economic picture, the Chancellor was more relaxed about borrowing than some of his predecessors. Here, I am afraid that I disagree with the noble Lord, Lord Hain, and agree, surprisingly, with the economics correspondent of the BBC, who pointed this out. He has borrowed more than he thought he would and the markets did not move an inch, frankly. That rather confirmed my view that the Treasury has always been too concerned about market reaction to excessive deficits. The best way to power down the deficit of a country is to prioritise economic growth. Certainly, we should keep a firm grip on current spending, but to cut back on capital spending is actually very foolish: we should keep that as level as possible over the years, which is the way to get sensible and sustainable economic growth.

The fact is that the pressure on the Chancellor to produce an ambitious, radical Budget was unrealistic. Janan Ganesh, political correspondent of the Financial Times, said:

"They expect them to write a symphony in the middle of a cage fight".

The cage fight analogy is journalistic hyperbole, but I appreciate that there was a certain amount of unhelpful offstage noises accompanying the Chancellor's attempt to solve our economic problems. I think he resisted those and produced something very controlled and balanced.

None the less, the fact is, as a number of noble Lords have pointed out, that there are severe structural problems remaining in the British economy. We are, and have been for decades, short of skills, low on investment, both private and public, and not very good at exports. Exports make up 27.6% of our GDP; they make up 46% of Germany's GDP. That is the real problem that we have to face. It can be solved. Before I became an MP, I started a company which has become a medium-sized company with 250 employees: we export 92% of all our sales. I have never seen a trade agreement. So it can be done, if you have the right product and a willingness to get behind it and tackle world markets.

The issues remain to be tackled, but the Government produced a responsible and competent Budget which keeps us heading in the right direction.

5.55 pm

Baroness Bakewell (Lab): My Lords, I confine my comments on the shortcomings of this Budget to the two words: social care—a sin of omission, if you like. The subject has been raised by my noble friend Lord Tunnicliffe, and others have mentioned it. We are promised a Green Paper in the summer. How long do we have to wait?

The social care budget and its policy was already a problem in 2008, when I took up the position of voice of older people for the Government. It was still a problem in 2011 when Andrew Dilnot published his report proposing a cap on individual costs. At that time a sum of £35,000 a year was suggested, it went up to £50,000, then it went up to 72,000 and now we understand that the idea of a cap on individual contributions has been dropped. A rather cobbled-together proposal in the hurry to get the Conservative manifesto together had the seeds of a good solution in it, but it was dismissed by the tabloids as a "dementia tax" and when you invent such a phrase, it spreads like wildfire and the issue becomes politicised. Social care has become politicised. That is because the older generation—older people—are often represented by the media, but also in people's minds, as doing very well at the moment.

The noble Lord, Lord Tugendhat, said how privileged we all are, because those of us of a certain age can draw the heating allowance. The heating allowance is the same amount as our daily allowance—we are, indeed, extremely privileged—but "the old" is not a single cohort of people like us. The Rowntree report this morning announced that there are 300,000 more old people—pensioners—currently in poverty than there were, so the old are not a single unit. The triple lock, much used to reinforce the well-being of the less well-off, is used to hammer the likes of us, who are seen to be benefiting. Something needs to change about the use of social care as a political weapon. Would the Budget do something about it? It failed.

The heating allowance is £300 a year. Who needs it? I was stopped in the street by Robert Plant, a multibillionaire rock star, of Led Zeppelin. He said, "Joan, I've been sent £300 by the Government. Why?". Why indeed? The heating allowance for older people should be means tested. When I first received it, I tried to send it back but I was told it could not be accepted. There was no facility for taking it back. I, like many others like me, and perhaps like other noble Lords, give that heating allowance to charity, but it could be means tested if it were added to the income tax statement of our income.

When I speak to young people about how they are going to live their life and choose a career, I say to them, "Have you thought about the care sector?". It should be a marvellous opportunity. It should be a booming sector of the economy. In fact, it is a basket case. There is a huge demand: there are 15,000 centenarians this year—this will have doubled by 2030—and 500,000 people aged over 90. The numbers are increasing. This is a demand that will go on increasing. In market terms, that is a marvellous invitation to people to supply social care. Why is it not happening? It is not happening because society has not decided who is going to pay for it. There is an illusion, shared by many, that social care came in with the National Health Service and support from the cradle to the grave included social care, so people resent the idea that they have to contribute to it. It comes as a shock to them and causes resentment. At the same time, it suits many people to feel that it is the burden of the state to pay for them, whatever their wealth assets might be, and there is an unwillingness to contribute from assets such as their own houses.

So we have a situation of an increasing demand that we are failing to meet. This is a failure of a Tory Government who supposedly believe in the operation of the market. Yet there is a funding gap now predicted for social care of £1 billion. The Government spend £140 billion on old people; 6% of that goes on social care. This is bad economics and bad social care. Will the Government please sort it out and will the Minister use those two words—social care—in his response?

6.02 pm

Lord Taverne (LD): My Lords, the OBR, the IFS and the Chancellor have all been accused by several speakers of excessive pessimism in their forecasts. I believe that they will prove to have been overoptimistic. I feel hesitant about differing in this from my friend,

[LORD TAVERNE]

the noble Lord, Lord Tugendhat, whom I have always regarded as one of the most sensible of Conservatives. What is extraordinary is that the Government, the media and most of industry have all expressed confidence that in the end there will be a soft Brexit. But suppose they are wrong and we end up with no deal or the hardest of hard Brexits: if the financial markets should start to believe that this is where we are heading, it is very possible that there will be a panic, the pound will sink, business and consumer confidence will evaporate, and investment will dry up. Then we would be in a severe crisis. What price then the so-called pessimism of present forecasts?

What are the reasons why no deal or a very hard Brexit are a real possibility? Let us take the Irish problem—the border between the north and south of Ireland. Dublin wants a regulatory regime between the north and the south that is subject to the same rules and regulations as now. Obviously, this cannot apply to the rest of the United Kingdom so it would mean a border in the Irish Sea. How could this possibly be accepted by the Government, let alone the DUP? Other government proposals for a seamless, frictionless border—achieved by some innovative, untried and unexplained IT system—have rightly been rejected by the Republic as incredible. I have always thought—and the recent report by the Commons Brexit Committee confirmed—that the only way we can avoid a hard border is to stay in the single market and the customs union. But that has been firmly rejected by the Government. I really cannot understand why it was ever thought that these talks could succeed.

The failure of the talks at this stage is an indication of the problems of the talks about free trade in general. How can they conceivably be concluded and ratified by the parliaments of the 27 and the European Parliament before the Brexit date? It is said that the aim is now Canada-plus. The EU's Comprehensive Economic and Trade Agreement with Canada took seven years to negotiate and would offer nowhere near the benefits we now gain from the single market and customs union; for example, services—our major export industry—would suffer particularly badly. Hence the need for Canada-plus, but this greatly complicates the negotiations.

The Government have conceded that more time will be needed, and now aim for a transition or implementation agreement, which, again, it is generally assumed can be sealed before the end of March 2019 and will run for two years after the Brexit date, during which we will stay in the single market and the customs union and will continue to be subject to the European Court of Justice. Will the Conservative Party accept that? It cannot even agree on the shape of the final relationship with the European Union. As I think the noble Lord, Lord Darling, pointed out, what would the transition be to? What would the implementation period implement? The obstacles to concluding the trade agreement are formidable. Furthermore, the moment we leave, all the various trade agreements with some 60 countries that have been negotiated on our behalf by the European Union cease to have effect. We would suddenly be left in total isolation, having to renegotiate some 60 by no means simple trade agreements.

When the reality of the problems that lie ahead in the Brexit negotiations begins to sink in, it looks pretty scary. No deal or a very hard Brexit loom as distinct possibilities, but also open up a new and happier possibility. I believe there is a very real prospect of a major shift in public opinion when a significant section of leave voters—who were promised the sunny uplands—realise that they did not vote to see their families seriously impoverished. If this happens, MPs who feel bound to obey the will of the people may find that the people's will has changed. In Parliament a final vote is needed and it might well reject no deal. The only real choice for Parliament then would be to revoke Article 50—which is unlikely—or to let the people have the final choice. No deal might well lead to no Brexit. As several speakers have pointed out, if this unprecedented national act of self-harm were reversed, it would totally transform the present prospects of gloom and decline.

6.08 pm

Lord Beecham (Lab): My Lords, I begin, as is customary, by referring to my interests as a Newcastle city councillor and vice-president of the Local Government Association, and on this occasion as a beneficiary of the Government's largesse in relation to capital gains tax, inheritance tax and the treatment of higher-rate taxpayers.

It is just a few days more than seven years ago that the then Chancellor proclaimed:

> "Britain is on course both to grow the economy and balance the books".—[*Official Report*, Commons, 29/11/10; col. 530.]

The reality is that the economy is growing at a slower rate than that of our partners and competitors and we have missed the target for balancing the books—something that will not be achieved, it now appears, until the mid-2020s. Instead, we are experiencing the worst record on household incomes and productivity in living memory, with devastating effects on the lives of millions of people, in relation to their ability not only to provide adequately for their families but to have access to key public services and affordable housing and to make provision for their years of retirement.

Across a wide range of critical services from health and social care to education, policing, the shocking state of our prisons and the appallingly diminished access to justice, the fifth-richest economy in the world is failing to meet the needs of its people, wedded as this Government are to the failed dogma of privatisation and the minimisation of the role of the state—national and local—in furthering economic growth and social justice. Consider the news in the last few days, to which some of your Lordships have referred. On Friday we had a report of a growing crisis in the provision of care homes, where the Competition and Markets Authority seeks urgent action because the current regime is not sustainable, as councils are unable to pay to the providers of the service the extra cost of between £900 million and £1 billion—and rising—needed to ensure equity between self-funded and public-funded care. Or take yesterday's news, which has again been referred to, of the resignation of the four remaining members of the Social Mobility Commission, including not only Alan Milburn but the highly respected Member of this House, the noble Baroness, Lady Shephard—without any real response from the Government to that event.

In the 50 years I have been privileged to serve as a local councillor, I have never known such unrelenting and damaging pressure on crucial local services—pressure which this Budget, like its predecessors in the last seven years, has failed adequately to address. Even now, when the Chancellor talks of building 300,000 homes a year he is looking seven or eight years into the future, as my noble friend Lady Blackstone pointed out. It is far from clear how many homes councils will be allowed to provide let alone, as I have mentioned several times in debates, what improvements in space and energy conservation standards will be applied—areas on which we lag behind most of Europe.

The Budget did, it is true, make some movement towards addressing the issue but only to the extent of inviting councils to bid for increases in the cap on housing revenue account borrowing by up to a total of £1 billion from 2019 to the end of 2022. At a conservative estimate of a cost of £100,000 per home, that would provide over four years a grand total of some 10,000 new homes. What on earth is the problem with allowing housing revenue accounts to borrow? That borrowing would be not for revenue expenditure but to provide assets with a value, diminished in that sense only by the Government's fixation with requiring the right to buy at a discount. Laughably, the Government are apparently now proceeding with a regional pilot of right to buy for housing association tenants at a cost of £200 million.

Councils are facing a funding gap of £5.8 billion by 2019-20 and there is a current shortfall of £1.3 billion in adult social care. Astonishingly, no mention was made in the Budget of increased funding in this crucial area, as the right reverend Prelate the Bishop of Portsmouth pointed out. This is an area in which the previous spring Budget provided £2 billion over three years, as a one-off sum. There are real issues, moreover, in relation to the funding going to an overstretched NHS for capital funding for the so-called sustainability and transformation partnerships, where it is far from clear whether local councils are treated as genuine partners, no doubt as a result of the systemic problems facing the NHS.

Shockingly, the Budget makes no extra provision for children's services, which in 2015-16 spent £605 million more than was budgeted in the face of growing needs to protect children at immediate risk of harm, with 90 children a day entering care last year. The shameful reliance on charities and food banks to provide for children in school holidays remains in place.

Another visible and shameful result of government policy has been the rise in homelessness and rough sleeping. The formation of a task force to investigate the problem is welcome but the £48 million allocated seems unlikely to make the impact required. Will councils, which have the responsibility to deal with housing and homelessness problems, be given the lead role in accessing funding to provide suitable accommodation—either directly or via private landlords—rather than the dreadful places to which so many of these vulnerable people are all too often directed? Lastly in relation to housing, while the LGA welcomes the announced change in housing benefit awards under housing benefit and universal credit, will the Government deal with the gap between discretionary housing payment funding of £185 million and the annual loss of £486 million associated with the benefit cap, £557 million from the bedroom tax and £3.7 billion by those paying rent above the local housing allowance?

I end by quoting one of my favourite poems, Shelley's "Ozymandias", in which the poet imagines the text on the remains of a statue of a long-dead king of Egypt. It read:

> "My name is Ozymandias, King of Kings;
> Look on my Works, ye Mighty, and despair!".

The poet added:

> "Nothing beside remains. Round the decay
> Of that colossal Wreck, boundless and bare,
> The lone and level sands stretch far away".

A better epitaph for this Government's seven and a half years in office could not be devised.

6.15 pm

Lord Ryder of Wensum (Con): My Lords, my interests are set out in the register. I want to speak briefly about the supply-side bottlenecks in the housing market. Thirty-three years ago in an equivalent debate on the Budget in the other place, I called for the abolition of stamp duty. I stated then that stamp duty,

> "impedes change by curdling labour mobility",

and that it is,

> "a bad tax because it adds … transaction costs in the housing market … It is a bad tax because it discriminates against achievers and those who, through no fault of their own, lose their jobs but secure new ones in other locations",

and that it makes,

> "a mockery of the capital-owning democracy".—[*Official Report*, Commons, 14/3/1984; cols. 449-50.]

A year or two later, I became a Treasury Minister and was partly responsible for taxation under the then Chancellor, my noble friend Lord Lawson. When I felt that I was on the verge of persuading my noble friend, who is a hard man to persuade, to abolish stamp duty he did a runner and inconveniently resigned from the Government. My chance was lost; it remains lost. Yet 33 years later, my views stay unchanged. They are even more hostile to stamp duty because in 2017, the housing market is in a far more dire state than in 1984.

The supply-side measures in the Chancellor's 2017 Budget are timid. His headline-making stamp duty announcement is nothing new; it merely replicates decisions taken 25 years ago by my noble friend Lord Lamont as Chancellor, and over 10 years later by the noble Lord, Lord Darling, in the same post. The present Chancellor's approach is potentially damaging. It risks the prospect of fuelling demand and hiking prices without accelerating with necessary speed the land supply for development, a case already propounded by the noble Baroness, Lady Blackstone, and the noble Lord, Lord Campbell-Savours. Of course, the Chancellor could have chosen my preference of abolishing stamp duty altogether or at least, to be perhaps more practical, slicing rates on every band of stamp duty. This would be a fairer and more efficient option than his own because he has now erected yet another market

[Lord Ryder of Wensum]

distortion by creating a new, steep cliff edge. I suspect—I fear—that he will come to regret his decision.

Allow me to highlight, if I may, problems in the supply of land for development. The feebleness of successive Government has enabled major developers to control swathes of a slanted market. The bureaucratic and legal expenses involved, with planning applications often taking up to three years, have suffocated supply by being beyond the scope of smaller competitors. An investigation carried out by the *Guardian* two years ago showed the biggest housebuilders, all within the FTSE 250, holding more than 615,000 plots in their land banks. This amounts to about four times the number of homes built each year. The 615,000 figure included Taylor Wimpey, with 184,000, and Barratt Homes, with 142,000.

The shortage of new homes, due chiefly to a flawed supply pipeline, has led, as the Minister indicated earlier, to average house prices across the UK standing at no less than eight times the national average income. This is unacceptable, and I say to my noble friend that the Conservatives have been in office, either in coalition or in government, for seven years now, and this problem gets worse, yet the way of dealing with it is quite apparent. After all, the housing market once represented a key component of social mobility, the subject of today's Statement. Now this benefit dwindles year by year, surely to the shame of the Government.

