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PARLIAMENTARY DEBATES  
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# HOUSE OF LORDS

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<b>Abbreviation</b>	<b>Party/Group</b>
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
Lab Co-op	Labour and Co-operative Party
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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# House of Lords

Tuesday 28 January 2020

2.30 pm

*Prayers—read by the Lord Bishop of Gloucester.*

## NHS: Data Question

2.36 pm

*Asked by Lord Clement-Jones*

To ask Her Majesty's Government what assessment they have made of compliance by the National Health Service with (1) the General Data Protection Regulation, (2) the Data Ethics Framework, and (3) the code of conduct for data-driven health and care technology, in relation to external providers.

**Lord Bethell (Con):** My Lords, the Government are optimistic that thoughtful use of data can improve outcomes, but we are determined to protect the interests and rights of patients. That is why the Department of Health and Social Care has introduced a code of conduct based on the GDPR and the data ethics framework. Last year, we assessed the compliance of some external providers. Based on that information, NHSX is developing a new digital health technology standard against which NHS providers will be assessed, and enforcement will be by the Information Commissioner's Office.

**Lord Clement-Jones (LD):** My Lords, I hope that the Minister has been celebrating Data Protection Day today. We received very similar assurances during the passage of the Data Protection Bill but we now know that GP patient data is being sold by the Department of Health and Social Care's Clinical Practice Research Datalink to major US pharma companies. We have the handing over of NHS health data to Amazon for nothing, it seems, and now O2, owned by Telefónica, has been given free access to NHS mental health records. What transparency is there about any of those transactions? What open assessment is there of the public benefit, the sources of the data, and the price, if any, paid by these pharma and tech companies? I hope the Minister accepts that, unless we get this right, we will massively lose public confidence in the NHS and its safeguarding of data.

**Lord Bethell:** I wish all noble Lords a happy Data Protection Day, and it is a wonderful day to celebrate it. On the questions raised by the noble Lord, I reassure the House that the Government are absolutely concerned about the interests of patients and patients' concerns about their own data, but the frameworks that have been put in place by the Government guarantee both transparency and the confidentiality of the data. The data shared with Amazon is freely available. It is provided through an API to 2,000 firms and does not represent anything like the confidential data implied by the noble Lord. Regarding O2, the data has not left

the servers of the Birmingham and Solihull trust and it is not being used outside the remit of the pilot arranged by that project.

**Baroness Wheeler (Lab):** My Lords, the NHS patient database holds the medical records of 65 million people and has an estimated market value of £10 billion. We know that it is a huge asset for the country. What is the Minister doing to ensure that this value benefits the NHS, patients and the future development of treatment and services, rather than boosting the wealth and profits of the global companies currently bidding for lucrative NHS data contracts?

**Lord Bethell:** The noble Baroness is absolutely right to emphasise the value of the data. We are blessed in Britain with one of the largest datasets in the entire world. Enormous work has been put into crafting the frameworks, ombudsmen, regulations and oversight necessary to make best use of this data. The Government are investing in projects such as the NHS artificial intelligence lab, which will put government money to work. We are working with partners who will share income from the use of this data.

**Lord O'Shaughnessy (Con):** My Lords, I declare my interests as set out in the register, including as a board member of Health Data Research UK. Data sharing between the public and private sector has always gone on in the NHS; there would be no clinical trials if that were not true. However, with new technology it is important that that data is shared not just in a safe, legal and ethical way but, as the noble Lord, Lord Clement-Jones, pointed out, in a way that continues to enjoy the trust of the public. Having the public deeply involved in setting the strategy and parameters for the kind of data sharing that goes on is absolutely essential. Can my noble friend the Minister reassure the House that, as well as legal compliance, investment of capital and all the rest of it, the Government are taking this issue very seriously? As an example of using citizens' juries and other methods to build that confidence, I commend to him the One London programme. I have no involvement in it myself, but it is doing an exemplary work in getting people not only involved but setting strategy.

**Lord Bethell:** The noble Lord, whose experience in this matter far outweighs mine, hits upon an incredibly important point. Public trust is essential in this area. Public awareness of the use of data remains very low and recent polling evidence suggests that engagement is not at the level that is needed. This represents a danger that the Government recognise, which is why we are doing everything we can to educate the public on the use of their data and to ensure that our partners are utterly explicit about the way in which data is used.

**Lord McNicol of West Kilbride (Lab):** My Lords, in response to an earlier question, the Minister mentioned that income would be derived from the sharing of data. Does he have an estimate of how much of this income would be derived for the next financial year

[LORD McNICOL OF WEST KILBRIDE] and—probably more importantly—to what use the money would be put, whether ring-fenced for the health service or put into general income?

**Lord Bethell:** The noble Lord asks an excellent question but I am afraid that those statistics are not available in my wonderful briefing. I will try to track down the numbers and write to him with whatever information is available.

**Lord Wallace of Saltaire (LD):** My Lords, the Conservative manifesto promised a good expansion of data sharing across government. We all know that there are many advantages of doing that, as well as the need for a number of safeguards. If, for example, the health and medical records of Windrush people had been available to the Home Office, it might have been easy to establish how long many of those people had been in the country. Does the Department of Health have clear rules about the sharing of public data with other departments?

**Lord Bethell:** The arrangements for sharing between departments are overseen by the Information Commissioner. The rules are set by a combination of the digital health technology standards set by NHSX and guidance given to practitioners through the data security and protection toolkit. These provide the rules for inter-departmental sharing; I would be glad to provide copies to the noble Lord if that would be helpful.

**Lord Patel (CB):** My Lords, what framework and governance mechanism do the Government have in place to share the 100,000 Genomes Project information with pharmaceutical companies to develop targeted drugs?

**Lord Bethell:** I am afraid I do not have those precise arrangements to hand. I would be glad to track them down and write to the noble Lord.

## Looked-after and Adopted Children *Question*

2.44 pm

*Asked by The Lord Bishop of Gloucester*

To ask Her Majesty's Government what plans they have to review support for children looked after by local authorities and those children who are adopted.

**The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con):** My Lords, we are committed to undertake a review of the care system. We are already implementing substantial reforms to improve outcomes for this most vulnerable group of children and young people. Alongside the reforms, we are providing councils with an additional £1 billion for adult and children's social care in every year of this

Parliament. The review will allow us to go further in ensuring that children and young people have the support that they need.

**The Lord Bishop of Gloucester:** My Lords, I am grateful that this much-needed review has been announced and I trust there will soon be details of a specific timetable, not only for the review but for its implementation. In the meantime, what are the Government doing to ensure that 16 and 17 year-olds vulnerable to county lines exploitation are always housed in safe, stable and appropriate accommodation? Are the Government confident that councils have appropriate resources?

**Lord Agnew of Oulton:** My Lords, the right reverend Prelate is right that an increasing number of older children are going into care, and their preference is often to go into less-regulated accommodation. County lines is a phenomenon that has arisen over the last five years and we are now acting strongly to deal with it. In October we announced £20 million of targeted investment to increase our efforts against county lines, and £5 million of that is already in operational use.

**Lord Watson of Invergowrie (Lab):** My Lords, almost three-quarters of children in care live with a foster family. Those families are the unsung heroes of the system, providing a vital service at minimal cost while saving the Treasury countless millions, something that the Minister might care to acknowledge. Ofsted recently reported that 60% of children in children's homes are placed there from outwith their local authority area, and research by the Children's Society highlighted the fact that children in out-of-area homes are much more likely to go missing from care. Surely the interests of the child should be at the centre of all decision-making when it comes to placements, but that seems to be lacking. Can the Minister offer an assurance that when the review to which he has referred takes place, it will take an in-depth look at placement policy?

**Lord Agnew of Oulton:** The noble Lord is right that 73% of children in care are with foster families and that such families are indeed heroes of the system; in most cases they provide stable, loving homes. We have also learned that the longer a child spends in one home in continuity, the better his or her life chances are in future. We are concerned about children being placed out of area, but there are often legitimate reasons for it, such as taking a child out of exposure to a local gang or a difficult family environment that he or she needs space from.