The Chancellor disclosed in this Budget Statement that Sir Oliver Letwin, Member of Parliament, will conduct an interim review—not a review, as reported in the press. Why is this necessary when the reasons for the problems have been apparent for ages, not least to Mr Osborne and, indeed, to the then leader of the Opposition, Mr Ed Miliband? The Government can solve this so-called conundrum by restoring the balance between demand and supply. This requires new planning rules and the Government to press developers to build homes, if necessary through punitive measures, because the housing market at present is not a market at all. It is skewed by an oligopoly perverting the true cost of that market. The Prime Minister and the Chancellor have revealed a lack of urgency by commissioning this interim review. Instead of Downing Street folders demanding action this day, now it seems that there are reminder notes pleading for action this decade, or perhaps pleading for action next decade. Where is the willpower to release the manacles on the housing market? Where is the conviction to defy powerful lobbyists? Where is the steeliness, the belief, to overcome the present iniquities so damaging to the aspirations of young people and so exasperating to proponents of a property-owning democracy?

6.23 pm

Lord Haskel (Lab): My Lords, the OBR's Blue Book for this Budget is one of the most depressing that I can remember. My noble friend Lord Tunnicliffe and others have reminded us that the largest change it makes in its forecast is to revise down the trend or potential of productivity. The Minister does not need me to tell him the impact that this will have on our standard of living or the prospects for our economy. Virtually every other speaker has told him.

Some noble Lords and some economists say that this forecast is too pessimistic. The Minister pointed to full employment and the increase in average hours worked, but much of this work is low skilled with low pay and does not lift people out of poverty. Much of the increased hours figure is due to inward migration, but the policy now is to reduce migration. Indeed, it is already happening, and it is difficult to see productivity gains coming from this or any other part of Brexit, so I would say that the Blue Book is probably about right.

International agencies, such as the OECD and the IMF, seem to agree. Indeed, they compare our gloomy prospects with the other 27 countries in Europe which are forecast to have their fastest growth in 10 years. Of course, the Minister enthusiastically announced some new spending, but not nearly enough to cover the cost of inflation. The Red Book and NHS executives indicate that the health service needs much more money to meet the pressures it is under, the right reverend Prelate the Bishop of Portsmouth told us that the Budget failed to resolve the health and social care split, and my noble friend Lady Bakewell explained why. The investment in housing is welcome but, again, not nearly enough, and the figure for universal credit for next year is too low, as other noble Lords have said.

The help on business rates is welcome, and so is the extra money for investment in research and development, but will it make up for the loss of European Union Horizon 2020 science funding? It is already dropping off. Meanwhile, we still need to discourage short-term corporate governance and do more to encourage private investment. The extra funding for the British Business Bank is welcome and so are the plans for working with industry to design a national retraining scheme, but I put it to the Minister that this is not nearly enough to deal with the size and scope of the problem we have, and it will not deal with our changing economy. That change is illustrated by the interesting fact that appeared last week that Babcock International, one of our major engineering companies, is being replaced in the FTSE 100 by Just Eat, a clever algorithm enabling thousands of low-paid messengers to deliver meals, largely from fast food restaurants and shops. This is a move towards the more intangible economy which we are only now beginning to understand. It helps to explain some of our inability to deal with inequality and productivity, but the Budget is silent on this, and that is another reason why drastic measures are required.

I agree with other noble Lords that the key to these more drastic measures must lie in the industrial strategy. If we take it seriously, if it becomes our priority, if it embraces society as a whole and not just the economy and if we reorganise all of government to carry it through and not just simply have the industrial strategy as part of a government department, we will have a chance of success, this time, because the other nine industrial strategies I remember have mainly failed. It has to involve everybody and teach skills to young and old. The digital monopolies and platforms that we depend on have to be properly regulated to allow for competition, as the noble Lord, Lord Wakeham, told us. It must deal with the tax loopholes which have only recently been revealed, not only overseas but here, as others have said. We have to be more serious about this. Certainly the strategy has to harness digitalisation and artificial intelligence, but driving all of this has to be part of the work of the proposed industrial strategy council. I hope that it will be a council equivalent to the Office for Budget Responsibility, that it will monitor and report sector by sector on what they need to do to be competitive and successful and perhaps push some of the improvements that the noble Baroness, Lady Neville-Rolfe, spoke about earlier. Why not have a branding campaign to go with all this, just to show that we are addressing it?

If we ignore this warning, and a period of decline sets in, we all know what will happen. It will polarise our society and politics even more around identity, nationality and income. Dealing with all these social problems will become even more difficult. Alan Milburn's letter of resignation said it all, and so did the Rowntree report. So let us accept the OBR forecast, but let us prove it wrong by implementing our industrial strategy throughout government, throughout society, and throughout business and industry.

The noble Lord, Lord O'Neill, told us that this is a bigger challenge than Brexit. This could well mean perhaps putting Brexit on hold. I agree with my noble friend Lord Livermore that surely it is more productive to have hundreds of our best civil servants, and the £3.7 billion budgeted, working on this instead of on Brexit, when it looks as if we will have to retain most of our existing regulations anyway to keep trading with the EU. I agree with my noble friend Lord Darling that it would also provide time for the Government to unite behind a single policy and decide where we want to be and what that policy is to be.

I want to prove that forecast wrong. So let us change our priorities—and if this Government cannot agree on that, they will have to make way for one who will.

6.31 pm

Lord Palumbo of Southwark (LD): My Lords, once again we meet to debate the Chancellor's offering of ritualistic cliché and fractional tinkering around the edges of vast, intractable problems—this time exacerbated by the need to save his job, the high drama of Brexit and the existential threat of a Marxist Government. We were offered such insights as:

> "We are at a turning point in our history, and we resolve to look forwards, not backwards … to seize the opportunities ahead of us".—[*Official Report*, Commons, 22/11/17; col. 1060.]

This was accompanied by a series of safety-first measures. The climax was a pyrotechnic display of policies to kick-start the housing market. But when the smoke cleared, one was left oddly dissatisfied—and, of course, the measures will not have the promised effect.

Noble Lords will recall promises, written in blood, to balance the books by 2015, to increase productivity, to slay the welfare beast and, yes, even to boost housing. Perhaps Budgets should begin with a scorecard, independently produced, showing promises made versus outcomes achieved. Of the many truths in politics, one stands out: the Budget will not change much. So it might be worth pausing to examine the economic background to this predicament.

We are now almost 10 years into the biggest exercise in monetary easing in history, one which was meant to turbocharge growth on the back of healthy inflation. Instead, relative to the trillions which have been spent, growth has been anaemic; and worse, the yield curve no longer exists. Noble Lords will recall 10-year rates at 10%, but now they are barely 2%, and negative in some places, while a quarter of a percentage point shift in rates is front-page news.

The Chancellor got one thing right:

> "The world is on the brink of a technological revolution"—[*Official Report*, Commons, 22/11/17; col. 1046],

he announced. But he left it at that. He failed to craft a Budget through the prism of this truth. Instead, and as ever, it was a tweak here and a tinker there.

We need to step back and accept that a lot of what we learned at school no longer applies and that new technology is acting as a massive deflationary force, as the noble Lord, Lord Haskel, referenced with Just Eat. Margins everywhere are collapsing. Look at financial services and the effects of AI. I have seen this first hand. I recently sold a business after it was disintermediated by technology, and my new business is disrupting the office market, which at last is facing technology's sharp edge. Today, as soon as an inefficiency is spotted, a young genius moves in for the kill like a "Blue Planet" predator, disintermediating, disrupting, driving down margins. Uber, Amazon, Spotify, Deliveroo, Airbnb, Google, Netflix—all devastating deflationary forces which disenfranchise the real economy. They are moving so fast that the combination of easy money and fractional tinkering will have no effect.

Ten years post 2008 and the measures which were then necessary, our direction of travel is clear. Look at our debt mountain, the toxic by-product of democracy's largesse. In moments of lesser terror, we feel in our gut that we are living in a new paradigm—that the old rules no longer apply, that the edifice of confident promises will one day shatter and that something has to give. Even since the Budget, RBS has announced job losses due to technology, and Morgan Stanley has reported on the effect of a Corbyn Government on the economy and sterling. Clearly, we need remedies beyond cliché and tinkering. Yet to suggest we legislate for no deficits; require estates to contribute to old-age care; means test the winter fuel allowance—as the noble Baroness, Lady Bakewell, eloquently suggested—free TV licences and bus passes; require drug, alcohol, smoking and food abusers to contribute to their medical care, or charge for missed GP appointments, would be electoral suicide. Any proposal advocating the need for personal responsibility is anathema in current-day politics.

As a result, the Budget is designed to satisfy short-term needs and deal with urgent political imperatives rather than meet the reality of current economics and build a platform for long-term stability. Still, the time of ritualistic cliché and fractional tinkering may be drawing to a close.

6.38 pm

Lord Dobbs (Con): My Lords, it is a great pleasure to follow the noble Lord, Lord Palumbo of Southwark. I follow him for the very first time. I hope he will forgive me if I do not always follow his argument, however.

This has been a good Budget—no pasty tax or caravan crash in sight. There are some of course, and we have heard plenty of them today, who claim that a

[LORD DOBBS]

thousand kinds of carnage are about to engulf us from across the water. We wait patiently on the beaches for the arrival of that disaster, along with the ice cream sellers and those who rent out deck-chairs. Meanwhile, the country is getting on with the job. It is a strange sort of disaster that produces a record number of people in work, expanding manufacturing, rising car exports and foreign students pouring into the country at a record level along with new investment and entrepreneurs.

I am far from complacent about things—there is so much to do—but I am optimistic. I want to judge the Budget by how it brings the country together: what steps it takes to bridge the gaps between the young and the old, between the super-rich and the super-poor, and between regions, classes and cultures.

I do not dismiss the concerns that we have heard from all sides. There is clearly more to be done. So I cheered the additional billions for the NHS, the encouragement of driverless cars and better transport links, the long overdue refinement of universal credit, and the commitment to housebuilding and to raising apprenticeship levels. My noble friend Lord Horam, who I think is no longer with us, emphasised the measures to help to tackle homelessness. These are all excellent building blocks, although by comparison I have to agree with my noble friend Lord Ryder that the cut in stamp duty looks a little like a chicken that has wandered into a Chinese kitchen. It is surely supply rather than demand that we need to focus on. Meanwhile, though, my son is suitably grateful.

However, despite the thousands of pages available from the Printed Paper Office about the Budget, this Budget really boils down to one word: Brexit. One of the worst mistakes made by any recent Government was not to allow any preparation for that eventuality. We are playing catch-up, so the additional money for preparation is long overdue. Even so, I wonder whether any amount of money is enough to bring those who represent the EU in these negotiations to their senses. We are their friends, their neighbours, their loyal allies. So why the threats? Why the constant stream of abuse? Why does Mr Juncker call the British electorate stupid? What possesses Mr Barnier to suggest that Britain has deserted Europe in the fight against terrorism? It is insulting, outrageous, undignified and totally incorrect. Then there is Mr Tusk. How many more non-negotiable demands will he discover lurking under his mattress? There are so many bumps under his bed that I wonder how the poor chap manages to get any sleep at night.

Even the Taoiseach of Ireland is at it. He says we want to build a wall. We do not. I hope he does not, either. In which case, what is the problem? Unless of course there is another agenda that has nothing to do with trade. I fear that this is not a real negotiation. It seems to me more like an exercise in exacting revenge. Perhaps they do not want an agreement. What they really want is to humiliate Britain, just as they have wrecked and ruined Greece. That is why no deal is better than a deal that is deliberately destructive.

I hope I am wrong—I really do—but just in case I am not, I would like to ask my noble friend for two things. First, I would like him to restate the position that nothing is agreed until everything is agreed. I know he has said it before, but they are like those little words of love: the more you hear them, the better you feel the following morning. Perhaps there is progress. We seem to have reached some sort of agreement about the Brexit bill—£40 billion, maybe £50 billion, I do not know, but not the £100 billion that was originally demanded. Still, it is many, many billions. There are more than a few lunches in that, I guess, but let us not complain. They are our friends. Spendthrift friends, of course, who desperately need our money, but friends none the less.

In Florence the Prime Minister vowed to meet all our obligations, and quite right, but—secondly—I would appreciate my noble friend's advice on whether the figure that we appear to have agreed is what the British Government believe is our legal obligation. Is that what we are offering, our legal obligation? If it is, that means we would be obliged to pay that amount whether or not we get an agreement. That would give Messrs Juncker and Barnier even less incentive to be reasonable. I hope my noble friend can reassure me that it is an offer, not an obligation.

The Budget has done many good things and Brexit will do many more: increase productivity, raise wages, reduce food prices, improve skills, increase competitiveness, open British business up to the wider world and new markets, encourage innovation and embrace the technological revolution that is about to sweep away those who hide in bureaucracy. If it enables Mr McDonnell to afford a new iPad to update his current kit, which appears to be about 50 years out of date, I believe that is a risk we should be willing to take.

6.45 pm

Baroness Donaghy (Lab): My Lords, it is a great pleasure to follow the noble Lord, Lord Dobbs; he is a great fiction writer. [*Laughter.*] My contribution will cover housing, rather briefly as other noble Lords have covered this, and the impact of the Budget on women.

As David Smith, economics editor of the *Sunday Times*, has said, the figure announced of 217,350 net additional dwellings in England in 2016-17 includes thousands of conversions where commercial properties and houses are converted into flats. Interestingly, it also includes caravans and houseboats, so now we know the direction of travel. The actual figure for England was more like 140,850—so no cheating, please. The Government's target is not achievable under current policies even if we had the capacity to build, and the serious shortage of skills proves that we do not.

I rather like the Resolution Foundation's suggestion for how the scrapping of stamp duty could have been better spent: the 3,500 first-time buyers who stand to benefit should have been handed £160,000 each to buy a property outright in 26% of local authorities across England and Wales. Then they would have been mortgage-free. Put another way, the cumulative cost of £3 billion over five years would have built 40,000 homes for social rent or 100,000 through the Government's own Housing Infrastructure Fund.

I turn to the impact of the Budget on women. Women benefit most from social security protection rather than tax cuts. They rely more on health services and social care, and are lower paid than men. There was nothing in the Budget on social care, as has been said, and that is staggering. It is simply not good enough to say that it was dealt with in the Spring Budget, when that allocation was a drop in the ocean. There was nothing in the Budget about how the self-employed interact with the social security system. The Treasury is responsible for the difficulties of those self-employed on low incomes and who have fluctuating earnings. They are adversely affected by the minimum income floor, and the majority of the newly self-employed are women.

I do not know if it is a government tactic or just coincidence but when individuals and organisations carry out a comprehensive impact assessment on women and the Budget, they are told that they are wrong and do not take account of other factors. Last week I raised the issue of a household with one disabled adult and one disabled child being £5,500 per year worse off under this Government. The figure came from the Equality and Human Rights Commission. The Minister, the noble Baroness, Lady Buscombe, said the figures were skewed. In answer to a question by Gerard Killen MP, Secretary of State Justine Greening questioned the accuracy of the analysis of the effect of government policy on women that was conducted by the Women's Budget Group and the Runnymede Trust. The Minister said:

"The analysis … does not take into account the impact of the national living wage"—

it did—

"the changes we have made to childcare"—

it did—

"the work that we are doing on reducing the gender pay gap"—

she gave no evidence for that—

"the introduction of shared parental leave"—

she gave no figures—

"or the introduction of increased flexible working"—[*Official Report*, Commons, 23/11/17; col. 1167]—

but she gave no impact assessment. We have a game of hide-and-seek going on: the Government do not produce a full impact assessment themselves, but anyone else who tries to do so is batted off with a series of declamatory statements.