**Lord Lexden (Con):** How far have the Government got with their plans to enable more looked-after children suited to a boarding education to gain places in our excellent state and independent boarding schools?

**Lord Agnew of Oulton:** My Lords, this has been a particular passion of mine. We have created a unit called Boarding School Partnerships, which is encouraging local authorities to engage far more with boarding schools. We even have an offer by many of the independent schools of a 40% bursary for looked-after children.

A study recently carried out by Norfolk showed the longitudinal outcomes of looked-after children or children on the edge of care, and they achieved far greater educational results and indeed often came off the register completely.

**Lord Storey (LD):** My Lords, as the Minister said, these are the most vulnerable children in our community. They are four times more likely to develop mental health conditions. Surely it is not acceptable that 65% of all looked-after children receive support within local authorities whose services are deemed to fall short of what is expected. Can we have a clear statement from the Minister that this will be tolerated no more?

**Lord Agnew of Oulton:** My Lords, we certainly do not tolerate the failure of children's services and local authorities. We have made a great deal of progress over the last five or six years. For example, Birmingham was a failing children's services institution for 10 years but is now out of that. Likewise Doncaster, where we created a trust, is now greatly improved.

**Baroness Butler-Sloss (CB):** My Lords, as a former family judge, I am well aware of the very considerable problems that many adopted children and their families have in settling together. What will the Government do to help adoptive families and adopted children when there are mental health and other serious issues?

**Lord Agnew of Oulton:** My Lords, we have created a large number of initiatives over the last few years. For example, the adoption support fund has provided £136 million since 2015 and has helped some 50,000 families. We have also committed a further £45 million in 2021 to provide therapeutic support for adoptive and eligible special guardian families through the same fund. The regional adoption agencies, through which over 70% of local authorities deliver their adoption services, are creating a system through which children are matched with adopters as quickly as possible and with the matches that are best suited.

**Lord Kennedy of Southwark (Lab Co-op):** The noble Lord did not address the last part of the question from the right reverend Prelate about the adequacy of resources for local authorities to fulfil their duties. Will he answer that part of the question, please?

**Lord Agnew of Oulton:** My Lords, as I mentioned, we have provided interventions when local authorities have failed, and have seen 47 local authorities improve in their Ofsted inspections over the last five years and not revert downwards.

**Baroness Stroud (Con):** Could my noble friend outline the Government's plans to increase the number of adoptive and foster families that are prepared to take disabled children, both under and over the age of four?

**Lord Agnew of Oulton:** My noble friend is right that children with any kind of mental or physical disability are harder to place. The key is to try to get these young

children placed as early as possible. Our scorecard will be published shortly, which shows the progress that local authorities are making across the country.

**The Archbishop of York:** My Lords, I declare an interest. Margaret and I adopted a brother and sister; Davina was three and George was eight. Their long-term stay with us depended on a wonderful social worker by the name of Ruth. She visited regularly and was able to talk to our two children and the adopted children. Davina is now 33 and George is 38. They both have good jobs and are working very well. The key is really an increase in the number of social workers who can work closely with adoptive and foster families. However, I have not seen this. If we really want to care for young children who have been fostered or adopted, we need to increase the number of sensitive, able and capable social workers. Without them, relationships tend to go wrong.

**Lord Agnew of Oulton:** My Lords, it is certainly true that we have a huge demand for good social workers. This is also about establishing that as a profession and giving it a higher profile, which we have done over the last few years. We are also using interventions such as the Early Intervention Foundation, a charity established in 2013, to champion and support the use of effective early intervention. We funded this foundation, giving it some £2 million in 2018-20 to assess, evaluate and disseminate evidence. I entirely accept that good social workers are crucial.

## Apprenticeship Levy Question

2.52 pm

Asked by **Lord Young of Norwood Green**

To ask Her Majesty's Government what plans they have to increase the participation of small and medium-sized enterprises in the Apprenticeship Levy.

**Baroness Berridge (Con):** My Lords, this month we began the transition of the smaller employers which do not pay the levy on to our apprenticeship service, currently used by levy-paying employers. This will give SMEs greater choice in the training providers they can use and more control over apprenticeship decisions for their businesses. The apprenticeship levy funds apprenticeships for all employers and we will continue to work hard with small and medium-sized employers to give them the support they need to hire apprentices.

**Lord Young of Norwood Green (Lab):** I welcome what the Minister said. I declare an interest as an ex-apprentice and an apprenticeship ambassador. I support the apprenticeship levy, but it is a bit like the curate's egg—it is good in parts. It needs reform to ensure that the maximum number of SMEs participate. We need to look at areas such as transfer funding, on which the larger employers feel there is some sort of legal liability that needs to be clarified. I believe a

[LORD YOUNG OF NORWOOD GREEN] review is currently taking place. I make a plea for the maximum involvement of all stakeholders, especially employers.

**Baroness Berridge:** My Lords, on behalf of the Government, I thank the noble Lord for his work as an apprenticeship ambassador. The apprenticeship levy only came into force in April 2017, so there will be some developments in its implementation. We are committed to improve the working of the levy to ensure that it continues to deliver the skilled workforce that businesses of all sizes need. As the noble Lord highlights, it is driven by employers. We will give further detail on the review in due course and will ensure the involvement of all employers. We acknowledge that ensuring the scheme is driven by employers setting standards for their own businesses is key to its success.

**Lord Grade of Yarmouth (Con):** My Lords, the creative industries in this country are one of the great, growing and successful sectors of our economy—as I think even the Treasury would agree, in a weak moment. In the creative industries, we face a terrible skills shortage. There is a technical issue with the apprenticeship levy which prohibits access to it for those industries because, for good reason, most screen productions are special purpose vehicles. The creative industries need these apprenticeships; there is huge demand for them and their great social mobility. Can I prevail on my noble friend to take this up with the Treasury and unblock it?

**Baroness Berridge:** My Lords, the Government are aware of that specific problem in relation to the creative industries, which also arises partly because many of the people in that sector are sole traders. Because an apprenticeship now has to be for a minimum of one year, finding someone who can take on an apprentice for that period can be quite burdensome. We are aware of the skills gap and the Institute for Apprenticeships and Technical Education is developing 16 new standards specifically for the creative industries. There is also a project between DfE and DCMS to work with ScreenSkills, which has agreed to become the employer so that apprentices can be placed in a number of TV productions and other locations. It sounds like a fantastic opportunity.

**Lord Aberdare (CB):** My Lords, many SMEs which might be interested in offering apprenticeships are deterred by the amount of management time and bureaucracy involved. There is a need for specific mechanisms to address those issues. What plans do the Government have to promote, for example, initiatives such as apprenticeship training agencies as a vehicle to enable small firms to take part, or initiatives specifically designed for sectors such as construction, hospitality and the creative industries, as the noble Lord, Lord Grade, mentioned?

**Baroness Berridge:** The noble Lord raises an important point. Bringing small and medium-sized enterprises into the apprenticeship service, which is part of GOV.UK, should enable the lessening of bureaucracy and allow small employers to get hold of the training they need.

The specific change will be that they will not be governed by the contracts given; they can choose exactly which provider they want to use. Then there is a simple apprenticeship agreement between the training provider, the firm and the apprentice, setting out everyone's obligations.

**Lord Watson of Invergowrie (Lab):** My Lords, I raised this issue with the Minister's predecessor—without success, but we have a new year, new Minister and new Government, so let us see. Under the co-investment rule associated with the levy, the 10% that small businesses are obliged to pay towards the cost of apprenticeships dissuades many from accessing levy funds. Can the noble Baroness say whether the Government will now consider piloting the suspension of that co-investment so that small businesses can play their full part in maximising the number of apprenticeships made available?

**Baroness Berridge:** The noble Lord is trying me and I hope I will not be found wanting. The 10% co-investment fee has been reduced to 5%, which I hope will solve some of the issues. Also, if very small employers of less than 50 employees take on specific vulnerable or disadvantaged groups, such as 16 to 18 year-olds or 19 to 24 year-olds who are care leavers, the entire cost of the training is paid. They do not have to contribute anything.

**Lord Foster of Bath (LD):** My Lords, further to the question of the noble Lord, Lord Grade, I am sure the Minister is aware that the vital creative industries currently have 70,000 vacancies, so they desperately need an apprenticeship scheme which works for them. The current scheme clearly does not; some 75% of money raised by the creative industries for the levy is not being spent on those industries. I accept that one of the problems is being addressed by the ScreenSkills trial, to which the Minister referred, but another big problem is the simple fact that only 25% of levy money can be passed on to smaller employers and ATAs. Will the Minister explain why that percentage cannot be increased so that more of the creative industries' levy money can be spent on those industries?

**Baroness Berridge:** My Lords, there has recently been that change with the cap raised to 25%, and we are seeing the effect that it has. The Institute for Apprenticeships and Technical Education is responding to employers and creating 16 new standards, but I will take away these matters and write to the noble Lord.

## Business Confidence Question

3 pm

Asked by **Lord Borwick**

To ask Her Majesty's Government what assessment they have made of the Confederation of British Industry's *Quarterly Industrial Trends Survey*, published on 22 January, and its findings on business confidence.

**The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy and Northern Ireland Office (Lord Duncan of Springbank) (Con):** My Lords, my noble friend is right to draw attention to the latest survey by the CBI, which shows a sharp increase in business optimism from minus 44% to plus 23%, the largest increase on record. Although we should always be careful not to overinterpret a single survey result, this brings business confidence back to its highest level since April 2014. It coincides with the recent withdrawal agreement, providing the clarity that businesses needed during the transition period until December 2020.

**Lord Borwick (Con):** Does my noble friend the Minister agree that such a dramatic increase in business confidence would normally be expected to be followed by an increase in capital investment in those businesses, an increase in employment and general improvement in the standards of the economy?

**Lord Duncan of Springbank:** The noble Lord will not be surprised to know that I agree with him on those points. It is important to stress, as Dr Johnson once said:

“Self-confidence is the first requisite to great undertakings.”

Now that we have a situation where that confidence can grow, we are already in a good place. We already have record levels of employment and record levels of unemployment; we already have faster growth anticipated in our country than in Germany, Japan or Italy; we already see the signs whereby we can begin those great undertakings.

**Lord Stevenson of Balmacara (Lab):** My Lords, it is not all sweetness and light, as the noble Lord would wish us to see. The report to which the Question refers also carries a health warning, which the Government should listen to. I am sure the Minister will have read it carefully and will have a response, but can he give specific answers to the core points raised later in the report, which goes on to state:

“the sector is not yet out of the woods in terms of performance, which means that this optimism could prove to be short-lived unless the government ... help address underlying issues holding back manufacturers”?

The list is long, but it includes addressing skills shortages and improving productivity. We have been told to expect government action on sustainability and climate change—indeed, we are anxiously waiting for that—but what practical steps will the Government take to address skills shortages and to increase productivity, which is now more than 30% behind that in the US and around 10% to 15% behind that in Germany?

**Lord Duncan of Springbank:** The first thing to note is that the report is positive, and the CBI has not always been the most positive in its analysis of the Government's activities. Secondly, we have anticipated a number of the issues which the report has flagged up, not least productivity and investment in SMEs. In the calendar year ahead, we shall look at how to move these areas from where they are now to help them grow. I am tempted to cite Chauncey Gardiner on the notion that as long as the roots are still in the soil then

all will be well in the garden. That might be a little optimistic because the year ahead will be a challenge, but the same thing is true: we have opportunities ahead which will do us well.

**Lord Fox (LD):** My Lords, the Minister is right to be slightly more cautious than the questioner on the status of this data, because I am sure that he knows that the Society of Motor Manufacturers and Traders, for example, will publish its monthly statistics on Thursday. Undoubtedly, although we do not know what the numbers will be, they will be massively less than the record numbers for what they were able to build in this country some time earlier. Given what the Chancellor has said about regulatory alignment, how much confidence or optimism can the automotive industry have that its supply chains will still be operating this time next year?

**Lord Duncan of Springbank:** I do have confidence. I am wearing my summer suit right now, but I also have an umbrella. Looking to the year ahead, it is important to recognise that some serious negotiations are to be done to ensure that the supply chains work. That will be part of the approach in the ongoing negotiations which will benefit both sides.

**Lord Forsyth of Drumlean (Con):** My Lords, does my noble friend not agree that this news from the CBI is very welcome and proof positive that it has been consistently wrong in its predictions of gloom and doom arising from our decision to leave the European Union? Is it not the case that that confidence has come because of the leadership provided by the Prime Minister?

**Noble Lords:** Oh!

**Lord Forsyth of Drumlean:** Is it not also the case that the questions and jeering from the other side of the House, with its continuing sniping, are not in the interests of this country, and that it is time we all pulled together in the interests of UK Ltd?

**Lord Duncan of Springbank:** My noble friend is of course entirely correct. As long as we are all pulling on the rope in the same direction, we can achieve great things. Even the CBI appears occasionally to be pulling on the same rope.

**The Lord Speaker (Lord Fowler):** The noble Lord seems to have silenced the whole House. We now come to a series of First Readings.

## Equal Pay Bill [HL]

### *First Reading*

3.05 pm

*A Bill to make provision for a right for employees to obtain information relating to the pay of a comparator; to reform remedies and time limits relating to equal pay; to provide a right to equal pay where a single source can rectify unequal pay; to amend the statutory statement*

[LORD FOWLER]

*of particulars to include equal pay; to provide for requirements on certain employers to publish information about the differences in pay between male and female employees and between employees of different ethnic origins; and for related purposes.*

*The Bill was introduced by Baroness Prosser, read a first time and ordered to be printed.*

### **Office of the Whistleblower Bill [HL]**

*First Reading*

3.06 pm

*A Bill to make provision for an Office of the Whistleblower.*

*The Bill was introduced by Baroness Kramer, read a first time and ordered to be printed.*

### **Organ Tourism and Cadavers on Display Bill [HL]**

*First Reading*

3.07 pm

*A Bill to amend the Human Tissue Act 2004 concerning consent to activities done for the purpose of transplantation outside the United Kingdom and consent for imported cadavers on display.*

*The Bill was introduced by Lord Hunt of Kings Heath, read a first time and ordered to be printed.*

### **House of Lords (Removal of Bishops) Bill [HL]**

*First Reading*

3.07 pm

*A Bill to provide for bishops of the Church of England no longer to be entitled to membership of the House of Lords.*

*The Bill was introduced by Lord Taverne, read a first time and ordered to be printed.*

### **Assisted Dying Bill [HL]**

*First Reading*

3.08 pm

*A Bill to enable competent adults who are terminally ill to be provided at their request with specified assistance to end their own life; and for connected purposes.*

*The Bill was introduced by Lord Falconer of Thoroton, read a first time and ordered to be printed.*

### **Secondary Legislation Scrutiny Committee Membership Motion**

3.08 pm

*Moved by The Senior Deputy Speaker*

That Lord Liddle be appointed a member of the Select Committee in place of Lord Faulkner of Worcester.

*Motion agreed.*

### **UK Telecommunications**

*Statement*

3.09 pm

**The Secretary of State, Department for Digital, Culture, Media and Sport (Baroness Morgan of Cotes) (Con):** My Lords, with the leave of the House, I will make a Statement on the security of the telecoms supply chain.

This Government are committed to securing nationwide coverage of gigabit-capable broadband by 2025, because we know the benefits that world-class connectivity can bring: from empowering rural businesses, to enabling closer relationships for the socially isolated, to new possibilities for our manufacturing and transport industries. We are removing the barriers to faster network deployment and have committed £5 billion of new public funding to ensure that no area is left behind. It is of course essential that these new networks are secure and resilient, which is why the Government have undertaken a comprehensive review of the supply arrangements for 5G and full-fibre networks.