The Women's Budget Group has written to the Secretary of State emphasising the need to consider the impact of cuts to public services alongside changes to taxes and benefits. The group has offered to discuss its comprehensive analysis with the Minister and has asked the Government to produce their own analysis in the same level of detail. The analysis by the Women's Budget Group and the Runnymede Trust reveals that low-paid workers, mainly women, were hardest hit by the 2015 and 2016 changes to universal credit. Employed women will lose £1,400 of their yearly income by April 2021, compared with the original design of universal credit. Such a cut endangers the integrity of the universal credit framework.

Two other aspects of universal credit directly discriminate against women. Payment of universal credit to one person in an English household will risk increasing women's financial dependence on their partners and make them more vulnerable to financial and other abuse. The two-child cap and abolition of the first-child premium with effect from 6 April 2017 means that women will have to stretch that income, possibly to breaking point.

I do not know whether the Government meant it as a crude form of birth control, a form of saving public money or a warning-shot across the bows that even worse is to come, but this is a slow burner, and a large number of people who will be affected in future are not aware of it. By the way, a healthy birth rate is essential if we are to maintain a healthy tax take. Watch this space.

Because of the gender gap in higher earnings, raising the higher-rate threshold disproportionately benefits men—73% of them. Only 27% of women were higher-rate taxpayers in each of the past five financial years. The Women and Equalities Select Committee has expressed disappointment in the Treasury's record on providing evidence of how it had met its statutory obligations under the public sector equality duty and called for an independent evaluation of the Treasury's performance. No one will be surprised that no such independent evaluation has been commissioned, nor has the Treasury published its own equality impact assessment.

The Chancellor may have tried to play safe in his pedestrian Budget, but he has done nothing for the millions of people who are disadvantaged, or the millions of women who have to pick up the pieces.

6.52 pm

Lord Gadhia (Non-Afl): My Lords, I have always thought that the annual Budget Statement brings out some of the very best and worst of punditry and pontification among the commentariat in our country. This year's Budget was no exception. My nomination for best contribution goes to Paul Johnson of the Institute for Fiscal Studies who captured perfectly the constant deferral in achieving a balanced budget, when he noted that,

"there is an Augustinian tinge to these plans: 'Lord make me pure, but not yet'".

The worst contribution, I fear, has to be the *Daily Mail* headline that described our Chancellor as: "Eeyore no more!". It was an amusing quip, but it missed the important distinction that AA Milne's character is pessimistic by nature. In contrast, the Chancellor is forced to be cautious by circumstance.

The brutal truth is that in recent times, central bankers rather than Finance Ministers have been more important in determining the future of western economies through unprecedented quantitative easing, more than trebling central bank balance sheets from $4 trillion to $14 trillion over the past decade. Lack of fiscal room for manoeuvre has rendered the Treasury relatively impotent but, as Mark Carney reminds us, Bank of England independence should not be confused with omnipotence. Its mandate can deliver price and financial stability and provide a breathing space for adjustment, but cannot secure lasting prosperity, solve broader societal challenges or address intractable issues such as housing affordability or poor productivity.

It is only now, with the deficit reduction process more advanced and declining towards 1% of GDP by the end of the Parliament, that the baton is passing

[LORD GADHIA]
back from monetary to fiscal policy. This is the first Budget since the financial crisis where we have seen a modest loosening of the purse strings, amounting to almost £18 billion over the course of the Parliament, providing some hope for a future beyond austerity. I anticipate further modest rebalancing in future Budgets under the envelope of a gradually declining debt-to-GDP ratio from this year's peak of 86.5%. This is the new compass guiding policy, rather than the elusive balanced budget, which I doubt will ever be achieved in our lifetimes.

The respected market economist, Mohamed El-Erian, eloquently described this transition as an important crossroads for the world economy, but it feels more like a tightrope than a smooth tarmac road. With our continuing twin deficits, the current account tracking between 4% and 6% of GDP in the red—by far the largest in the G7—coupled with high household debt, now running at 150% of disposable income, we remain beholden to the kindness of strangers for our funding. Any spare debt capacity and fiscal space that the Chancellor has drawn on has been painfully created, and those who believe that we can somehow let rip and borrow significantly more are being naive, reckless or both.

The other big news of the Budget was, of course, the revision to productivity and the knock-on impact on growth forecasts, resulting in an economy that will be about £42 billion smaller by 2022 than previously expected in March—a number that is, incidentally, almost identical to our annual net interest cost for servicing the national debt. The reality is that Britain's productivity puzzle is not news. The most salutary lesson is: do not extrapolate from the past. The previous OBR forecasts assumed that productivity growth would continue at levels experienced before the financial crash, but that has proved wishful thinking.

However, a "slower for longer" growth trajectory is clearly unsatisfactory in meeting expectations of higher living standards and better public services. The disturbing talk of a Japanese-style lost decade—or longer—will, I hope, concentrate minds on addressing the fundamentals. It is therefore welcome to see the industrial strategy co-ordinated closely with the Budget.

The two biggest influences for improving productivity are skills and investment levels and, in my remaining time, I shall make a few remarks about the latter. The most notable outcome of the Budget is that public sector investment is due to rise to 2.4% of national income, which, if sustained, would be the highest level in 40 years. It seems as though 2.4% is becoming an auspicious number for the Government, because it is, by coincidence, the target set for total R&D investment as a proportion of GDP by 2027. These twin investment goals are important stakes in the ground. As we seek to finance more innovation, which is intrinsically more risky, it requires more equity rather than debt. Start-ups are well aware of this, but our SMEs and scale-ups, in particular, need greater access to risk capital.

The Government's *Patient Capital Review* did excellent work in identifying this funding gap, and estimates that we could easily double, and perhaps even treble, the current £3 billion deployed in scale-up businesses annually. The Budget contained a range of measures to crowd in private sector equity investment with the aim of unlocking more than £20 billion of new capital for innovative firms over the next 10 years. This is much needed rocket fuel for scale-up Britain, with its associated multiplier effects on jobs and livelihoods.

I end with some brief comments about the current market environment. Against a background of unusually synchronised global economic growth, to which my noble friend Lord O'Neill of Gatley referred, financial markets are enjoying a period of exceptionally benign conditions. The VIX index, which measures market volatility and is popularly known as the fear gauge, has been trading at about half its long-term average during much of this year but is now ticking back up again. Valuation levels across virtually all asset classes are at relative highs. In view of this, a market correction is more likely than not in 2018, which could lead to real economy effects. We should recognise that any impact on the UK economy could be disproportionate, as animal spirits are already sedated by Brexit uncertainty.

We must also recognise that Brexit remains an experiment. We simply do not know what happens to an economy when it unwinds a close integration with its nearest neighbours and, at least in the short term, becomes less globalised, but in 10 or 15 years' time it is more likely that the effects of the so-called fourth industrial revolution will heavily outweigh those nearer-term impacts.

The Chancellor did not have a particularly high bar to meet for this Budget. His task was essentially to deliver a set of measures that did not unravel in short order. Spending a little more in a targeted way and avoiding significant or contentious tax rises has allowed him to meet this narrow objective, but he should be congratulated on having one eye on the future and using whatever limited wiggle room he had to invest in our future prosperity.

6.59 pm

Lord Carrington of Fulham (Con): My Lords, I am very grateful to be following my noble friend Lord Gadhia. One of the little pleasures of this place, as your Lordships will appreciate, is to be a long way down the speaking list in a debate such as this, because everything that one can possibly say has already been said, and said a great deal better than I could possibly say it. If noble Lords will bear with me, I shall make some general comments about the Budget, then go on to some issues that particularly affect London.

In my view, this is a good Budget—perhaps not a great, reforming Budget, but one that does what is required in a time of uncertainty. Of course, the OBR's economic projections are disappointing but, like all projections, they are best guesses based on the facts at the moment. The problem is that, until the Brexit deal is done—or, as we heard this afternoon, not done—they must have an even wider margin for error than usual. Add into the mix the unknown terms of any trade deal with the USA and with our other major trading partners, and these economic projections become even less useful for making policy. If economic projections were any good for determining policy, our economy would be in much better shape.

One of the most worrying headlines in the OBR's projections is the downgrading of its assessment of the UK's productivity. Measuring productivity is a complicated business in a service economy such as ours, but there is no doubt that we clearly need higher skills and greater investment, and the Green Paper on industrial strategy produced by the Department for Business, Energy and Industrial Strategy is very welcome in laying a pathway to correct this, if possibly a bit interventionist for purists such as myself. But we also have to recognise that there is a trade-off between high employment and productivity. Personally, I would accept lower productivity, balanced by higher employment, particularly of the low skilled. Some countries, such as France, seem to take the opposite view.

One of the greatest uncertainties is what the future holds for our financial services industry. Its importance to our economy is hard to overstate in terms of employment and tax revenues. The deal that we do with the EU 27, and the timing of that deal, is crucial, but even more important to much of the City are the relationships that we develop with the rest of the world once we are outside the EU.

I want to mention a couple of other challenges that particularly face London. We hear a lot about the divide between the economy in the south-east and the rest of the UK. Of course, the challenge is to bring the rest of the UK up to the economic vibrancy of London, but London is not without its serious problems. The biggest is perhaps housing, as highlighted in the Budget, and mentioned extensively in this debate. I welcome the efforts to build more homes and to help first-time buyers. House prices in London mean that no one working in central London, trying to pay for their home out of taxed income, can afford to live within a reasonable travel distance of their work. The costs of housing are directly related to the shortage in housing. The high prices in London are not caused by absentee foreign buyers; they are a small part of the problem, if an irritating one. It is more basic—a shortage of homes being built. Get the supply right, and we will get the prices down to an affordable level. New towns and ribbon developments between Oxford and Cambridge are only part of the answer, as it will still be a massive and expensive commute for most people with jobs in central London.

I welcome the measures in the Budget to encourage more homes to be built in London. We need to develop the large acreage of brownfield sites which exist in London and which somehow never seem to get new homes built on them. But that alone will not be enough. We have to increase the housing density in central London closer to the levels which Paris and New York have always had.

The second massive problem in London is business rates. They have in places—and it is a mixed picture in London overall—gone up well beyond the ability of small shops and businesses to pay them. While the measures in the Budget will help and are welcome in the short term, they are not the long-term solution. It is clear that the business rate regime, with its many advantages for government of ease of collection and difficulty in avoidance, is now damaging businesses in London. Property taxes unrelated to profitability are no longer optimal, at a time when online retailers pay very low business rates and often not much tax at all, and our high streets are dying. We need a reform of business taxation in London, with rates being replaced by a tax which better reflects the profitability and turnover of the business.

Finally, I was pleased that the Bank of England has started to increase interest rates at long last. With nearly 10 years of close to zero interest, we cannot be surprised that few people see any advantage in saving. The savings ratio is still bumping along at historically, catastrophically low levels, and household borrowing is getting back to the heights last seen before the 2008 crash. We need to get back to more normal levels of interest rates. I wonder if the much-praised independence of the Bank of England needs to be rethought, or at least the targets of the Monetary Policy Committee need to be enlarged to encompass other factors than just inflation.

This is a Budget that does what is needed at this time, but I hope that soon the Chancellor will feel able to introduce a more radical Budget, not least to tackle the complexity of our tax system. A tax simplification Budget is long overdue and, while it would be resisted by the Treasury, tax accountants and lawyers—a formidable lobby they form as well—a simpler tax regime would liberate business to get on with its job of making the wealth that we all so much like to spend.

7.06 pm

Lord Lennie (Lab): My Lords, it is a pleasure to follow the noble Lord, Lord Carrington of Fulham. I shall not agree with much of what he said, although I was interested in his analysis of London. I intended to restrict my contribution to the debate to the effects of the Budget on the north-east of England. However, since the Budget, much has happened that makes that self-imposed restriction almost impossible. On top of a Budget which, by popular judgement, set low expectations and lived down to them, we have since seen an industrial strategy published and the resignations of all of the commissioners on the Social Mobility Commission, all of which impacts on north-east communities, as elsewhere.

The north-east voted to leave the European Union. The vote was in large part based on a resentment by those who have not of those who have, and a lack of government action to change that. If you are born poor, the likelihood is that you will die poor. The Prime Minister's early claims that the Government would prioritise a narrowing of the gap between rich and poor turned out to be only rhetoric, not reality. It is deeply corrosive and has led to political polarisation. Many former industrial areas are hollowed out. No digital replacements have come. There is a cynicism that says that, "Things cannot get much worse for me and my family, so why should I vote to stay in the EU?" The Budget has reinforced this view. Nothing really changed. Austerity will continue, with the prediction of 20 years to come with no increases in real earnings. Growth forecasts have been slashed, reinforcing this deeply worrying prospect. The economic cake shrinks. Housing has experienced demand-side attention with the action on stamp duty, but everyone knew that the

[LORD LENNIE]
supply-side issue was the problem, with too few affordable houses and planning issues not addressed. The stamp duty issue will simply increase prices.

In the north-east, infrastructure investment is what is needed. Superfast broadband is just not available in many rural and seaside communities, meaning that they fall further behind the larger towns and cities as places to grow or start businesses. What of those successful large enterprises, such as Nissan? The mid-term prospects are unclear. If the Government cannot reassure people about the prospects of staying in the European Union customs union, it makes investment in future models at the Sunderland plant uncertain.

The steelworks in Redcar remain mothballed and unused. We have an "us and them" society, social resentment, political polarisation and deep corrosion unattended to by government. There was some marginal welcome news for the north-east in the Budget, with the announcement that the replacement rolling stock for the Tyne and Wear metro is to be paid for by central government rather than locally. There is to be a bit of cash for commuter transport in the Tees Valley and the welcome "north of the Tyne" mayoral deal on devolution, which will see a small increase in central government funding, but not enough to compensate for the loss to local authority budgets in recent years. However, these are small beer when set against the giant thirst of the north-east. Set between Scotland and the M62 corridor, both with infrastructure projects to make them more competitive, the north-east must scrap to be remembered by this Government. It has a workforce keen to learn and prosper but I fear that it will suffer in the way that has been identified, with workers being replaced by robots and moving to low-paid, part-time occupations, widening the gap between the rich and the poor. Nothing in the recent past shows that the Government are overly concerned about this prospect. However, a rising tide raising all boats is no longer a maxim that can be relied upon.

7.11 pm

Lord Farmer (Con): My Lords, many of your Lordships kindly gave time on 2 November to speak in the take-note debate on *A Manifesto to Strengthen Families*. Signed by over 55 honourable Conservative Members from the other place, the aim was to make it crystal clear to senior members of the Government that a solid quarter of their own Back Benches are determined that the impasse over family policy should be overcome. Signatories, including many noble Lords, are now working to build further support across all parties and in all government departments for policies that will strengthen and help bring stability to families.

As I said during that debate, since 1997, Governments of all colours have fallen short of stated intentions and ignored the elephant in the room of family breakdown, yet the Joseph Rowntree *UK Poverty 2017* report published today reiterated the evidence that it is a root cause, as well as an effect, of poverty. It hits the poorest the hardest, compounds existing disadvantage and is a potent driver of wider social breakdown.

I regret that I feel compelled to draw attention to the almost complete lack of funding for family-strengthening policies in the recent Budget Statement. There was one line in the Red Book confirming that there would be a £15 million investment for relationship support and addressing parental conflict in 2018-19 and 2019-20. While this is obviously welcome, there remains a lack of a preventive approach in contrast to other major areas of government policy, particularly education and health, yet the prevalence of fractured and dysfunctional families has significant cost and business implications for all departments of government —therefore, especially for the Treasury. A figure of around £50 billion is often cited as the annual cost of family breakdown, but that inadequately captures the ways that failing families undermine many government priorities such as improvements in productivity. As we say in *A Manifesto to Strengthen Families*:

> "Well-functioning families make a considerable contribution to society: they are wealth generators and vital to our nation's economic competitiveness. There are very high social and economic costs when families falter, and currently this country is paying a particularly steep price".

Every department of government needs to recognise that stronger families are potential assets that will reduce their financial outgoings and help them deliver their core business more effectively. Therefore, each one needs to contribute to a broad strategy. The Ministry of Justice, for example, has recently published my review on the need to see prisoners' family ties as assets for preventing reoffending and reducing intergenerational crime. Its own research has found that prisoners who receive family visits are 39% less likely to reoffend than those who do not. Reoffending costs £15 billion per year but this is just the starting point for the large savings to be made. Each prisoner who "goes straight" will increase productivity, start to contribute to the economy and give his children a much better example to follow.

There is a clear business case for ensuring that policies to strengthen families become embedded in the machinery of government. Investing in this will yield significant benefits, albeit in the medium to long term. The Chancellor is well placed to implement a strategy that will ensure that the foundations—the human building blocks—of our economy are increasingly robust and in a much better condition to meet future challenges.

Leafing through previous Social Mobility Commission reports, I have found a strange silence on the issue of family breakdown. Before the events of this weekend I had—with some sadness and indeed some anger, given that this body is publicly funded to speak truth to power to improve lives—concluded that the commission had taken an ideologically inspired position on family breakdown. To its credit, it paid much attention to the issue of parenting, but almost none to the backdrop that sets the tone in so many households—the relationship between parents. This blindness seemed to me a fatal flaw that would undermine the effectiveness of its wider proposals. Therefore, my first question to my noble friend the Minister is: will the new Social Mobility Commission chair give the full gamut of family factors influencing social mobility the attention bandwidth they deserve, including parental relationship stability and conflict? He or she should know that viewing family-strengthening policies that go beyond cash transfers, childcare and parental leave as off limits for public opinion is mistaken. This is the impasse I referred to previously.

Recent surveys carried out for the Centre for Social Justice challenge the Westminster village assumption that policies to boost family stability will be unpopular. They found that despite the long-term trend of family breakdown in the UK—at least a third of people have directly experienced relationship break-up—support for stronger families, and indeed marriage, remains strong. Almost three-quarters of adults in Britain think that family breakdown,

"is a serious problem … and more should be done to prevent families from breaking up".

More than 80% of adults think that,

"stronger families and improved parenting",

are important in "addressing Britain's social problems", and almost 90% of new or soon-to-be parents support public money being spent on,

"strengthening families and improving parenting",

specifically for,

"children growing up in poverty".

Tackling family breakdown is not toxic. The public are becoming increasingly alive to this issue and the Government must not lag behind.

I submitted a Question for Written Answer asking Her Majesty's Government whether,

"to strengthen families, they intend to make available funds for projects other than those specified in the Budget Statement".

My noble friend Lady Buscombe—the Minister—informed me that,

"strengthening families is a cross-government objective and other government departments will be able to confirm their own plans in this area".

To reiterate, this Budget was almost devoid of funding to tackle family breakdown. Can my noble friend the Minister explain how the Treasury will be proactive in requiring Ministers to meet this cross-government objective, so that we can be more productive, enjoy better well-being and live within our means?

7.18 pm

Lord O'Neill of Clackmannan (Lab): My Lords, I do not wish to follow the remarks of the noble Lord, Lord Farmer, in their entirety. I wish to comment on homes and construction, which play a fundamental part in supporting families.

This Budget was somewhat strange in so far as, in the run-up to it, there were very few leaks and very few promises. It was very modest in effect. In fact, when the forecasts were announced in the Budget Statement, it became quite clear why they did not contain very many promises—there was not much to go round. Brexit is understandably once again sucking the air out of the political room, but other considerations such as housing, construction and engineering deserve our attention.

I have declared interests in this area, which are in the register, and I want to talk about those because they feature in the industrial strategy. It is quite clear why we need to have consideration of construction and engineering in an industrial strategy. It is also fairly clear where we want to go. Unfortunately, in the middle is the "how", and there is precious little about that in the Budget Statement. It is understandable that a right-wing Government would not wish to appear unduly dirigiste or to deal with some of the challenges which a sensible Government pursuing a strategy would need to consider. Construction is about far more than housebuilding, yet we need more homes. There is the generational gap, council waiting lists, and high private-sector rents. The nature of the problem with these issues is spelled out in statistics relating to the increasing age of first-time buyers.

The Chancellor seems to suggest that a tweak here, and a reduction in tax such as stamp duty there, will lead to a golden age of housebuilding—that we will be back to the 1950s and Supermac. There is a caveat here: the first thing that Harold Macmillan did when he sought to pursue the target of 300,000 houses was to reduce housing standards. He said that the programme set in place by Nye Bevan was too ambitious. Part of the problem with our existing housing stock is that, throughout the 1950s, we built poorer houses than we could have because we were pursuing statistical objectives that were not properly defined.

Construction is not an industry where you can just turn the tap and it comes on. For a start, there are supply chains with different business models and skill sets. During the most recent major housing recession, in the 1990s, 50% of the men—it was pretty well always men—who left the building sites never returned. As a consequence, we had to take advantage of the stream of labour from the European Union. If we had not, we would not have been able to build even the few houses that we did. As well as that, the threat of Brexit and the feeling that a lot of the construction workers on whom we depend are no longer welcome in this country means that they are thinking twice about coming here.

Looking at the structure of the construction industry, 95% of its businesses employ fewer than 10 people. Many are reluctant to expand; they are happy to tick along as they are. Sometimes this is because of late payment. Sometimes it is because of the retention system, which I have spoken about in this House. The Government have produced a report on this which they have lodged very carefully in the long grass and we might not see it for some time. These issues of payment create great difficulties, particularly for small businesses. Yet there are housebuilding opportunities, such as greater prefabrication and more efficient insulation and heating systems. Additional efficiencies are offered by BIM—building information modelling—which is the application of IT to conduct, construction and contractual arrangements in the building industry. Acceptance of that has a considerable way to go.

New build is only one area of the industry. As I said, the existing housing stock, built in part in the 1950s and 1960s, was not built to the highest possible standards. It has been suggested that 14 million homes out the housing stock of 26 million are badly insulated and hard to heat, particularly those in the private rented sector. Next year, that sector will be given some shock treatment: if it does not measure up to the standards the houses will be taken out of availability to rent.

[Lord O'Neill of Clackmannan]

At the same time as this housing construction challenge, we also have ambitious projects such as HS2 and the power station programme, to say nothing of the many works that are going to be carried out within the M25. All of this will require the same skilled staff and inspections conducted by those responsible for ensuring that building regulations are followed. For some time this year I was privileged to chair a working group established by the Association of Plumbing and Heating Contractors. Using freedom of information legislation, we were able to get a picture of the extent of building control in England and Wales. It became abundantly clear that most local authorities did not have the appropriate number of people. They could not afford to pay them, so you had men with joinery skills looking at electrical work; men with plumbing skills looking at other forms of construction. Profoundly dangerous situations could arise. I do not doubt the Government's ambition, but they ignore the staff shortages; competition from other parts of the construction industry; the limitation of financial incentives; the weakness of the business model of many small firms; and the lack of proper regulation of construction through inadequate building control. If—and it is a big if—we can address these challenges, then the ambitions of that part of the industrial strategy for housebuilding may be of benefit and our wishes realised. I will not proceed, because I have already taken up more than my time. The needs of engineering will be addressed another day, not this evening.

7.27 pm

Lord Goddard of Stockport (LD): My Lords, it is always a great pleasure to follow the noble Lord, Lord O'Neill of Clackmannan, especially when he mentions plumbers and heating engineers; it brings back memories. I draw attention to my interests, as stated in the register. I am an elected member of Stockport Metropolitan Borough Council. This debate is on the Motion that this House takes note of the economy in the light of the Budget Statement. Noble Lords have ranged far and wide on that topic and I wait with bated breath for the Minister to somehow weave Brexit, Dusty Springfield, Cobra Beer and Led Zeppelin into his reply to them.

I made my maiden speech in this Chamber on 11 December 2014, in a debate on economic leadership for cities. Almost three years later, to the day, I am returning to that debate. However, there is a new name, so I will address myself to the proposals in the Budget for investment in the economy of the northern powerhouse. We all welcome the proposed £1.7 billion investment in the transforming cities fund, not least because half of the fund will be shared among the cities with metro mayors, which is good news for the two-thirds of northern powerhouse cities that have secured devolution deals. However, how do the Government propose to deal with the one-third that do not have such deals in place?

I am particularly pleased to see the massive strides that are taking place in the north-east. These will, no doubt, be buoyed up by pledges of investment in the Tyne and Wear Metro, the former Redcar steelworks site and a devolution deal for the north of Tyne. I hope that gives some comfort to the noble Lord, Lord Lennie. The northern powerhouse is coming his way. At the launch of the Northern Powerhouse All-Party Parliamentary Group, of which I was elected a vice-chair, it was refreshing to hear northern leaders from Manchester, Leeds and Newcastle, to name but three, at last singing from the same hymn sheet. The message we wish to send to the Government, loud and clear, is that we are not against London; we do not want money diverting from London to the north. It is vital that the London heartbeat carries on generating wealth and prosperity. However, the north has fantastic strengths and we need more support from central government to develop them further. In that way, the north will be able to increase its contribution to the UK economy, creating a more balanced and prosperous economy, and leading to a win-win situation.

The other refreshing message was that we are not holding out a begging bowl; we are proud northerners. Our claims are evidence-based and on a sound economic footing, as my noble friend Lord O'Neill of Gatley expanded on far more eloquently than I can, talking about the north-west's new indicators.

People ask me what the northern powerhouse is. What does it do? Is it real? Is it of substance? I shall give your Lordships some quick facts about the northern powerhouse and they can judge whether it is real or not. The northern powerhouse economy is worth £316 billion and is bigger than the economies of Norway, Sweden, Austria and Belgium. There are 15.3 million people living in the northern powerhouse region—more than in Portugal, Greece or Belgium. There are 20 universities in the north, with a total revenue of almost £6 billion and employing 70,000 people. There are 1.1 million private sector businesses in the northern powerhouse—an increase of 167,000, or almost 20%, compared with 2010.

I give noble Lords those figures not to boast about the north but to try to illustrate the giant steps that we are taking, but we need to do much more. Sir Richard Leese, the leader of Manchester City Council, tells the story of a visit to China with a delegation a couple of years ago. He says, "If you could draw a line from Leeds to Sheffield and down to Liverpool, with Manchester inside that triangle, it would be smaller than the city of Beijing. That's the scale of the challenge we face in competing with world cities".

Connectivity is the key. We need to connect our great northern towns and cities to maximise productivity and attract investment. The distance from Manchester to Leeds is shorter than the length of the Underground's Central line in London, yet it seems impossible to bridge that small gap. If we had new railways connecting the cities I have just mentioned with Liverpool and Sheffield, 7 million people and three times the number of businesses would be able to interact and develop the economy of the north. Once we unlock these cities, we can develop transport links to Hull and Newcastle, and truly become the real powerhouse. We welcome the £300 million investment for HS2 junction improvements announced at the Conservative Party conference, but there is much more to be done. The Budget was silent on further transport investment, which is of some concern.

Of course, more than just transport is holding back the northern powerhouse. Education and skills specifically in the north of England lag behind those in the rest of the country, and this must be addressed with joint working between our cities and support from the Government. The north has demonstrated how critical major investment in infrastructure and education would be, creating a country of equal parts, along with our other thriving major cities. That would make the northern powerhouse a significant player on a global scale, which would be good for the north and, I believe, great for the country.

7.33 pm

Lord Balfe (Con): My Lords, I shall not try to follow the noble Lord, Lord Goddard, with a contribution on what our good friend Ruth Davidson calls the "southern powerhouse" but shall address other points in the Budget.

In 100 years' time, will people look at this debate and the whole debate on fiscal policy that we are having now and wonder what sort of world we were living in. One thing that strikes me is how much the Government underplay their very real achievements and how little the aims of the Opposition differ from those that we are trying to achieve. If you look at the summary of government policy, you will find that in the last financial year, 2015-16, income inequality fell to its lowest level since the mid-1980s. Someone may like to remind us who was Prime Minister then, when it was last at this level. Since 2010 the growth in income from work for the lowest-income households has been higher than in any other major advanced economy. Government policy—I quote from the official document—is "highly redistributive". It says:

"In 2019-20, the lowest income households will receive over £4 in public spending for every £1 they pay in tax".

It also says that government tax and spending decisions have,

"increased the tax contribution from the top income decile",

which means that those paying the top level of income tax are paying more than £4 for every £1 they get back from the Government. Yet, listening to people, you would think that we were in some sort of wicked world where everybody was being screwed to the ground and oppressed. I am afraid the facts just do not bear that out. If there are cuts, where are they if government expenditure is going up? I humbly submit that a lot of what is said about cuts just does not stand up. As I have already said, households in the lowest income decile receive over £4 in benefits for every £1 they pay in tax, and, looking closely at the figures, those in the highest income decile contribute over £5 for every £1 they receive back in benefits. Indeed, the document points out,

"the poorest 60% of households receive more in public spending than they contribute in tax".

That is not a Government oppressing the poor; it is a Government doing their best. I am not saying that a Labour Government would not also do their best but I am not sure that they would find it possible to do any better. I submit that the much-vaunted talk about the few and the many actually refers to very much the same group.

Earlier, I heard the noble Lord, Lord Palumbo, make a very good speech putting forward various policies, such as taxing the winter fuel allowance. I think that would be quite sensible but he said it would be electoral suicide. Frankly, it may be electoral suicide but we have to start talking about such policies, even though they are only tinkering at the edges. The fact is that as a society we rely on giving incentives to people to work hard and do well. I know that the Opposition regard £80,000 a year as a fortune. That is where the punitive tax cuts in. Interestingly, it is just £1,000 ahead of the income of Members of Parliament, but we will set aside how they came to that figure.

The fact is that, if you want to encourage people like head teachers, scientists and leaders in professions, it is not unreasonable to pay them £80,000, £100,000 or even £120,000. If you want top consultants who will work to get to that level of salary late in their career, that is not an unreasonable sum for them to earn. Apart from vice-chancellors, who seem to have set themselves up as a new parasite class, most people, certainly in the public sector—many of these £80,000-plus people are in the public sector—do a good and hard day's work for their income. Noble Lords would not expect me to make a speech without mentioning that many of them are paid-up members of unions affiliated to the TUC. So the Labour Party and the Conservative Party have workers who work very hard and deserve a reward, and they should not constantly be denigrated.

However, we need a common purpose between the two parties in relation to tax avoidance. I know that a distinction is made between avoidance and evasion but I always say to people, "Why are the Cayman Islands, the Bahamas and Gibraltar such popular places? They're popular because you can hide your money there". Not only do the parties have to get together but countries within the OECD and—dare I say it?—within the European Union have to get together as well in responding to the need for common action to close the loopholes. We all know that that is why these tax havens exist. We need a public register of the ownership of offshore companies and trusts. We have a housing problem in London; it would be nice to know who owns all those darkened houses in Kensington and to place some sort of income surcharge on them, would it not? My children—I am very proud of this—went to a private school. In the sixth form, every year, literally dozens of children who had no place in Britain came in and used all the public services. I have argued before that it would be quite easy to add VAT to their school fees, then they would make a contribution towards the economy that they benefit from.

In summary, we are arguing over angels and pinheads when we should be looking much wider. We should be looking at things such as my Amazon account, where everything comes through Luxembourg so that Amazon can avoid paying quite as much into the public coffers as it would if it came through the UK. The challenge is large, but we lose sight of it and of the huge amount of work that the Government have done in protecting the poorest and the most vulnerable and giving them a chance and a future.

7.41 pm

Baroness Young of Old Scone (Lab): My Lords, much as I would like to pick up some of the things the noble Lord, Lord Balfe, just said, I will resist the temptation. Instead, I hope to intrigue your Lordships by declaring an interest as chairman of the Woodland Trust and as a resident of the Oxford-Cambridge arc. That is "arc" as in geography, rather than boat, which would mean that we are sinking. Let me reveal the secret. I will talk about housing, but in particular I will draw the House's attention to some tensions between different government policies in the housing sphere and ask the Minister to respond on how they will be resolved.