The telecoms supply chain review—laid in the other place in July last year—underlined the range and nature of the risks facing our critical digital infrastructure, from espionage and sabotage to destructive cyberattacks. We have looked at the issue of how to maintain network security and resilience over many months and in great technical detail. We would never take decisions that threaten our national security or the security of our Five Eyes partners. As a result, the technical and security analysis undertaken by GCHQ's National Cyber Security Centre is central to the conclusions of the review. Thanks to its analysis, we have the most detailed study of what is needed to protect 5G, anywhere in the world. It is also because of the work of the Huawei Cyber Security Evaluation Centre Oversight Board, established by the NCSC, that we know more about Huawei and the risks it poses than any other country. We are now taking forward the review's recommendations in three areas.

First, on world-leading regulation, we are establishing one of the strongest regimes for telecoms security in the world—a regime that will raise security standards across the UK's telecoms operators and the vendors that supply them. At the heart of the new regime, the NCSC's new telecoms security requirements guidance will provide clarity to industry on what is expected in terms of network security. The TSRs will raise the height of the security bar and set out tough new standards to be met in the design and operation of the



UK's telecoms networks. The Government intend to legislate at the earliest opportunity to introduce a new comprehensive telecoms security regime, to be overseen by the regulator, Ofcom, and government.

Secondly, the review also underlined the need for the UK to improve diversity in the supply of equipment to telecoms networks. Currently, the UK faces a choice of only three major players to supply key parts of our telecoms networks. This has implications for the security and resilience of these networks, as well as for future innovation and market capacity. It is a "market failure" that needs to be addressed. The Government are developing an ambitious strategy to help diversify that supply chain. This will entail the deployment of all the tools at the Government's disposal, including funding.

We will do three things simultaneously: seek to attract to our country established vendors who are not present in the UK; support the emergence of new, disruptive entrants to the supply chain; and promote the adoption of open, interoperable standards that will reduce barriers to entry.

The UK's operators are leading the world in the adoption of new, innovative approaches to expand the supply chain. The Government will work with industry to seize these opportunities, and we will partner with like-minded countries to diversify the telecoms market. It is essential that we are never again in a position of having limited choices when deploying important new technologies.

The third area covered by the review was how to treat vendors which pose greater security and resilience risks to UK telecoms. As I know the House has a particular interest in this area, I will cover this recommendation in detail. Those risks may arise from technical deficiencies or considerations relating to the ownership and operating location of the vendor. As noble Lords may recall, the Government informed the other place in July that they were not in a position to announce a decision on this aspect of the review. We have now completed our consideration of all the information and analysis from the National Cyber Security Centre, industry and our international partners. Today, I am able to announce the final conclusions of the telecoms supply chain review in relation to high-risk vendors.

In order to assess whether a vendor is high risk, the review recommends that a set of objective factors be taken into account. These include the strategic position or scale of the vendor in the UK network; the strategic position or scale of the vendor in other telecoms networks, particularly if the vendor is new to the UK market; the quality and transparency of the vendor's engineering practices and cyber security controls; the vendor's resilience, both in technical terms and in relation to the continuity of supply to UK operators; the vendor's domestic security laws in the jurisdiction where the vendor is based and the risk of external direction that conflicts with UK law; the relationship between the vendor and the vendor's domestic state apparatus; and, finally, the availability of offensive cyber capability by that domestic state apparatus, or associated actors, that might be used to target UK interests.

To ensure the security of 5G and full-fibre networks, it is both necessary and proportionate to place tight restrictions on the presence of any companies identified as higher risk. The debate is not just about "the core" and "the edge" of networks; nor is it just about trusted and untrusted vendors. Threats to our networks are many and varied, whether from cyber criminals or state-sponsored malicious cyber activity. The most serious recent attack on UK telecoms has come from Russia, and there is no Russian equipment in our networks.

The reality is that these are highly complicated networks relying on global supply chains, where some limited measure of vulnerability is inevitable. The critical security question is: how to mitigate such vulnerabilities and stop them damaging the British people and our economy.

For 5G and full-fibre networks, the review concluded that, based on the current position of the UK market, high-risk vendors should be excluded from all safety-related and safety-critical networks in critical national infrastructure; excluded from security-critical network functions; limited to a minority presence in other network functions up to a cap of 35%; and be subjected to tight restrictions, including exclusions from sensitive geographic locations.

These new controls are also contingent on an NCSC-approved risk mitigation strategy for any operator who uses such a vendor. We will legislate at the earliest opportunity to limit and control the presence of high-risk vendors in the UK network and to allow us to respond as technology changes.

Over time, our intention is for the market share of high-risk vendors to reduce as market diversification takes place. I also want to be clear that nothing in the review affects this country's ability to share highly sensitive intelligence data over highly secure networks, both within the UK and with our partners, including the Five Eyes. GCHQ has categorically confirmed that how we construct our 5G and full-fibre public telecoms networks has nothing to do with how we share classified data. The UK's technical security experts have agreed that the new controls on high-risk vendors are completely consistent with the UK's security needs.

In response to the review's conclusions on high-risk vendors, the Government have asked the NCSC to produce guidance for industry. This guidance was published earlier today on the NCSC's website. The NCSC has helped operators to manage the use of vendors that pose a greater national security risk, such as Huawei and ZTE, for many years.

This new guidance will include how it determines whether a vendor is high risk, the precise restrictions it advises should be applied to high-risk vendors in the UK's 5G and full-fibre networks, and what mitigation measures operators should take if using high-risk vendors. As with other advice from the NCSC on cybersecurity matters, this advice will be in the form of guidance. The Government expect UK telecoms operators to give due consideration to this advice, as they do with all their interactions with the NCSC.

I recognise that noble Lords may wish to pursue further the technical details of these proposals, not least with my officials and officials at the National Cyber Security Centre, who will be available to answer questions in Committee Room 11 from 4.30 pm today.

[BARONESS MORGAN OF COTES]

I hope the whole House will agree that if we are to achieve our digital connectivity ambitions, it is imperative that we trust the safety and security of our telecoms networks. Risk cannot be eliminated in telecoms, but it is the job of the Government, Ofcom and industry to work together to ensure that we reduce our vulnerabilities and mitigate the risks. The Government's position on high-risk vendors marks a major change in the UK's approach. When taken together with the tough new security standards that will apply to operators, this approach will substantially improve the security and resilience of the UK's telecoms networks, which are a critical part of our national infrastructure. It reflects the maturity of the UK's market and our world-leading cybersecurity expertise, and it follows a rigorous and evidenced-based review. It is the right decision for the UK's specific circumstances.

The future of our digital economy depends on trust in its safety and security. If we are to encourage the take-up of new technologies that will transform our lives for the better, we need to have the right measures in place. That is what this new framework will deliver, and I commend this Statement to the House.

3.19 pm

**Lord Griffiths of Burry Port (Lab):** My Lords, I am grateful to the Minister for that Statement and for the reassurance given in large measure by what she read to us. Of course, a number of questions are left open and will emerge. Given the time that was available to me to read the various pieces of literature, my questions will be bundled out and no doubt brought into more coherent shape as time passes.

I note that we are promised “world-leading” primary legislation but are not given an exact time. Yesterday, the word was *mañana*. Today, in answer to the question of when, the reply is, “at the earliest opportunity.” I am becoming accustomed to the various euphemisms for *mañana* that are put forward in government reports. It will be a new, comprehensive telecoms security regime. I suppose that the various measures that will be necessary to make sure that we oversee activity in this area will be set out in detail. It would be reassuring to have “at the earliest opportunity” unpacked, if that is at all possible, because we are in an area where developments happen so quickly that the more time that lapses, the more behind the action and the curve we become.

I note that, as the UK's 4G network relies on Huawei, achieving zero presence today would be near impossible, so I suppose that a reduction to 35% is welcome. But will this reduce over time to wean operators off the Chinese provider, or will 35% be an enduring figure?