In the dash for housing, which I absolutely support and understand, we need to ensure that we understand why new housing needs to be of good quality, environmentally sustainable, well-served by infrastructure and should promote quality of life. One example of that is the Government's industrial strategy. That will prosper, and inward investment flow, only if well-trained staff with aspiration are attracted to good places to live. Yet we now build the smallest, boxiest houses in Europe, new settlements are frequently ill served by transport, health, care and social services, and they certainly fail the settlement design standards that the Commission for Architecture and the Built Environment promoted before the Government did away with it in 2011.

In a similar vein of policies that seem to be in conflict, the Government have repeated with admirable vim and vigour the commitment they outlined in the housing White Paper to improve protection for ancient woodland. Yet over 500 ancient woodland sites are currently under threat in England, and half of these threats come from housing development. Last year we lost 50 ancient woodland sites, two-thirds from housing development. The Department for Communities and Local Government is reviewing the National Planning Policy Framework at the moment but, so far, the changes it is proposing simply will not deliver the improvement in ancient woodland protection that the Government have committed to carry out in another place. The Chancellor's statement in the Budget pledges continuing strong protection of the green belt—where most Conservative voters live—but where was the Government's similar commitment to ancient woodland? There has been no sight of it at all.

However, the Chancellor was much keener on garden towns, and the name has rather a fine ring. Letchworth Garden City, for example, is a superb historic demonstration of what is possible in bringing the built environment together with the green environment. Ebbsfleet is rather less so. In the Budget three years ago the Chancellor pledged a garden city of up to 15,000 homes there. Since 2012, 33 government announcements have mentioned Ebbsfleet, but only 749 homes have been built in total. I make that 23 homes for every press release. We need true garden cities—the Letchworth sort of garden city—led by proper development corporations with a keen sense of place and a commitment to the environment and quality of life. Otherwise, developers, hoping to get a favourable planning status for unsustainable, cheap, boxy developments with inadequate infrastructure, will sex up their proposals—if I may use that technical term—with the odd badly-planned and ecologically unsound scrubby park and damaging encroachment on ancient woodlands that are trapped in concrete within these developments.

In the Budget, the Government endorsed the National Infrastructure Commission report on the Cambridge-Milton Keynes-Oxford corridor—the Oxford-Cambridge arc—and committed to build 1 million homes by 2050. That NIC report says all the right things about the environment, sustainability and access to infrastructure but, alas, schemes spawned by the idea of the corridor are already proposing garden villages. These have poor access to road and rail infrastructure, both north-south and east-west and, distressingly, often encase ancient woodlands in concrete zoos.

Can the Minister assure the House that the dash for housing that the Chancellor's Budget showcased will not result in the short-changing of other important government policy commitments for the environment and for quality of life? If, when the Government change the National Planning Policy Framework, they could state that damage to ancient woodland would be contemplated only in wholly exceptional circumstances, that will be a good sign that they can harmonise their policies for housing, industrial growth and the environment—that they can walk, talk and chew gum at the same time.

7.47 pm

Lord Skidelsky (CB): My Lords, I will concentrate, as is my wont, on the macroeconomic implications of the Budget. That is not to say that supply-side questions are not important—of course they are. I agree with the noble Lord, Lord Maude, that a Government should not be exempt from the efficiency expected of the private sector. However, in general, efficiency is closely related to investment. The more investment there is, the more efficient an economy is likely to be, for the simple reason that there will be much less resistance to cutting costs—which in practice usually means laying off workers—if there are plenty of alternative jobs available.

We have 1.4 million people out of work—"too many", the Chancellor rightly says. That would not be so bad if we could take those figures at their face value. Headline unemployment is down to under 5%, the lowest since 1975, and who would doubt that it is better to be in work than out of work? But we must remember that, as well as the wholly unemployed, millions of part-time workers say that they would work full-time if they could, many of them forced into precarious self-employment and zero-hours contracts, and there are those overqualified for the jobs they do. If we take just two categories—those claiming unemployment benefit and those who say that they would work longer hours if such work were available—about 11% of the British workforce is either unemployed or underemployed; they are unemployed on a wider definition which is accepted by the ILO.

Then we must also remember that 4.3 million families claim tax or child tax credits—subsidies to their earnings. Previous noble Lords have mentioned the study by the Joseph Rowntree Trust showing a big growth in child poverty. In my book—and this is my response to the comments by the noble Lord, Lord Balfe—an economy in which a large fraction, some 20%, of the workforce is permanently reliant on the benefit system for a living income is not a healthy economy.

The Chancellor asks us to look forwards not backwards, but we need to look backwards to explain why productivity has collapsed, why living standards have stagnated, and why the Chancellor has a Budget that remains unbalanced five years into recovery, despite his best efforts. The Chancellor said:

> "The key to raising the wages of British workers is raising investment, both public and private".—[*Official Report*, Commons, 22/11/17; col. 1049.].

He is quite right. But what has happened to investment?

In 2007, total investment was 17.4% of GDP; in 2016, it was 16.5%—1% lower. It may just have got back now. Over the same period, public investment has fallen from 3.4% of GDP to 2.6%. In other words, total investment has more or less recovered its pre-crash level, but public investment still remains below it. Instead of using public investment to offset the fall in private investment, the Government pointed public investment in exactly the same direction. One has to believe some very peculiar things to believe that a simultaneous fall in public and private investment will galvanise the economy into new and vigorous life, but they do believe those peculiar things. I wish that I had time to go into it, but they are peculiar.

In those statistics of investment are to be found a crucial explanation for tepid GDP growth, stagnant wage growth and low productivity. The British economy is forecast by the OBR to grow by an average of just 1.4% annually over the next six years. That is at half the rate that it grew between 1997 and 2007. The Chancellor places the blame for weakening growth on the collapse of productivity. According to the Office for National Statistics, output per hour is 21% below the pre-crisis trend. Why has that happened? I have been looking in vain for an explanation for that "mystery", as it is called. But I do not think that it is actually much of a mystery. An economy whose lack of investment forces a large fraction of its workforce into low-productivity jobs is going to be a low-productivity economy.

We come to the vaunted industrial strategy. It is full of aspiration. But why is the Chancellor only now "laying the foundations", as he puts it in his Budget speech, of the dynamic economy of his dreams? Is it because, as Anthony Hilton wrote in the *Evening Standard* on 16 November:

> "Governments in Britain since Mrs Thatcher's time have refused to have an industrial strategy and, as a result, we have very little industry left".

When we come to the actual money that the Chancellor is prepared to commit to the strategy, we find some pretty thin gruel. I welcome the money for R&D.

There is also a promise of £44 billion for housing to build 300,000 houses a year, but it turns out that some of that has already been allocated and a lot of the rest is through guarantee. Why will it take another eight or nine years to reach the 300,000-house target? Harold Macmillan promised to build 300,000 houses a year in 1951, and he built 300,000 houses every year. Why is it now taking eight years to reach that target?

The answer is very clear. Since 2010, Governments have made liquidating the deficit and reducing the share of the national debt in GDP their top priority. No matter that they keep missing their targets, they return to them every year, but each time with a longer timeline. That means that they do not have the money available in their own world. You cannot have an industrial strategy without a much larger underpinning of public investment. It is the Government's obsession with deficit reduction that leaves them with no money for an industrial investment strategy. We could put it technically. What they have done is concentrated on reducing the numerator—the deficit—without considering its harmful effects on the denominator, which is the economy.

I have often wondered why such clever people—and the Treasury is full of very clever people—have come to believe such a foolish thing. That is the real mystery, not the productivity puzzle. We do not have the time and certainly this is not the place to go into it, but it means delving quite deeply into the economic theory of public policy. As it is, all I can do is to remind noble Lords of the old adage, "Fine words butter no parsnips".

7.55 pm

Lord McKenzie of Luton (Lab): My Lords, it is a particular pleasure to follow and hear the noble Lord, Lord Skidelsky. There can seldom have been greater disparity between the upbeat rhetoric of a Chancellor and the seriousness of our economic situation. The reality, as we have heard, is a bleak canvas where real wages are lower than in 2010 and living standards are set to fall in 2017. Economic growth has been revised downwards in every year of the forecast as households' real income and spending is squeezed by higher inflation. Perhaps most worrying is the downward revision of productivity growth and what that means for our economic future. Just this morning, we saw headlines from the CBI contrasting the gloom over the UK economy with the strength of the global economy, including members of the eurozone. That could not be more pertinent as we stumble towards an exit from the EU.

A variety of assessments have been undertaken about the effect on the UK economy of our departure from the EU in both the short and the long term. These reflect assumptions around reductions in trade with EU countries and increasing tariff barriers, reductions in foreign direct investment, especially related services, and reduction in the UK's net fiscal contribution. They do not make happy reading. The NIESR estimates the long-run impact of leaving the EU will mean GDP between 1.5% and 3.7% lower than baseline in 2030 and real wages between some 2.2% and 6.3% lower. Other studies show different outcomes pretty much all with a lower GDP.

Where we end up of course depends on negotiations, which will presumably get under way at some stage, but not apparently today. Lack of progress is creating uncertainty, which is in danger of inhibiting the investment that we need to improve productivity. The projected lack of growth has reduced the Chancellor's headroom against his fiscal mandate, but we should acknowledge

[LORD MCKENZIE OF LUTON]

a modest loosening of the fiscal policy—a loosening of the squeeze in my noble friend Lord Hain's terminology, or perhaps a modest change of heart.

So far as debt falling as a share of GDP, we know that that has been achieved only with the help of the reclassification of some £70 billion of housing association debt. As the OBR pointed out, the DCLG Secretary of State confirmed in his evidence to our Secondary Legislation Scrutiny Committee that the regulations under review were introduced only to enable a reclassification. That is a pretty cynical approach. Will the Government really stand aside should a housing association fall into severe financial difficulty?

What have been the Chancellor's priorities in dealing with this headroom? There is £3 billion, as we have heard, for Brexit—no additional funding for social care but funding to help us extricate ourselves from the single market at a time when its economies are growing strongly and ours is struggling. That is perverse indeed. Can the Minister tell us how this sum will be allocated across departments? What is the strategy and what are the economic risks of the various options?

The Chancellor has allocated nowhere near enough extra resources to address the NHS funding crisis, although a new payment with new money is to be welcomed—as is an additional £10 billion of capital, notwithstanding that most of that is coming from selling parts of the NHS estate. Recently, we have debated the very minimum of changes to universal credit, with nowhere near enough being done to end the misery caused by that programme: nothing for the self-employed, second earners, lone parents or disabled people; no rolling back of the cuts of £3 billion a year; nothing to ease the effects of a decade of cuts to social security on the incomes of families with children; and a million more children heading for poverty. It is no wonder that the social mobility commissioners have had enough. It appears that the Government are too busy with Brexit to address the needs and aspirations of their citizens.

As for the abolition of SDLT for first-time buyers, we share the reservations that this does too little to help too few of the young people who wish to buy a home of their own; it risks further pushing up prices. Government focus on the need to build more homes is to be welcomed, but we need more affordable homes and we need delivery. Garden cities have not blossomed since announcements four years ago. My noble friend Lord O'Neill took us back to the time when Nye Bevan was in charge of housing, with his insistence on maintaining standards and the use of councils to deliver many of these properties, which are now applauded. Of course, that was at a time when materials were difficult to obtain, being just after the Second World War. There is much to learn from what he did.

The switch from RPI to CPI for business rates is welcome, if a little late. As for other tax measures, the Government have published an array of policy measures, announced in the Budget as part of the new annual tax policy-making cycle. They range from setting tax rates and allowances to anti-avoidance rules for offshore trusts, accommodation allowances for the Armed Forces and hybrid mismatch rules. There are over 100 of them. Of course, they justify an increase in resources for HMRC, but they demonstrate how complex our system is, how difficult it is to simplify it and how the fiscal landscape is changing.

However, there are broader issues, of which we were reminded with the release into the public domain of what have been termed the Panama and Paradise papers. They show vast amounts of wealth swashing around in offshore entities—some in the UK, some in British Crown dependencies or British Overseas Territories. We acknowledge that it is not just a matter of political will to secure an appropriate tax take from such sources, where there may be competing claims on who has the taxing rights, and we accept that the Government have been active in supporting the OECD in its base erosion and profit-shifting initiatives. However, there is more to do in establishing beneficial ownership and driving transparency. The weekend press suggested that the EU was ready this week to approve a list of those countries, island states and former colonies that it deemed to be non-co-operative jurisdictions, which would be blacklisted with suggested appropriate sanctions. Unanimity is required for this decision. How will the Government approach this matter?

The Chancellor invited us to share his vision of an economy fit for the future, but frankly, we should decline. We would rather he spelled out the real challenges we face so that we can be enjoined to face the reality of those challenges.

8.04 pm

Baroness Eaton (Con): I declare my interest as a vice-president and former chairman of the Local Government Association. It is a pleasure to follow the noble Lord, Lord McKenzie; in the past, it has usually been on matters of local government, where I take my hat off to him for being one of the most informed people on the subject. I have not always agreed with his decisions but I have been impressed by his knowledge.

To help the country to meet the challenges ahead, local government need the funding and fiscal freedoms to get on and deliver the high-quality public services and infrastructure that help our communities to thrive. The Chancellor made announcements in his Budget that will make a positive difference to local areas. Perhaps most importantly, as mentioned by many speakers today, he has recognised that our housing crisis is one of the most pressing issues we face as a country. It is good news that there will be more investment in housing and infrastructure, support for SME builders, and a greater focus on tackling rising homelessness. The Government have shown that they can be ambitious about tackling the country's problems head-on by committing to building 300,000 homes a year.

However, we must remember that councils must be allowed to play their part if we are to meet these kinds of targets. We heard from the noble Lord, Lord Skidelsky, about Harold Macmillan building 250,000 to 300,000 homes a year, but he did not mention that 40% of them were built by councils. Back then, local government was trusted to get on with things and to deliver. It is therefore encouraging to see that councils in areas of high affordability pressure will receive additional borrowing powers to deliver much-needed homes for their communities. That is an important first step, but I would like to see the Government be much bolder and give every council in the country greater freedom to borrow to build new homes.

I believe that there are areas where the Government could go much further, especially in child and adult social services. I know that the Chancellor mentioned the local government finance settlement in his Statement to the other place. I would like to put on record some areas that I think the Government should prioritise as Ministers agree funding allocations for councils. Above all else, the Government must find the funds to ease the financial difficulties facing adult social care and children's services—service areas that other noble Lords have already mentioned. Funding gaps and rising demands are placing hugely increasing pressures on councils. As the Local Government Association has highlighted, almost 60p in every £1 of council tax could have to be spent caring for children and adults by 2020, unless there are changes. It is not just councils saying this. In its report on the country's economic and fiscal outlook, the Government's Office for Budget Responsibility wrote:

> "Local authorities remain under pressure as demand and costs for both adult and children's social care rise".

Such pressures are taking money from other services that keep our communities running, such as cleaning streets, gritting roads and many other services that communities rely on. In order to build desperately needed homes, create jobs, improve health and care support for our most vulnerable and boost economic growth, all councils need greater freedom from national government to take decisions over services in their areas. They also need the long-term resources to meet the demanding financial position in adult and children's services.

The Budget made some progress, most notably on housing. I welcome that, but I hope that the Government will use the upcoming local government finance settlement to tackle the other issues that I raised today, which were not included in the Budget Statement.

8.09 pm

Lord Lea of Crondall (Lab): My Lords, the state of the economy at the moment is gloomy in the extreme. I am sorry to those people who think that we ought to say that there is light at the end of the tunnel, but at the moment, there is not. I follow the noble Lord, Lord Skidelsky, in saying that we have to target one thing above all: we have to jack up the rate of economic growth to 2% or 3%. Nothing else will work unless we do that. That sounds a bit like George Brown in 1964; I say, "Come back George Brown, all is forgiven".

Lord Whitty (Lab): Not quite all.

Lord Lea of Crondall: Some parts are forgiven. We have to have a new deal in both senses of the term: a TVA-type new deal and a new deal for workers. There is an ambiguity to what a lot of the speeches add up to of where this productivity problem arises.

In passing, the noble Lord, Lord Tugendhat, made a speech that could have been interpreted as saying he does not quite believe the statistics and that the economy is growing in a way we have not recognised. I used to be a bit of a guru on national income accounting. Income, output and expenditure have to be measured to match. I cannot see how the ONS can be all that wrong in saying that the economy is not growing by nought point something.

On the idea that there is some mysterious factor in the economy we are not measuring, a lot of people in Silicon Valley believe the zillions of extra things we can do with the things in our pockets—our phones—must mean that productivity is rising. There is a puzzle there, but for the moment the statisticians are correct: they are not adding to our productive potential. We are just playing around on our mobile phones; we are not doing anything useful with them. That is a big factor, but at the moment there is nothing that is measurably happening.

We can have a look at measuring the rate of economic growth, but everything else is second order. The main candidate for something the Chancellor can do about it is public investment. It is a long time since we have been worried about productive potential, but it is the only term that meets where we are at the moment. It goes back to the strange discussion we had the other day on the industrial strategy with the noble Lord, Lord Henley, when he took some comfort from the fact that unemployment is down and that this was a good way of justifying lower productivity—"Don't you people want lower unemployment?" It is one of those questions you get on the BBC's *Today* programme, as our friend Mr John McDonnell found out the other day. You cannot look at a dynamic economy by trying to stick to questions and answers such as that.

We have to jack up the rate of investment. Whether we get the money off the Norwegian wealth fund, which is now worth $1 trillion, or not I do not know, but there has to be a dynamic piece of arithmetic and we can agree on some the answers—if you did get the economy to grow at that pace, then you would get this return through business growth and tax returns. We ought to raise the level of public discussion, whether at the BBC or anywhere else. We are not short of excellent material. The number of excellent reports we have heard mentioned is extraordinary. I will not go through them all because I only have two more minutes, but they all say roughly the same thing: we have a low pay trap, a low productivity trap and low investment, and we ought to transform the economy in some way. Mr McDonnell has said most of the right things about how to increase our productivity potential, as has the Social Mobility Commission. I congratulate Mr Milburn and the noble Baroness, Lady Shephard, on the way they identified these cold and hot spots around the country, because that is also very important in terms of where public investment should be going.

We have to make sure there is some targeting in numerical terms in this debate—how do you get to, say, 3%? Even as a paper exercise it would show us where we need to do something. Without sounding as if it is all to do with pay, the fact is you cannot change the definition of value added without recognising that value added is pay and profits. There are people at the top earning zillions, but pay and productivity are low.

[LORD LEA OF CRONDALL]
I am not saying you do it just by increasing pay, but we cannot wallow as a zero economy, with zero growth in real pay and in productivity.

I have one final word on the Brexit effect. There are undoubtedly three very bad Brexit effects relating to this. First is an investment problem relating to trade barriers. The second is the spectre of the exchange rate falling, as it has at 90p to the euro. We can see circumstances in which it could well have parity with the euro. The third is the prospective collapse of investment in those industries with a single factory floor in Europe, whether it is Jaguar Land Rover, Airbus or Unilever, and all the other sorts of investment which require a change in the policy so that we stay in the single market and the customs union.

8.17 pm

Lord Shipley (LD): My Lords, I remind the House that I am a vice-president of the Local Government Association.

The advance publicity for the Budget suggested that housing would be at the centre of it, but I agree with the noble Lord, Lord Ryder of Wensum, that it was timid in this respect and that measures in it would not address the "flawed supply pipeline" that he referred to. I agree, too, with the noble Lord, Lord Horam, that the Government need to intervene directly over publicly owned land and use its value to build more homes that are affordable for people to live in.

The Chancellor referred to the housing market as a "challenge". A few months ago, it was described as "broken" in the housing White Paper. Since publication of that White Paper, very little has happened to address two crucial problems: first, an inadequate supply of new homes in absolute terms; and, secondly, the lack of new social homes for those on low incomes.

The Government know that one solution lies with councils, but councils need greater freedoms to borrow. There has been a cap since 2012 on the amount a local authority can borrow under its housing revenue account. I find it odd that it can be easier for councils to borrow to buy shopping centres and office developments than for them to borrow to build homes. That cannot be right.

The Budget took a step towards some easement of this situation by permitting a lifting of the borrowing cap for some councils. But all councils have waiting lists. It is not possible anyway to build 300,000 homes a year by the mid-2020s unless all councils are empowered to build more affordable and social homes.

Why is the Treasury allocating a sum of £1 billion for additional borrowing by councils by the end of 2021-22 in areas of greatest pressure, because it assumes in so doing that it will spend only 80% of it? Might the Government not do two things: first, allocate 120% of the £1 billion so that they will actually spend the £1 billion; and, secondly, explain why they have not taken the opportunity, following the reclassification of housing association debt from the public to the private sector, to borrow more for social housing by councils? In any case, why is borrowing for council housing a matter of public debt? It is not treated as public debt anywhere else in the European Union, so why does the Treasury continue to claim that it must be treated as part of public debt?

I fear that the Budget will not deliver the boost to housebuilding required. Abolition of stamp duty for first-time buyers purchasing homes under £300,000 is obviously good news for individuals, builders or the current owners of a property, but as the Office for Budget Responsibility pointed out, house prices will rise as a consequence. We should just note that the average purchase price of a first home in the UK is £165,000. The reduction in stamp duty is worth £800 of that, of which some will go in higher purchase price.

The Chancellor has set a target of building a net 300,000 homes by the mid-2020s. I agree with the noble Lord, Lord Skidelsky, that the Government could and should reach 300,000 homes a year much earlier. It will not be reached because the levers introduced in the Budget are insufficient to do it. The financial allocation for housing in the Budget is £44 billion, but that is over five years and only a third of it is new money for housing,

There are some positive things in the Budget. It is good to see extra support for small builders to get some 40,000 extra homes built on smaller sites. It is good to see extra resource to increase skills in construction, but it is very small beer in the face of Brexit—if Brexit happens—because of the loss of EU skilled workers. The Letwin review of land-banking is welcome, just so long as it does something to reduce the scale of the problem of land-banking by large builders. Big housebuilders need to realise that they are seen by the general public as hoarding land for reasons of managing supply and keeping prices higher than they need to be. The buildout of their planning permissions is too slow and something needs to be done about it. Let us hope that the Letwin review is speedy and comes up with conclusions that ease the problem.

It is right to permit local authorities to charge a 100% council tax levy on empty homes after two years, rather than 50%. In some places where homes are left empty deliberately as investment properties, they should be taxed more heavily. I do not see the 100% after two years as the end of the issue.

It was good to see the extension to the home building fund, the doubling of the housing infrastructure fund and the extra funding for urban regeneration schemes, but in absolute terms the total sums of money involved are not that great.

The difficulty is this: what the Chancellor has proposed in the Budget does not address the central problem, which is the lack of supply of new housing. Housing cannot be all about owner-occupation. The number of affordable social homes is too low and their supply needs to be increased. In that respect, will the Minister tell the House when the Communities Secretary will say more about the housing elements of the Budget promised by the Chancellor? Secondly, when will the much trailed Green Paper on social housing be published?

8.24 pm

Lord Whitty: My Lords, the news for the Government since the Budget has not been great, and I am not even going to talk about Brexit—I will leave that until later in the week. On the economic side, the OBR projections have shown all too clearly that the austerity strategy has lamentably failed on all fronts: on debt, on growth, on productivity and on living standards. On the social side, the report of the Social Mobility Commission, compounded this morning by the further report from the Joseph Rowntree Foundation on child poverty, shows just how uneven life chances are in this country. We are greatly divided, societally and geographically. In that view, I have to differ from my former noble friend Lord Balfe. I think he had rather rose-coloured spectacles on today. There is great division in our society and the Budget will not help to address it.

I pick out three issues. One is the housing crisis, where I broadly follow the remarks just made by the noble Lord, Lord Shipley. The Government claim to have addressed the housing crisis, but it is a seriously misconstrued strategy, in so far as it has been so far revealed. It has attempted to tackle the wrong problems, mostly with the wrong measures and benefiting the wrong people. The second crisis, which has also been referred to at length in this debate is the social care crisis. The Government have completely ignored it in this context. I hope the Minister will tell us that we are about to get a new White Paper with a strategy on social care. Both residential social care and care visitors are in colossal crisis.

Residential homes' standards of care are diminishing as they cannot contend with the combination of squeezed resources and burgeoning demand. As we have heard in recent days from the CMA, of all people, some care home are facing closure and bankruptcy. Local authority fees for care are capped too low to be economic for care homes or for care workers to be paid adequately. Private funders, who are often hard-pressed families themselves, are faced with fees of more than £45,000 a year and often forced to sell their own homes or their parents' homes. In care homes, deteriorating conditions and slashed staffing levels make the final years of many of our elder people, some of our own age, and our parents and grandparents, an avoidable misery. Not all the generational disadvantage is in one direction.

On housing, I shall not say much more. Other noble Lords have clearly spelled out that if we are to achieve the 300,000 target that the Government now support, there will have to be a substantial increase in council house building. The Conservative Party still seems to have an antagonism to council houses and to local authorities being involved in housing provision. To meet their targets they will have to get over that, because the cut in stamp duty and the other measures announced by the Government do not address the right people. In most parts of the country, people with quite adequate incomes for all other purposes are unable ever to get on the housing ladder. That means we have to provide some form of rented accommodation. We know that the private rented sector has seen escalating rents and deteriorating conditions and security.

We are going back to a situation that existed 100 years ago, when there were only two forms of tenure: you either owned it or you rented it from a usually grasping, exploitative landlord. In many parts of the country, that spectre has returned already. The only reason people can afford to meet those rents, and in some cases meet their mortgage, is that they are bolstered by social security, particularly in the rented sector by housing benefit, which continues to grow, despite the Government's attempts to limit it. We are effectively passing money from the state to private landlords. That is not a sensible housing policy, a sensible social policy or a sensible economic policy. We therefore need to follow the well-trodden path of creating greater social housing, through both councils and housing associations, to get decent, well-built, sustainable homes for the majority of our people. The Government are ignoring that at their peril. I hope that the social housing Green Paper, or whatever it will be, calms my fears about that, but I have seen no indication from anything any government Minister has said so far that gives me any cause for comfort.

I know there are those who will say that I see the housing market through the eyes of a London-based politician, but I do not. The reality is the same in all parts of the country, particularly in the south-east. London prices have affected the whole of the south, including the south-east. They have also affected many of our other great cities. The reality is that this is part of a bigger problem. It is part of the problem that was highlighted to some extent by the Social Mobility Commission: the overheating of the London economy and the relative advantage of people in London as against the rest of the country is causing grave dislocation in our society, our economy and, as the Brexit vote shows—I promised not to mention Brexit—our body politic, between those who are benefiting, directly or indirectly, partially or totally, from the London effect and those who are not. The families who live in the Midlands and the north, and in the rural areas of East Anglia and the south-west, where I live, are suffering from the fact that we have an unbalanced economy, yet there is no sign from the Government of developing a proper regional strategy.

For decades, in the early years of our being in the European Union, we relied on regional funds and structural funds from the European Union as a substitute for regional policy. The very small instruments for regional policy that the Labour Government instituted were abolished by the coalition. We need to go back to an interventionist industrial regional policy as well as an industrial strategy. At the moment we have some commitments towards a northern powerhouse but they have yet to be delivered and we have not even seen the machinery whereby they can be delivered. The third great gap in the Budget, after social care and housing, is the complete lack of any indication that the Government are about to have a rethink on regional policy in England.

8.31 pm

The Duke of Wellington (Con): My Lords, I will speak briefly on just one small but important initiative announced by the Chancellor in his Budget speech last week. It has hardly, if at all, been referred to in the debate so far. I declare an interest as a former chairman of King's College London and patron of the King's Maths School.

In the Chancellor's Budget Statement he said:

"Knowledge of maths is key to the high-tech, cutting-edge jobs in our digital economy".—[*Official Report*, Commons, 22/11/17; col. 1050.]

[THE DUKE OF WELLINGTON]

I would go further than this. One of my own children, when studying philosophy at university, always said how much he regretted not having done maths at A-level. Maths is an essential part of all education, helping the student with logical thought, elevated numeracy, and analysis, leading to better decision-making. There is also considerable evidence that those who do maths A-level have a better chance of getting a well-paid job later in life.

The Government have announced in the Budget Statement that they will provide money for maths teaching, will pay a maths premium and will invite proposals for new maths schools. Sometimes government initiatives of this nature do not achieve what they intend, but so far maths schools have been a great success, and more should be created. I will illustrate the point.

In 2012, King's College London was approached by the Department for Education asking if we would be prepared to sponsor a new maths school. We readily agreed to do so, and the story is really inspiring. The first year's intake in 2014 numbered 60. They took their A-level exams in 2016, and 50 of the 60 achieved an A* in maths, 12 went to Oxford or Cambridge and all the rest went to other leading universities. The school is now in its third year. Some 44% of the students are from black and ethnic-minority backgrounds; 21% have English as an additional language; and 34% are girls. The school now tops a number of league tables—a remarkable achievement. Great credit goes, of course, to the headmaster, the staff and the students, and for the co-operation with the staff and students of King's College. But I must say that a lot of credit should go to the Department for Education, which took the initiative to create two new maths schools. The other pilot maths school at Exeter University also achieved outstanding results.

The Government's invitation for proposals for new maths schools is based on strong evidence that this concept really works and will substantially increase the number of students reading maths at university. It is widely acknowledged, in particular in an interesting study published in the *British Educational Research Journal* in February 2016, that we need a major increase in maths teaching and maths students in this country. I was very pleased to read this morning that there has been quite a good increase in the number of applications this year to read maths at university. In the long term, this will have a most positive impact on the economy. I advise Ministers and their officials to consult the noble Baroness, Lady Wolf, on how to drive this programme forward. It was she who masterminded the creation of the King's Maths School. She is hugely respected by educationalists, and I am sure that she could help the Government to achieve one of their policies for long-term growth of the economy.

There are a number of major policy issues which, as many noble Lords have said today, affect our economy at the moment: comparatively low productivity; a diminishing growth rate, probably as a result of the Brexit decision; and a temporary—we hope—rise in inflation. But improving education, particularly of maths, is just one of the many policies which the Chancellor has announced to help the economy in the long term. In this context, I strongly support the creation of more maths schools throughout the country.

8.37 pm

Lord Rooker (Lab): My Lords, that speech was a remarkable example of the benefits of maths, which I do not propose to follow. This is the first time that I have ever been the last Back-Bench speaker and I thought, "What do I do? Shall I chuck my notes away, listen to the speeches and pick up some good points? Should I keep up to date with the fiasco in Brussels?". I thought about all that, but I am sticking to the notes that I did at the weekend, so there may be a bit of repetition.

I am certainly not expert in economics, but I can recognise unfairness and failure from across the Chamber. I too have listened to Budgets for more than 40 years, like the noble Lord, Lord Wakeham—the first Budget for both of us was in 1974. I have learned to listen to the bits you are not supposed to hear. When I heard the Budget in 1977, I thought something was not fair about it so, along with the late Audrey Wise, I did something about it.

In the first 10 minutes of his long speech, I heard the most important point that the current Chancellor had to make. It was about the decision of the OBR to lower the growth forecast. After seven years of failed austerity, this is a catastrophic forecast. I am not surprised that he got it out of the way early and hardly came back to it. It should have been a key factor in the Opposition's response.

The OBR forecast has not been challenged. The *Financial Times* leader afterwards said:

> "It is hard to overstate the significance of the Office for Budget Responsibility's bleak forecasts",

and that growth now is forecast to be,

> "a third lower than it estimated two years ago"—

a third lower than just two years ago. I also read that the new projection will lop £50 billion off the size of the economy by election year, 2022.