The NCSC's security analysis, which again I read very quickly, concludes that

“threat analysis highlights that our telecoms sector is potentially vulnerable to a range of cyber risks. This analysis is backed up by evidence generated from security testing of telecoms networks and by security incidents.”

In other words, the risks are high—an added pressure, perhaps, to ensure that not too much time elapses before measures are brought before us.

There is talk of the diversification of vendors and the categories under which they might be grouped, but there is not much reference to help us to understand how much home-produced material or producers will come forward. There are a number of players on the global scene. Is the activity lively in our economy and will it produce its own home-produced involvements in the provision of these measures?

Under the objective factors that help us to identify high-risk vendors, the claim is that we know more about Huawei and the risks it poses than any other country, so, whatever investigations have taken place, it puts us in prime position—according to the claims made here—to know the mind of Huawei, its activities and all the rest of it. That leads me to ask: if that is the case, how do we measure Huawei's performance against its domestic security laws? How did Huawei pass, given China's law on compliance with state intelligence services and co-operation with the police in the mass detention of Uighur Muslims in Xinjiang, for example?

In other words, Huawei gets in at 35%. We welcome that, but suppositions and assumptions are made about Huawei that we still need to have clarified for us. A lot seems to go by on just remarks, assumptions and general statements. Attracting established vendors not present in the UK and new disruptive entrants in promoting open interoperable standards is welcome. But, given the subsidies that Huawei is said to use to get market access, how do we know whether the subsidies exist and how much they amount to, and how will new entrants compete tomorrow when they cannot today? Those are just a few of the questions that occur to me.

I should say that one or two of the quotations I have used in making my remarks are attributable to members of the noble Baroness's own party—so these concerns are felt by all of us. So we welcome what is happening today because it does set a direction of travel—but we travel with a few questions that are still waiting to be answered.

**Lord Campbell of Pittenweem (LD):** My Lords, I thank the noble Baroness for the Statement and begin by declaring an interest: I was a member of the Intelligence and Security Committee when the security implications of Huawei's involvement in these matters were first identified. I should confess that my attitude is still to a large extent conditioned by what we found then.

I do not share the enthusiasm of the noble Baroness for the compromises which have been announced, in particular since I spent two days last week in the United States. Any question of us being at odds with the US, and indeed other members of the Five Eyes, is something that we should not contemplate with anything other than great concern. The United States is of course our closest ally when it comes to intelligence, and I wonder to what extent account has been taken of the very strong expressions against our involvement that have come from the White House down. It has been said that the US will not share intelligence. By its very nature, we will not know what intelligence it will choose not to share—and, for all we know, such a failure may have considerable implications for the safety and the interests of this country.

Nothing that has been said or that I have read excludes in all circumstances the possibility of the risk that Huawei might be forced by the Chinese Government to exploit its position. Indeed, as has already been said, it is under something of a legal obligation to do so. I make that assertion without qualification because I am bound to say that were we in a situation where the positions were reversed and found ourselves with the kind of opportunities that a company acting on our behalf might have in a foreign nation and the national interests of the United Kingdom were at stake, we would undoubtedly seek to bring pressure on that company. That cannot be ignored.

Undertakings are frequently given, but we all know that, on many occasions, undertakings have a very short lifetime. They can be given and they can be conveniently forgotten. Throughout the discussion I have been asking this question: would the Chinese Government admit BT to such a sensitive opportunity as the United Kingdom is about to enlarge to Huawei? I doubt very much that they would.

I will conclude by saying this. It is an entirely laudable ambition to seek to extend broadband throughout the United Kingdom, but I hope that national security is not being sacrificed to that ambition.

**Baroness Morgan of Cotes:** I thank both noble Lords for their comments. Quite a lot of points have been raised and I am conscious that other noble Lords want to speak, so I shall try to deal with them quickly. The noble Lord asked when the legislation would be ready. Of course, it has not been possible to prepare the legislation until the decision made today by the National Security Council, but we are all very conscious of the need to legislate early. What today's announcement means is that the National Cyber Security Centre is able to issue guidance to providers. Until now we have not had the ability, other than by asking nicely, to say, "Please do not use more than a certain percentage of high-risk vendor equipment in your networks". The NCSC will be able to issue that guidance and that will be confirmed by legislation, which, as the noble Lord said, will provide for a legal enforcement mechanism by the regulator.

As both noble Lords have hinted, I am absolutely certain that noble Lords and Members of the other place will appreciate that this is a very complex decision, a point I touched on in the Answer to the Urgent Question that I repeated yesterday. There are undoubtedly concerns across the House—from Members of all backgrounds, regardless of which committees they have sat on—about the decision taken. People have different reasons for feeling that way.

The noble Lord mentioned the rollout of 5G and the speed; it is happening quickly and accelerating. Again, that is part of the reason for needing to take this step today: to be able to say to providers that there is a percentage above which they must not go on the edge of that rollout of 5G networks for high-risk vendors. I said in my Statement and reiterate that through market diversification we absolutely want to reduce the reliance on high-risk vendors over time. We want to get to a position in which we do not have to use a high-risk vendor in our telecoms network. That

also ties in with the suggestion from the noble Lord, Lord Griffiths, who mentioned home-grown capability. The reality is that this is a market failure that we are dealing with. Although we have many excellent telecoms companies in this country, we do not have those that are making this equipment in such a world-leading way. As part of the diversification strategy, we therefore need to increase dramatically the amount of funding support we give to the research and development of companies in countries that we tend to work with and consider our allies, as well as the UK, to help plug this gap.

We know more about Huawei thanks to the actions taken over the years. Huawei started to be in our networks from 2006. In a way, the high-risk vendor test is perhaps not about meeting the criteria but about not meeting them. If the company does not meet them—in the sense that it operates in a system in which the Government expect companies or individuals to act in accordance with their wishes—that means the high-risk vendor test has not been met, so it is a high-risk vendor. Of course, the work of our services and the advice given to the National Security Council by the services is very much evidence-based.

The noble Lord, Lord Campbell, mentioned the Intelligence and Security Committee. I was struck yesterday when a member of the Intelligence and Security Committee in the previous Parliament said in the other place that he felt the risks with Huawei could be mitigated. Perhaps it depends on the evidence and inquiries that different Members have been involved with.

In relation to the Five Eyes relationship, the Prime Minister has spoken to President Trump. A number of us have been engaged in discussions with US counterparts over the last few months, and of course account has been taken of everything they have raised with us, but—because of our experience with Huawei and where we are on 4G and 5G—the view is taken that we are able to mitigate these risks. That is the advice we have had. I said in my remarks that today's decision does not affect our ability to share sensitive intelligence data over highly secure networks both within the UK and with our partners, including the Five Eyes.

As I said in my Statement, it is not possible to exclude all risks in relation to telecoms. Cybersecurity and malicious cyberactivity are a 21st-century danger to all countries. That does not mean we should not have sophisticated telecoms networks and 5G networks. It means we have to be realistic about the risks and how we mitigate them. Finally, I absolutely assure the noble Lord, Lord Campbell, that in no way would this Government ever compromise national security, even for the very worthy goal of making sure that people in this country have access to broadband.

3.32 pm

**Lord Alton of Liverpool (CB):** My Lords, the Secretary of State has made it clear that there are many risks in taking this decision about Huawei. Can she give the House some idea of what additional costs will be involved in monitoring technology and equipment manufactured and imposed on this country by a communist regime?

[LORD ALTON OF LIVERPOOL]

Yesterday I raised human rights with the Secretary of State, and I wonder what consideration has been given to the anti-slavery academics who describe what is happening in Xinjiang—where, as we have heard, probably 1 million Uighur Muslims are incarcerated and where Huawei is a key player—as the world’s worst incidence of state-sponsored slavery. What due diligence will be done on Huawei to ensure compliance with the UK’s legislation, which is world class and leading on anti-slavery and modern-day slavery issues? Can the Secretary of State say what consideration has been given to unbridled surveillance, mass imprisonment, relentless propaganda and egregious human rights violations, which are too high a price to pay for subsidised technology that endangers our security and compromises British values and a belief in human rights?

**Baroness Morgan of Cotes:** I thank the noble Lord. His latter point picks up on some of the points he made yesterday afternoon, when I was also standing in this position. To start with his first question, on the cost of compliance, thanks to the Huawei Cyber Security Evaluation Centre oversight board, there are already costs incurred of monitoring the use of Huawei technology in our networks. I cannot give him a specific figure now; if we are able to, I suspect it will be partly as a result of the necessary impact assessment that will have to be prepared by government and Ministers when putting legislation before this House. If I am able to give him anything approaching a figure at this stage, I will write to him with that information.

Yesterday, in this House, the noble Lord quite rightly raised the human rights abuses. The UK has been clear that China’s approach in Xinjiang must stop. We have led international condemnation of the systematic human rights abuses against the Uighur Muslims and other minorities in China. Ministers and senior officials regularly raise our concerns with the Chinese, and in October, the UK read a statement of concern on behalf of 23 countries at the United Nations in New York.

The challenge of today’s decision—and the reason Ministers rightly wanted to take a good length of time to consider it, and wanted there to be a secure and reliable evidence base on which to make it—is that although this is a decision about telecoms, it is set in a wider geopolitical context, some factors of which the noble Lord has highlighted. I do not agree with him that is an either/or situation. As a country, we have a relationship with China that gives us the ability to make statements to the United Nations of the sort I mentioned. Equally, Huawei is already in our networks. What we are doing today is constraining its use on the edge of the networks, which will also help with further market diversification so that we do not need to rely on Huawei in the future.

**Lord Reid of Cardowan (Lab):** My Lords, I thank the Minister for her Statement. Will she explain, as I asked yesterday, why this decision has pre-empted the strategic defence and security review? The Minister spoke very strongly, and at length, on technical points, and I have the greatest respect for GCHQ and the

National Cyber Security Centre, but this is not just a technical issue. This is critical national infrastructure that touches upon defence, security and many aspects of our foreign policy and foreign relations. The appropriate place to take this decision was during the strategic defence and security review. I hope that we have not added to the market failure that the Minister mentioned by political failure. I fear that this decision has been taken in a way that does not allow all necessary parties inside government who are interested to argue their case publicly and transparently. I hope I am wrong, but the idea that we can isolate one part of this system in the network world seems extremely optimistic.

**Baroness Morgan of Cotes:** I thank the noble Lord very much indeed for his points, which are based on great experience. He is right that we talked yesterday about the expected strategic defence and security review. While of course the decision took account of wider factors, as I have said, this is a decision about the telecom supply chain in this country, where the rollout of speedier connectivity is already happening and where we are not able, at the moment, to limit the use of high-risk vendors in those networks by providers who are already rolling this out. This decision was not taken overnight; this Government and the previous Government have been discussing it for quite a number of months. That is why the decision needed to be taken, and the factors talked about by the noble Lord were taken into account in the discussions to date.

**Lord Howell of Guildford (Con):** My Lords, I welcome the Statement. The noble Lord, Lord Campbell, raised the matter of the American viewpoint. Is it not the position that the Americans regard China as their enemy and number one rival in a superpower world rivalry that some of us would regard as slightly out of date? But that is its position. Here, of course, we do not have the same viewpoint. In the networked world, we are taking a rather different, more subtle position. Does that not therefore mean that, provided we are very careful in the way that the Minister described, we can take a more balanced view than the Americans? Is it not really as simple as that?

**Baroness Morgan of Cotes:** I thank my noble friend very much indeed. He has boiled it down to a very simple point. He is absolutely right to say that we have taken the decision that is right for the United Kingdom, while, of course, listening to the views of allies around the world, including the United States. It is important that we make the right decision for the UK, for our connectivity and future networks. We are confident in the decision taken to ban Huawei from the core part of the network and for it to have limited access to the periphery of the networks. Although other countries have taken the view that that is not possible, the National Security Council’s advice is very much that it absolutely is.

**Lord Ricketts (CB):** My Lords, I declare an interest as one of the rather small trade union membership of former national security advisers. I entirely agree with the Minister that there is no risk-free solution in this situation, or in any security and intelligence judgment. I welcome the fact that the National Security Council was able to take a decision in a context where very

strong arguments were being put on all sides. To answer the noble Lord, Lord Reid, I am sure that all the relevant interests around Whitehall argued their cases vigorously in the NSC; that is what it is for. I am glad that the Government seem to have been able to take the very professional advice from our world-class experts on cybersecurity.

I am sure that Ministers were delighted to have the barrage of no doubt well-intentioned advice from across the Atlantic, but given that many American commentators seem to see the slightest role of Huawei in our system as an existential threat, is it not quite extraordinary that the US does not have its own 5G technology solution to offer to western allies? Perhaps one of the lessons of this, as the Minister suggested, is that there has been a market failure and that, before we get to 6G, the West ought to be much more co-ordinated in its approach so that we have an entirely reliable basis in technology to go forward. In the meantime, this seems to be the right risk-managed solution for a diversified network in the circumstances we find ourselves in.

**Baroness Morgan of Cotes:** I thank the noble Lord very much indeed for his support. He is of course right that Ministers must take the decision with the advice of experts and based on the circumstances as we face them. The Prime Minister and the whole council were very clear about the need for urgent work on a diversification strategy with companies in the United Kingdom, but also, of course, with the technology expertise of our allies, including the United States. I very much hope that we can progress those discussions very speedily.

**Lord Scriven (LD):** My Lords, the Huawei cybersecurity evaluation oversight board says:

“The Oversight Board continues to be able to provide only limited assurance that the long-term security risks can be managed in the Huawei equipment currently deployed in the UK”.

It goes on to say that

“it will be difficult to appropriately risk-manage future products in the context of UK deployments, until the underlying defects in Huawei’s software engineering and cyber security processes are remediated ... At present, the Oversight Board has not yet seen anything to give it confidence in Huawei’s capacity to successfully complete the elements of its transformation programme”.

Why can the Government not wait until the oversight board has seen and is content with Huawei’s transformation programme rather than going into this rather risky decision today?

**Baroness Morgan of Cotes:** That is because the evidence of the oversight board—it is extremely vital to our relationship with Huawei, a world-leading structure to have over it, and it provided the evidence that our services provided to the National Security Council—was not the only evidence that the National Security Council received that gave us the reassurances to make this decision today. Some of it cannot be discussed in public. The board will absolutely continue to operate and to work with Huawei to improve standards.

**Lord West of Spithead (Lab):** My Lords, in an ideal world we would not want the Chinese to provide us with telecoms equipment, build our nuclear power

stations, own all our CCTV structures, buy British Steel or invest so much in the City, but we are not in an ideal world. The Americans make a lot of complaints about risks to intelligence. I was in the intelligence world for six years. I do not believe that there will be a risk to intelligence unless they say that they will not give information. This is extraordinary, bearing in mind that they released several hundred thousand of our very sensitive signals using SIPRNet, WikiLeaks and Snowden. We have to be a bit careful about shouting the odds about intelligence.

Does the Minister not think it inconceivable that the director of GCHQ and the head of the NCSC, who know more about this issue than probably anybody else in the UK, would ever give advice that put our intelligence at risk, bearing in mind that intelligence has been their bread and butter all their lives?

**Baroness Morgan of Cotes:** It is a delight to agree with the noble Lord. I and my colleagues have been thoroughly impressed with the careful, systematic way in which GCHQ, the NCSC and other services have advised the National Security Council on this matter. He is right: if they felt that different advice should have been given, it would have been given. I put on record my thanks to them for all the work that they have done on this.

**Lord Cormack (Con):** My Lords, does my noble friend agree that there is real concern when dealing with a totalitarian state that thinks not in electoral cycles but in the long, long term? Can she give a total assurance that this matter will be kept under constant surveillance and review? I and many others fear that we may be going for short-term advantage and creating long-term vulnerability.