Adding to concern about this key factor in the Budget is the fact that the OBR has said that, after believing the productivity slow-down was a temporary hangover after the financial crisis, and that it had factored it in, it no longer assumes that recovery is on the way when it looks to the future. The financial crisis started in the United States of America, not the UK. I need to point out that, in 2010, the Conservative Chancellor inherited an economy from new Labour which had had three quarters of economic growth after the crash. The Conservative Chancellor inherited from new Labour an economy which had three quarters of economic growth after the crash—I have to repeat that because we do not hear it very often from the Official Opposition. We need not have gone backwards.

The income tax changes in the Budget mean that most goes to those with the most. The low-earning worker will see the paltry change in income tax wiped out by the spiteful freeze on in-work benefits. Working families will be hit. In fact, higher inflation, the effect of the squeeze on in-work benefits and weaker pay growth will see low earners £300 a year worse off from 2022, and in some cases, according to the Resolution Foundation, £4,000 a year worse off, taking into account changes from the 2015 Budget.

It is now estimated that earnings in 2022-23 will be lower than when John Major left No 10 Downing Street in 1997. The forecast is two decades of lost wage growth and falling living standards. Even in the dark days of Margaret Thatcher's cuts it was not this bad, and at least she promised to take the country to a better place. There is no promise like that today.

There is simply no precedent for what is going on. The Chancellor thinks there are no unemployed; the Prime Minister thinks nurses use food banks for complex reasons; the only money tree is for the DUP; the just about managing are not—they are struggling; in-work benefits are frozen; in the small print, the Government plan an attack on public sector increments in the health service; children in poverty are on the increase; and there is no real plan to reverse it.

The Budget was so shallow that it did not deal with social care, the defence of the realm, public sector pay or the prospects for the largest manufacturing sector in this country, which is food related. There was nothing radical on university fees, the mention of the NHS was derisory and, indeed, far short of what experts say is required, and there was nothing on planning law and land supply, which is the only route to more homes and sustainable communities. There was nothing whatever. Infrastructure was talked about, but that is all that happens—talk. There are even little examples.

There was nothing on asking well-off pensioners to pay tax on the winter fuel allowance or those still working after the age of 65 to pay national insurance. There was no effort to spread any of the misery around. In fact, there appears to be a degree of spite towards those who need help. Why else freeze in-work benefits? Why continue to freeze public sector pay? We have come a long way from strong and stable; by any measure, it was a shallow Budget with spiteful side-effects on the working poor.

I want to finish with a brief point about immigration, which has been used by the Brexiteers in respect of the economy since 2013. On top of all the misery that is out there, we now have a new climate of fear spreading in this country due to the promised hostile environment for immigrants. It started before Brexit—I will grant you that—when the Prime Minister was at the Home Office. We remember the lorries she ordered up, travelling the streets with signs telling people to go home. The signal has been sent from the top—cut corners and use fear—and it is not only towards illegals, as claimed. There is evidence of elderly people who have been resident in UK since the 1960s, when they were children, being picked up and bundled off to detention centres with a view to deportation to countries they have not been in since the age of 10. We have reached the knock-on-the-door stage in pursuit of delivering on the Prime Minister's hostile environment targets.

I shall give two brief examples. Eleanor Rogers, aged 71, arrived in the UK from Sierra Leone in 1966. She now has no documents and is facing removal to a country she has not lived in for 51 years. Paulette Wilson, aged 61, arrived in the UK in 1968. She worked and brought up a family. Indeed, at one time she worked in the House of Commons Refreshment Department. She was picked up and spent a week in Yarl's Wood detention centre with view to being deported to Jamaica, a country she has never visited since she left. This is a direct result of the Prime Minister's hostile environment policy, set up some years ago. It is completely and totally unacceptable.

We do not have a strong and stable Government; we have a shallow and spiteful Government. The sooner we have a new broom and direction, the better.

8.45 pm

Baroness Kramer (LD): My Lords, there is one area where I completely agree with the noble Lord, Lord Rooker, which is that the big news from the Budget was the absolutely appalling growth rate. It is the worst in my lifetime—and I am old—and is expected to remain between 1.3% and 1.6% throughout the entire forecast period. It was the noble Lord, Lord Bilimoria, who pointed out that in just 18 months we have managed to go from the top of the growth leagues, at around the time of the referendum, down to the relegation zone, which is where we absolutely sit now.

The noble Lords, Lord O'Neill of Gatley and Lord Haskel, also came in on this, talking about how extraordinary it is at a time when our economic and main trading partners are firing on all cylinders. JP Morgan last week said that the economy of the euro area is "on fire". It reports all key measures backing a euro area growth forecast of 3.1% of GDP this year. The CBI today made similar comments: a stagnant UK, a thriving eurozone and a global economy expected to achieve something in the range of 3.6% to 3.7% this year and next. It is an extraordinary situation. The drop in our growth rate together with the plummet of sterling has dropped us from the fifth-largest to the sixth-largest economy, and if India had not had a hiccup, we would have been seventh.

However, even that forecast is predicated on a successful Brexit with a frictionless trade in goods with the EU, no new constraints on the export of services including financial services from the UK to the EU, and new trade deals galore. It was the noble Lord, Lord Darling, who pointed out how unreal this all was, saying that the last thing our economy needs right now is Brexit. He was joined by the noble Lord, Lord Livermore, and my noble friends Lady Randerson and Lord Taverne. The one outlier in this was the noble Lord, Lord Dobbs—I could not possibly comment but the noble Baroness, Lady Donaghy, had him absolutely bang to rights. It was an excellent story of fiction.

I am a believer in industrial strategies, but the new industrial strategy was described by the *Daily Mail* as a "weak upgrade" with "feeble investment" in the economy. I think it is the first time that I have ever agreed with the *Daily Mail*, but we are facing critical problems in the industrial strategy, to which I will return in a moment.

As for the impact of the divisions within our society, the Resolution Foundation reports that the UK is facing the longest squeeze on living standards in 60 years, with the poorest 20% of families hit hardest. The noble Baroness, Lady Donaghy, talked about that, and the noble Lord, Lord Skidelsky, talked about the low-wage environment. At the weekend, as many noble Lords have mentioned, the entire Social Mobility

[BARONESS KRAMER]

Commission resigned in response to the Government being all talk and no action when it comes to tackling the deep and growing economic divisions in the country. Does the noble Lord, Lord Balfe, who asked where all the problems are, realise that there are £12 billion more in welfare cuts in the pipeline? There was a very minor amelioration of that number in the last Budget, but there are significant additional cuts, which are falling very much on families, especially on those with more than two children, and on the poor who are actually in work.

In many ways, the timing of this debate is perfect. In looking at that shocking forecast, though, we all agree that it is underpinned by a collapse in the growth of productivity in the UK. Actually it has been tepid for decades; it was running at a trend rate of 2% even before we hit the financial crisis. Still, productivity growth this year is only 0.3%, and in the end the OBR had no choice but to recognise that we would not at any time in the near future return to that 2% trend rate. Indeed, although it is forecasting not the 0.3% where we are now but something like 1.2%, many would say that recovering even to that level of productivity is indeed optimistic.

We all recognise what the elements are of improving productivity. However, my noble friend Lord Razzall talked about training and the Horlicks that has been made of the apprenticeship levy. It has not been a broadly discussed issue in this debate but I want to point out that while I am totally in favour of T-levels, I am going to be dead before the youngsters training with them are playing a major part in this economy. We have to look at lifelong learning and upskilling people on a regular basis, and none of that was tackled in the context of this Budget.

Then there is the question of investment by business. The noble Lord, Lord Skidelsky, talked about investment, but private investment as well as public has basically fallen off a cliff. The noble Lord, Lord Livermore, pointed out that there was 0.2% growth in private investment in the last quarter, and we cannot survive on that kind of basis. In this context, I have a question for the Government. In the Budget, significant funds were announced to be funnelled through the British Business Bank to support small innovative businesses, but they seem to be pretty much the equivalent numbers to the amount that we are losing through our inability to tap EIF funds. Indeed, when I looked at the research, it seemed to be nothing more than an offset for money that we are losing from European research funds. Is there any additional money, or are we simply stepping in to patch up the losses that are coming because of our Brexit decision? That would be useful for everyone to know.

Overwhelmingly in this debate, one Member after another has talked about housing; I was going to try to name people until I realised it would be easier to name those who had not mentioned it. It was kicked off brilliantly by the noble Baroness, Lady Blackstone, but many others participated. There was a single message in all this—here I do not mean to be insulting; I am simply copying a slogan from the Clinton Administration—"It's supply, stupid". I wonder if the Minister could put that on a piece of paper and tape it up inside the relevant departments. The demand side is not where the problem lies. Member after Member from a wide range of ideologies, from different parties and with a wide range of experience all talked about those fundamental problems. The noble Lord, Lord Beecham, and my noble friend Lord Shipley focused specifically on housing revenue accounts, but the discussion was far broader Will the Government begin to notice, when they hear so many voices in such chorus with so much evidence?

I return to the industrial strategy. There is a huge focus on innovation and new sectors, and that is absolutely necessary. However, there are two points here. First, the noble Lords, Lord Wakeham, Lord Carrington and Lord Haskel, pointed out that it was a very narrow perspective on innovation and that there are much broader issues around the fourth industrial revolution—artificial intelligence and the gig economy, and the impact that all of that will have. The Budget did not begin to tackle those kinds of complexities. Secondly—no one has mentioned this particularly, and that surprises me somewhat—I noticed that there was pretty much nothing for the small, steady businesses that are absolutely the backbone of our economy. That is where productivity is at its lowest and where, if the Government do not focus, make changes and invest in bringing in the capability to introduce innovation at that level, we will never get the change that we need in productivity and the growth rate that we need for our economy.

8.54 pm

Lord Davies of Oldham (Lab): My Lords, this has been an excellent debate and several themes have come through so strongly that I do not need to add a great deal to the clear arguments that have been expressed, which I hope that the Minister will fully recognise in his response. The Motion under debate refers to,

"the economy in the light of the Budget".

It is not a Budget that throws much light on the encircling gloom. It threw a few flickers, but the informed forecasts that followed, including that of the OBR, showed that the Chancellor and the nation are having to succumb to a pretty dark reality.

As a *Financial Times* headline put it:

"Grim outlook overshadows housing drive".

The proposals on housing are of course welcome, and have been debated thoroughly this evening. I very much appreciated the contributions on housing of my noble friends Lord Darling and Lady Blackstone, who spoke with great authority on all the issues that confront the Chancellor in his attempt to increase the number of homes being made available. It is welcome that we are at least talking about some aspects of investment instead of the incessant cuts and austerity that we have had in previous Budgets.

The Chancellor does not call the housing market broken, which we all think it is; he calls it dysfunctional. If he succeeds in making it functional, we will not quibble about the term he uses. What has come through from this debate, however, is that we are highly unlikely to see any real achievement on housing in the near future. The aim is commendable enough—to build 300,000 houses a year—but, as my noble friend Lady

Blackstone pointed out, this figure will not be reached until the middle of the next decade. The noble Lord, Lord Tugendhat, also emphasised the delay before such figures will be achieved. Not long ago, the Government promised to build 240,000 new starter homes. We do not have one of them yet, so I am not sure how much trust we can put in a promise which, in any case, is not due to be achieved until 2025.

All noble Lords who talked about stamp duty recognised that some will benefit; it is just that it will not be the aspiring house buyer, at whom this major thrust on housing was meant to be directed. The people who will benefit are those who already own houses, who will see prices increase. The stamp duty change is a gesture, but that is all—gesture politics with no real contribution to improving the housing position for those in real need.

We must recognise that housing sums up the colossally difficult problem that we face of generational inequality in our society. Reference has been made to the older generation and the fact that the triple lock provides all sorts of advantages for them, but the acute problem is for mums and dads who own their homes and watch their children come through their teenage years into maturity with no chance, unless the bank of mum and dad is large enough. Of course, for a large section of our population, that is not the case. Housing was a key feature of the budget, but the Government have an awful lot of work to do to convince this House that their proposals will achieve anything in a reasonable period.

Austerity is still to govern the lives of those of our fellow citizens on welfare. Universal credit is the creation of so much hardship in our society, on what is after all a limited rollout; it achieved from the Chancellor a small mitigation, which will cut people's wait to receive their benefits. However, some people dependent on that benefit will still find themselves without resources and, if you are vulnerable, in rented accommodation and do not have resources to pay the rent, the implications are serious. None of us wants to see a Christmas period when not just young people are living on the streets and under the bridges along the Thames and so on, as they have no home to go to, but families with homes are ejected by ruthless landlords. Let us make no mistake: many recent indications show just how landlords regard the concept of universal credit with absolute contempt. They are not really prepared to give any form of credit or support to those people renting from them, who depend on that.

There was also an indication that the Chancellor recognised the problems of the National Health Service. The NHS is to receive £1.9 billion, less than half of what NHS professionals said they needed just to keep it going at the level of service it offers at present. There is a reference in the Budget to some new pay settlement for the NHS, but with no timescale or amount—and we do not know when that issue will be addressed. Yet for public services, the fact that pay has been held at such a ridiculously tight level for so long is causing real problems for recruitment and retention. We are talking about nurses, firemen and the police —services that we all depend on but are not prepared to finance adequately.

It is clear that aspects of the health service that we thought were a high priority can be ignored. Did anyone hear the phrase "mental health" expressed during the course of the Budget? Yet it was only eight or nine months ago that many of us were heartened by the fact that the Government seemed to have recognised that it was a crucial part of the health service that needed and would repay good investment in terms of increased public resources devoted to it. The Chancellor did not have a word to say about it; nor did he have a word to say on the issue of social care. How on earth could the Chancellor and the Government ignore social care, in circumstances where everyone concerned knows the level of crisis there? The right reverend Prelate the Bishop of Portsmouth was the first contributor to the debate on that issue, but he was succeeded by contributions from all over the House. I very much appreciated the contribution from the noble Baroness, Lady Eaton, who emphasised that the resources available to local authorities concerned about social care are utterly inadequate. So there are no new resources for social care, but—as my noble friend Lady Blackstone also emphasised—the estimate of the deficit is £2.5 billion. That is why local authorities cannot place their people in need in care homes: they do not have the resources to meet the costs. Yet the Budget ignored that.

One thing that the Budget might have ignored, but which became almost the only thing that counted the next day—many noble Lords have emphasised this—is the fact that all forecasters, including the OBR, have shown that the current direction of the economy is wrong and that all indicators presage a very difficult time ahead.

Not a single noble Lord this evening referred to the long-term economic plan. I have read the debate in the other place, and a very small number of Conservative Members did so. When it was created in 2010, no one every suggested that the long term was a mere five years. In fact, it could not be five years as the Government are only half way towards their objective after five years, so of course it was extended to 2017-18. Now, of course, it is vaguely extended to the mid-2020s. The long-term economic plan may not be a plan at all but a vague aspiration, or perhaps a considerable con trick on the British public. The Government have failed on that crucial issue and the costs to our society will be enormous because, as the noble Lord, Lord Skidelsky, spelled out—as did a number of others—austerity has produced real hardship and does not solve the basic economic problems of the nation.

We have discussed productivity. We all recognise that productivity issues are difficult to analyse. We are always grateful when the noble Lord, Lord O'Neill, gives us the benefit of his insights but I derived from his optimistic speech that all the others are doing well and therefore may buoy us up. However, I did not detect much indication that the Government and the Chancellor have any ideas on how to improve our productivity, yet that is critical to the future of the nation.