**Baroness Morgan of Cotes:** I can give the assurance to the noble Lord that this matter will, of course, be kept under constant review. That is one reason why we want to legislate to give the regulator and the Government the power not only to ask nicely for high-risk vendors not to be overly involved in our networks, but also to enforce a cap. In relation to the periphery, I stress again, for the benefit of all those watching or listening, that the high-risk vendors will not be part of our core network infrastructure. The noble Lord set out the concerns of many in relation to dealings with China, which we have fully understood and reflected in our discussions.

**Lord Young of Norwood Green (Lab):** My Lords, I welcome the report, because it is evidence-based and has a comprehensive structure for reviewing and endeavouring to control. We should not underestimate the importance of the 5G network to the future of the UK in terms of the fourth industrial revolution and, as the Minister mentioned, to connectivity. Perhaps at the core—an unfortunate choice of word—of this decision is the view that you can separate Huawei’s involvement in the edge of the networks from any involvement at the core. Are we likely to get any more information at this meeting at 4.30 pm on what led to that conclusion?

**Baroness Morgan of Cotes:** I fear that the noble Lord may be asking whether it is worth attending that meeting. Of course, it is always worth attending meetings with my officials and others, but yes, that is certainly something which will be discussed there. I draw his attention to the two documents published alongside the Written Ministerial Statement. One is the guidance note from the NCSC, which will go to the providers. The other is a more detailed note on the security analysis for the UK telecoms sector of the information that can be made public. It explains the difference between core and edge, and why our services have taken that view. The guidance note sets out very clearly, for those who are technically minded, exactly what the high-risk vendors are able and not able to be involved with. I join him in saying that 5G is very important for the productivity and growth of our economy and the levelling-up agenda that the Prime Minister has talked about so much.

**Baroness Neville-Rolfe (Con):** My Lords, I visited Huawei in Shenzhen. There is no doubting the quality of its products, which will make it difficult for the West to compete. Can my noble friend comment on the governance that we have in the UK for Huawei, which she has touched on? Is it adequate? I am conscious that, for example, if we sell arms in the US, we have to set up special boards which involve US citizens rather than UK citizens, to ensure that there are no problems for the US. Are the governance structures in the UK for this sensitive area adequate?

**Baroness Morgan of Cotes:** I thank my noble friend. I have already talked about the Huawei cyber security oversight board and its governance. In the discussions I have had with officials, no question has been raised about the adequacy of the governance. As a noble Lord set out earlier, the board needs to work through the conclusions with Huawei to make sure it is satisfying some of the points which have been raised. I will certainly take away the issue she has raised and check whether, in the course of carrying out these changes, there is anything further we should do on the governance structure.

**Lord Wood of Anfield (Lab):** My Lords, is this approach of separating access to core and non-core parts of the network now a general policy with regard to companies from other countries, wherever they are from? If so, would we apply the same principle if it were, say, a company from North Korea, Iran, Russia or any other country which applied to participate in the future?

**Baroness Morgan of Cotes:** As I said earlier, if the noble Lord looks at the documents, he will see that the process sets out clearly how a high-risk vendor is defined, which was one of the points raised by his Front Bench. The requirements that a company does not meet—there is a list of them—determine how it will be considered a high-risk vendor. Once it is considered a high-risk vendor, and if a provider wanted to include it in the networks, that would trigger involvement by the NCSC in working out how its involvement could

be mitigated. So, there are a number of steps that I would expect, based on today's announcement and where we are with the providers and rollout of 5G. I have made it clear that we want to reach a stage where there is no need for any high-risk vendors in our system. However, we are some way off that, which is why the NSC has taken the decision it has taken today.

**Lord West of Spithead:** My Lords, the issue of governance boards, rightly raised by the noble Lord without a tie, is a valid one. It was first flagged up that we had problems with Huawei, after a number of years, when it stated that it could no longer guarantee security. Huawei was told to put in place a lot of investment—£2 billion, I think. Has that investment been put in to harden up the systems and to correct those problems?

**Baroness Morgan of Cotes:** The oversight board's conclusions are, I believe, public documents. As we heard earlier, there are question marks about things that Huawei has been asked to do which it has not done. I would need to check the specifics on whether it has spent that money and where we are in the latest process—the oversight board publishes its report annually—and I am happy to write to the noble Lord with further details.

**Lord Sterling of Plaistow (Con):** My Lords, this subject is larger than telecommunications. After 31 January we will be ready to go global—widening and working together, particularly with the Five Eyes. What the outcome might have been I do not know but the point that has been made is, what was the rush? We have not yet decided our long-term policy and we have not had our discussions on security. Supposing we had said, “We will make a decision by June or December”. Can the Minister explain what the huge disadvantage would have been in waiting until then and having aired here some of the concerns, which I somewhat share?

**Baroness Morgan of Cotes:** The concerns that have been aired in this House today—which I am sure are being raised in the other place following a Statement by my right honourable friend the Foreign Secretary—are shared by many, even by those of us who have made the decision we have made today. It was not an obviously clear-cut decision of the kind that those who have been Ministers or involved in the leadership of any organisation will know it is sometimes easy to make.

The noble Lord asked about speed and why it was necessary to make these decisions. I am looking for that information but, on the rollout of 5G, as I said earlier, more and more companies are installing the masts and connecting not just tens of thousands but hundreds of thousands of premises to 5G, which is using Huawei equipment. At the moment there is no ability—other than, as someone said, asking nicely—to limit the involvement of Huawei. Today, with this guidance, the NCSC is able to say that on the periphery of the networks, involvement by Huawei is limited to 35%. That is a constraint for a number of providers; they will have to get down to that figure, which we expect to encourage wider diversification. The NSC

could not have put off this decision for much longer, given the ongoing speed with which 5G is being rolled out in this country.

## Pension Schemes Bill [HL]

### *Second Reading*

3.55 pm

*Moved by Baroness Stedman-Scott*

That the Bill be now read a second time.

**The Parliamentary Under-Secretary of State, Department for Work and Pensions (Baroness Stedman-Scott) (Con):** My Lords, I take this opportunity to thank all noble Lords for the positive engagement and feedback they have provided over the past couple of weeks and since the Bill was originally introduced in October last year. From the conversations I have had with many noble Lords, I believe there is a genuine desire across the House to tackle the matters addressed by the Bill. It is my sincere hope that we can continue to engage in this way as the Bill progresses through this House. Should any noble Lord wish to discuss any part of the Bill between its stages, our doors are always open.

It is unlikely to have escaped noble Lords' attention that this is not a small Bill, partly because we have also legislated for Northern Ireland. Now there is a functioning Assembly again we have been in contact with Northern Ireland Ministers to establish whether they are content in principle for Westminster to legislate on their behalf in this Bill. I believe it is important to ensure that the people of Northern Ireland also benefit from the changes and safeguards put in place for the rest of Great Britain.

Although the *Evening Standard* referred to the Bill in October as a morsel of "fresh legislative meat," it is far more than that. It has been built on consensus across the pensions community and political spectrum and has consumer protection at its heart. It focuses on a range of key measures that are a priority today, not just for those who are already receiving a pension, but for record numbers who are now saving for their retirement. This Bill will help people plan for the future, provide simpler oversight of pensions savings and protect people's savings by providing greater powers for the Pensions Regulator to tackle irresponsible management of private pension schemes.

Before I talk a little more about the measures in this Bill and why they are so important, I would like to touch on delegated powers. I know from talking to noble Lords that there are some concerns about the number of delegated powers in the Bill and how they may be used. There are a number of good reasons why we have structured the Bill the way we have, and we will respond fully to any concerns the DPRRC may have when we reply to its report. However, I have listened to what your Lordships have said to me and have asked my officials to prepare illustrative regulations under Part 1 before we reach Committee. I hope that they will help your Lordships understand the way delegated powers in that part are intended to be used and the limitations in pre-empting their use.