Inevitably, Brexit hangs like a pall over this debate on the economy. We are all aware that if we crash out of the EU, the consequences could be very serious. We should remember that in the very early days of Brexit

[Lord Davies of Oldham]
it was suggested that we would extend our role in the global economy, and that the first person we would win over as a friend would be "America First" President Trump. He and the Prime Minister were on very amicable terms. However, it has not looked like that in the last few days and we have not even begun to get near discussing trade with the American President, or indeed with anyone else. We are making limited progress in Brussels as difficulties arose today due to the proper anxieties of the Ulster Unionists. By heavens, if you are a member of the Government, you care a great deal about the uncertainties and anxieties of the Ulster Unionists; you have virtually no option but to do so. However, that difficulty in Brussels may be overcome and we may be moving towards a settlement which is not too disastrous for the country, although we are certainly paying the price for that in hard euros and are not at all sure where the negotiations on the trading relationships will get us.

This is a Government with a very considerable record—an almost unparalleled record of successive failures. They failed with their long-term economic plan; they are struggling to cope with the challenge of negotiating with the Europeans. I say to the noble Lord, Lord Dobbs, that if you are taking on 27 other countries in a negotiation you know that is going to be the number if you detach yourself from the list. There is no point in complaining that they seem to be united and able to deliver a pretty brusque response to some of our interests. I would have thought that was the nature of an international negotiation of such seriousness. We are going to find out the consequences, are we not?

Finally, at the end of the debates on the Budget in the House of Commons last week, the Government followed the very rare procedure of not moving the Motion which renders government proposals open to challenge by the Opposition in the concluding votes. This extraordinary step has been taken before, just after war broke out or when a general election was clearly in the offing, but this exceptional procedure was adopted by the Government because they sought to avoid crucial votes. You bet they want to avoid crucial votes on supply in the House of Commons. They look like a Government whose time is nearly up.

9.11 pm

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, I thank all noble Lords for their contributions to this extraordinarily good debate. It has focused on all the issues, which tended to coalesce around five themes which I will direct my remarks to: housing; social care and the NHS; living standards and social mobility; business and industrial strategy; and Brexit. It has been good for me and my noble friend Lord Young to have the benefit of all the contributions, but I will single out those from my noble friends Lord Balfe and Lord Dobbs and the noble Lords, Lord Goddard and Lord O'Neill of Gatley. I do so because they began with an optimistic outlook. I confess that I am an optimist: my blood group is B-positive. I am afraid I am drawn to that concept. If the House will indulge me I will take a few minutes to point to the many good things that are happening.

I begin with the noble Lord, Lord O'Neill of Gatley, who has a distinguished record and made observations on the global economy. His forecast—which I trust very much—was that the economy might grow by as much as 4%. If it does, and you take the global economy as somewhere between $70 trillion and $80 trillion, I make that growth of the size of the United Kingdom economy being added to the world economy this year. There is therefore a huge opportunity out there for us to tap into. The noble Lord, Lord Horam, talked about export potential and there is an example of it. The world is growing, markets are growing and most of the fastest-growing markets are outside the European Union. That global strategy therefore strikes a chord.

We should also remember that employment is up by over 3 million, with over 32 million people in work. The noble Lord, Lord Balfe, referred to the hard-working people of this country. The challenge that we face is to add to their hard work increased productivity—which I will come on to later. Unemployment is down by over 1 million since 2010. The unemployment rate has not been this low since 1975. We had lots of nostalgia in this debate, not least for Led Zeppelin and Dusty Springfield. Even Lord George-Brown had a look in among the distinguished figures from the past, including Lord Whitelaw and Lord Healey, the latter's Budget debate being the first to which my noble friend Lord Wakeham contributed. I believe it was also the first Budget for my noble friend Lord Young.

The noble Lord, Lord O'Neill, mentioned the northern powerhouse and the growth taking place in the regions. It is worth mentioning—the noble Lord, Lord Goddard, echoed this—that employment numbers are growing faster in the north-west than anywhere else in the country. That is something to welcome. It is not happening by accident; it is happening because of a designed policy—a long-term economic plan to rebalance the economy.

We have cut income tax for over 30 million people, taking 4 million people out of income tax altogether. We have frozen fuel duty for eight years in a row, saving the average car driver £850 since 2010. Last month we doubled free childcare, which is worth £5,000 a year to families—an issue referred to by my noble friend Lord Farmer. We have also invested in 3.4 million apprenticeships. The noble Baroness, Lady Kramer, and the noble Lord, Lord Rooker, speculated as to whether the investment plans would be manifested. So far since 2010, we have invested £500 billion in infrastructure projects and have delivered 1,000 such projects.

At the same time, we have seen corporation tax for small businesses—a concern of my noble friend Lord Wakeham—go down from 28% to 19%, making it one of the lowest tax rates in the G20. An interesting point in looking at the yield from corporation tax is that, as the noble Lord, Lord Darling, will recognise, it is not just the tax rate that counts but the tax take. When we had a corporation tax of 28%, the revenue was about £43 billion a year. With a current tax rate of 19%, the amount of money being brought in is close to £50 billion.

Therefore, although the rate has come down, the take has gone up. Should any opposition party be foolish enough to postulate that reversing that beneficial and benign occurrence of falling taxes and rising revenues would somehow be a way to reduce the deficit, I suggest that it might not be the way forward.

Perhaps I may address some of the points that were raised concerning international attitudes towards this country. The noble Lord, Lord Lea of Crondall, talked about foreign direct investment here. The UK remains the leading foreign direct investment recipient in Europe, attracting a record total of 1,144 financial foreign direct investment projects since 2016—an increase of 7% over 2015. So people here may be losing confidence in themselves but it is noticeable that the world is not losing confidence in Britain. With our world-class universities, our incredible market and our technical abilities, the UK attracted $254 billion in 2016, second only to the United States.

At the launch of the industrial strategy, referred to by the noble Baroness, Lady Randerson, we also celebrated two major new investments in cutting-edge pharmaceutical companies—MSD, which will develop a research facility in London by 2020 aimed at finding new drugs, and Qiagen, a leading diagnostics company, which, partnered by Health Innovation Manchester, will develop genomics and diagnostics at its campus in the city. Facebook announced just today that it will create another 800 new jobs in the UK in 2018, and not quite the low-skilled jobs that some noble Lords referred to. Toyota announced a £240 million investment to upgrade its car plant in Derbyshire, Rolls-Royce announced a £150 million investment in UK aerospace, and BMW will build a fully electric version of the Mini in the UK. All these are investments in the UK. They express a belief in the United Kingdom and what we, the people of the United Kingdom, have to offer. That point was touched on by the noble Lord, Lord Skidelsky, who then rightly asked us to focus on the importance of investment. I will come to that point first.

In the Budget, we proposed that an increased amount will go into the productivity investment fund. This will bring investment in R&D to its highest level in over 40 years—again, another welcome forecast.

The OBR forecast that the UK contribution to the EU, net of public sector receipts, will be £7.7 billion over 2017-18. This figure does not include receipts received by the private sector.

On the points raised by my noble friend Lord Maude, obviously he did a tremendous amount of work in raising activity across the public sector during his time as Cabinet Minister in the Cabinet Office. The figure he quoted of £50 billion saved in the delivery of front-line services has made a tremendous difference to the working of government and to the impact on our financial position. My noble friend Lady Neville-Rolfe said that we ought to maintain pressure on this and not let up, because the battle was not won, and she is right that we should focus on that.

Perhaps one of the most inspiring contributions was from my noble friend the Duke of Wellington, who talked about the King's College maths pilot school. Of course, we recognise that if we are to compete in the world and attract more foreign direct investment of the type we are talking about, building more tech companies in this country, we need to attract high-quality maths teaching. That is why we announced in the Budget that we will invest £42 million in a pilot teacher development premium. We will also triple the number of fully qualified computer science teachers from 4,000 to 12,000, raising maths attainment packages through a support plan. I am happy to convey my noble friend's recommendation of the noble Baroness, Lady Wolf, who was behind that particular school, and I commend them for their work.

A number of noble Lords referred to social mobility issues: the noble Lord, Lord Tunnicliffe, the noble Baroness, Lady Donaghy, my noble friend Lord Farmer and the noble Lord, Lord Skidelsky. It is worth recognising at this point that some other things are of note. The number of young people from the most disadvantaged areas who attend universities has increased to its highest level on record—19.5% for England—and, as my noble friend Lord Balfe mentioned, income inequality is down to its lowest level. The noble Baroness, Lady Donaghy, referred to the impact of the Budget on women; in April 2016 the gender pay gap for full-time employees decreased to 9.4%, and there are record numbers of women in the workplace.

On comments by the noble Lords, Lord Lennie, Lord Beecham, Lord Goddard and Lord Shipley, particularly on the north-east of England, people who work in that area will benefit from an ambitious devolution deal in the north of Tyne area, covering Newcastle, North Tyneside and Northumberland, which will give them greater freedom—which my noble friend Lady Eaton called for—to get on and do the work they are supposed to be doing on investment and looking after their local communities. That will be worth a significant amount—£600 million over the next 30 years or, more precisely, £20 million per year. There is also the mayor of Tees Valley's initiative on the SSI site, to which the noble Lord, Lord Lennie, referred as well as the investment in rolling stock on the Tyne and Wear Metro, which again is something that should be welcomed and shows that investment and prosperity are heading out across the UK.

I turn now to universal credit. The right reverend Prelate the Bishop of Portsmouth referred to that and the measures that were being taken. We are ensuring that households that need it and have an underlying entitlement to UC will have access to a month's worth of support within five days via interest-rate-free advances. Universal credit is paid monthly and in arrears to mirror the world of work. We have listened to representations from your Lordships' House, among others, and have made changes that will continue with the principle but ease the impact as the programme is rolled out.

Housing was raised by my noble friends Lord Ryder and Lord Horam, the noble Lords, Lord Darling and Lord O'Neill of Clackmannan, and the noble Baroness, Lady Blackstone. The issue that we have at the moment is one of unaffordability. The noble Baroness, Lady Kramer, referred to the issue of supply. Of course it is about supply, which is one reason why we have announced the housing White Paper, *Fixing Our Broken Housing Market*, and announced a whole series of initiatives

[LORD BATES]
within that package of £15.3 billion about how we release more sites for development. That is entirely a supply measure. The housing infrastructure fund at £5 billion is a supply measure. Oliver Letwin has been asked to undertake a review about the situation referred to by the noble Lord, Lord Shipley, and my noble friend Lord Ryder where developers are granted planning permission but do not go on and build the houses that are necessary. That is looking at blockages in the supply area. It has to be seen that the focus is not just on demand, such as the measure on stamp duty; there are supply measures as well.

The noble Lord, Lord Beecham, and my noble friend Lord Horam referred to the Homelessness Reduction Task Force. That has been established to develop a cross-government strategy with the initial focus on delivering a commitment to halve rough sleeping by 2022 and eliminate it by 2027. There will be three housing pilots—the first in Greater Manchester, the next in the West Midlands Combined Authority and then another in the Liverpool City Region.

The noble Lord, Lord Campbell-Savours, asked about online VAT fraud and how HMRC will implement and monitor it. HMRC has discretionary powers that it will use on a case-by-case basis where there is clear evidence that a UK business trading via an online marketplace is not complying with VAT rules. Compliant UK sellers who are legitimately trading below the VAT registration threshold or are VAT registered correctly accounting for all VAT due will need to be addressed in this particular context. The requirement to display a valid VAT number applies to those companies that are provided with one.

My noble friend Lord Balfe asked whether we could introduce a surcharge on foreign-owned empty residential properties. The Government are keen to encourage owners of empty properties to bring the properties back into use, which is why the Budget announced we will give the power to local authorities to increase the council tax premium on empty homes from 50% to 100%.

The noble Lord, Lord Ryder, asked about stamp duty and observed its impacts on the housing market. Stewart Baseley, executive chairman of the Home Builders Federation, has said that first-time buyer's relief will provide the certainty of demand to allow builders to invest with confidence, directing and increasing supply.

The noble Baroness, Lady Young of Old Scone, asked about housebuilding measures and whether they will have a negative impact on standards. The Budget confirms the Government's commitment to maintain existing green belt protections. We are consulting to make sure that minimum densities are set at the right level for all concerned, including local people who will live in the homes. I will take her suggestion of green villages back to the Treasury, if I may.

My noble friend Lady Neville-Rolfe and the noble Baroness, Lady Randerson, asked about railway investment, Heathrow, local roads and the national planning infrastructure fund. That £1.7 billion fund will be used for transport in cities. It is spread across the regions, with £250 million for the West Midlands, £243 million for Greater Manchester and £377 million for the north-west for intra-city transport.

The right reverend Prelate the Bishop of Portsmouth asked about UK defence. The UK will meet the NATO target to spend 2% of GDP on defence. In the 2015 spending review, the defence budget was protected and increased by 3.1% in real terms until 2019-20.

The noble Lord, Lord McKenzie of Luton, referred to debt falling only due to the housing association reclassification. My answer is no: we would have met the fiscal targets in 2021, regardless of the change to the classification of housing associations.

The noble Lord, Lord Tunnicliffe, asked whether deficit reduction has failed, to which the answer is no, it has not. Of course, we inherited a deficit of 9.9% of GDP in 2009-10; that has been reduced to 2.3% in 2016-17.

The noble Lord, Lord Livermore, questioned whether we will reach the Government's targets. In November 2017, the OBR forecast that the Government will meet both their fiscal targets for this Parliament. The deficit is forecast to be 1.1% of GDP in 2022-23—the lowest level since 2001-02—and debt is forecast to peak in 2017-18 at 86.5% of GDP, then fall every year of the forecast period to 79.7% in 2022-23.

My noble friend Lord Balfe asked about tax avoidance and evasion. Since 2010, we have introduced 100 measures, including in this Budget, to tackle tax avoidance and evasion. As a result, the tax cap is now at its lowest level and is one of the lowest in the world—some 6% of the total forecast.

I come to social care. The noble Baroness, Lady Bakewell, asked me to ensure I mention social care in my winding-up speech. I am happy to do that, as I mentioned it in my opening speech. There is a critical element that we need to bear in mind. One of the most staggering statistics we have come across is that there are some 15,000 centenarians living in the UK. From the population in this country living now, that figure will rise to some 10 million. Therefore, the issue to address in social care is intergenerational fairness, which was referred to, and the impact on areas such as those mentioned by my noble friend Lord Freeman, including pension funds. Those are vast concerns that will have to be addressed over the long term and reflected on. There will have to be Green Papers and discussion papers. Some £2 billion was announced in the Spring Budget. That will have to be kept closely under review in the light of any Green Paper.

I think I have addressed a number of the questions, though I am sure not all the points raised. In conclusion, I simply say that this is a Budget that invests in the infrastructure, skills and technology we need to succeed while providing immediate support where it is needed the most.

Lord Bilimoria: I am so sorry to interrupt the Minister as he is winding up after 23 minutes. He has addressed so many issues. Right up front he said, "And I will address Brexit". Many Members have mentioned Brexit. It is the elephant in the room that overshadows the whole of the Budget and the Minister has not given it one minute.

Lord Bates: I am grateful to the noble Lord for giving me this opportunity. Many in this House have stood where I have when there have been, let us say, fast-moving events happening in other parts of Europe. I thought I would get a very helpful steer as to the line I was to take on the Brexit negotiations so that I could give an authoritative update. However, it basically distilled down to that there will be a Statement in the other place tomorrow, given by the Prime Minister, which will probably be repeated here, which will give noble Lords a full update on these matters. It is of course a matter of critical importance. The Prime Minister and the Secretary of State are in Brussels, trying to secure the right deal for British business and the British people so that we continue to have access to that very important market.

I can certainly say to my noble friend Lord Dobbs, having been invited to comment on Brexit, that nothing is agreed until everything is agreed. The talks have over the last couple of days made some good progress, but there are some final issues to resolve. As President Juncker and the Prime Minister said, both sides are confident that we will conclude this positively ahead of the December Council.

That particular aspect is to be continued, but this Budget strikes the right balance between addressing short-term priorities and seizing long-term opportunities. It capitalises on the changes ahead and will build an economy fit for the future. I once again thank all those who have participated and I beg to move.

Motion agreed.

House adjourned at 9.37 pm.