The measures in this Bill build on the reforms of the past 10 years, and I shall take a few moments of noble Lords' time to explain how. On Part 1, which relates to collective defined contribution schemes, which are known as CDCs, current UK pensions law defines all private pension benefits as either money purchase, where investment and longevity risks are shouldered by the individual member, or as non-money purchase, where all risks are born by the sponsor, usually an employer or insurer. Current pensions legislation means that new types of pension schemes have to fit within those two definitions. This stifles innovation and prohibits new kinds of risk sharing.

Part 1 sets out the regulatory framework for new collective money purchase schemes. These are more commonly known as collective defined contribution schemes or CDCs. In developing these measures, I welcome the cross-party and external stakeholder support for the methodology and the legislative approach that the Government have used. The measures facilitate, and build upon, the initiative between the Royal Mail and the Communication Workers Union which have concluded that a CDC scheme would best suit their needs for the future. I put on the record our thanks for the constructive and supportive way in which both Royal Mail and the Communication Workers Union have engaged in developing these measures. It is right for us to support employers and unions working together to bring about such a positive outcome. The scheme will be the first of its type in the UK, and it offers a model for other employers and other workforces to launch their own schemes.

There has been some interest in CDC provision from other unions and large commercial master trusts. However, we believe that this new type of provision and the supporting regulatory regime need time to bed in before a decision is made on whether multiple employer, sector-specific or commercial CDC provision should be facilitated. Nevertheless, the Bill provides for us to adapt the legislation, where appropriate, to extend the framework in the future.

These new schemes will enable contributions to be pooled and invested to give members a target benefit level. They aim to deliver for members an income in retirement without the high cost of guarantees and without placing unpredictable future liabilities on the employer, and they will give employers new options for managing their pension obligations.

In its press release on the Bill's introduction in October, the Pensions and Lifetime Savings Association said that CDC schemes

"offer employers increased flexibility and choice in how they structure schemes to benefit savers."

Further, Hymans Robertson commented:

"Providing a framework for collective money purchase schemes ... will offer the clear benefits that can be derived from pooling of these risks across individuals."

I hope that we can all welcome these measures, which enable employers and workers to come together in a way that will benefit both.

I move on to CDCs in Northern Ireland and shall focus briefly on Part 2 of the Bill. As noble Lords know, private pensions are a devolved matter for Northern Ireland. Throughout the development of this Bill,

[BARONESS STEDMAN-SCOTT]

Ministers and officials have worked closely with the Northern Ireland Office and the Department for Communities, Northern Ireland. In the absence of an Assembly, the Department for Communities has asked the UK Parliament to include provisions for Northern Ireland in the Bill. This will ensure regulatory alignment across the UK and parity for pension schemes and their members in Northern Ireland. Part 2 and other clauses embedded in each part of the Bill therefore make provision for corresponding Northern Ireland legislation.

Moving on to the Pensions Regulator, several recent high-profile insolvency cases in relation to defined benefit pension schemes have weakened confidence in the pensions system. They have highlighted that the existing regulatory regime is not always an effective deterrent to serious wrongdoing. Doing nothing will mean that more people are likely to be affected by employers not taking their responsibilities seriously, and the existing fines that the Pensions Regulator can pursue are an ineffective deterrent to more serious wrongdoing. In order to amend the existing powers and provide the regulator with new powers, changes and additions must be made through primary legislation. Not doing so will mean that the current gaps and problems continue to exist.

Part 3 addresses that and fulfils a commitment that we made in 2017. It places a requirement on those responsible for corporate transactions to set out in a statement how they will mitigate any adverse effects on the pension scheme. The measures will improve the regulator's information-gathering powers, enabling it to enter a wider range of premises and require individuals to attend an interview. This will boost the regulator's ability to ensure that those responsible comply with pensions legislation. There will also be new civil and criminal sanctions to punish those who wilfully or recklessly harm their pension scheme, including a maximum seven-year prison sentence and a civil penalty of up to £1 million.

I know that some noble Lords have expressed concern about the adequacy of the sentences outlined in the Bill and have advocated even tougher ones. We have set the maximum level of the financial penalty at a level similar to equivalent sanctions in the financial sector for financial crimes. However, we also recognise that there might be a need to increase this maximum amount in the future to ensure that the financial penalty continues to provide suitable levels of deterrence and punishment. The Bill therefore includes a regulation-making power enabling the maximum amount of the financial penalty to be increased if needed in the future.

Charles Counsell, the chief executive of the Pensions Regulator, said of these measures:

"Fines and criminal sanctions, combined with improved avoidance powers, have the potential to act as a strong deterrent in respect of behaviour that represents a risk to savers."

The Pensions and Lifetime Savings Association was also clear, saying:

"While most pension schemes are well-run and managed, high-profile cases like Carillion and BHS damage confidence in the pensions system. We support new powers for the Pensions

Regulator to take action sooner, impose significant fines, and have more oversight of risky corporate transactions in order to prevent reckless behaviour and protect savers' hard-earned money."

Cumulatively, the improvements to the regulator's powers outlined in this Bill will help the regulator to meet its aim of being "clearer, quicker, and tougher". In turn, this will afford increased protection for defined benefit scheme members' savings.

Part 4 of the Bill delivers on our commitment to provide for pensions dashboards. Many savers worry that they do not have adequate information or knowledge to enable them to plan and make decisions about their saving for retirement. This can be exacerbated by the fact that it can be hard for savers to keep track of pension savings where they have had multiple jobs. Dashboards will provide an online service allowing people to view all their pension information—including state pension—in a single place.

The measures in this Bill set out the legislative framework to define what a qualifying dashboard service is, along with requirements that must be met by potential dashboard providers. Importantly, they will compel occupational, personal and stakeholder pension schemes to present an individual's pension information to them through a qualifying dashboard service. To make sure that they do, the measures also introduce compliance powers for enforcement of this requirement through the Financial Conduct Authority and the Pensions Regulator. Finally, Part 4 also provides for the Money and Pensions Service to oversee the development of the dashboard infrastructure.

As I said earlier, there is broad support for pensions dashboards. For example, Aegon has commented:

"Millions of individuals have multiple pensions in which they've built up benefits over their working lives and Pension Dashboards will for the first time allow them to see all of these, online at the touch of a button. This offers a huge opportunity to help millions of individuals better engage with their retirement planning".

I turn now to Part 5 of the Bill. The measures within this part cover four important areas. Clause 123 and Schedule 10 relate to defined benefit scheme funding. The defined benefit landscape is changing, with many schemes now closed to new members and future accrual. As more schemes reach maturity, with fewer contributing members and more members receiving their pension benefits, it is important that we act now to ensure that trustees manage their funding and investment in a way that is appropriate to the specific characteristics of their scheme.

The measures in the Bill will enable the Pensions Regulator to enforce clearer scheme funding standards in defined benefit pension schemes. They will support the regulator's risk-based regulatory approach by introducing a requirement for trustees to have a funding and investment strategy for the scheme, and for the statutory funding objective to be achieved consistently with this strategy. The measures also require trustees to explain their approach to the regulator in a statement of strategy. The measures can require trustees to send this statement to the regulator at such occasions and intervals as may be prescribed.

These provisions seek to help trustees to improve their scheme funding and investment decisions, and to better manage potential risk. They enable the regulator



to take action more effectively to protect members' pensions, mitigate risks to the Pension Protection Fund, and take account of the sustainable growth of the employer.

Clause 124 introduces new powers to protect individuals' pensions savings by helping trustees to prevent transfers to fraudulent schemes through restricting the statutory right to transfer a pension. This will protect members from pension scams by helping trustees of occupational pension schemes to ensure that transfers of pension savings are made to safe, not fraudulent, schemes.

Clause 125 rectifies some of the unintended outcomes of a High Court judgment. It retrospectively restores the policy intent with regard to the calculation of Pension Protection Fund compensation payments. The measure will provide statutory cover for past payments and will ensure that there is no question of vulnerable members being asked to repay any overpayments.

Clause 126 updates the definition of "administration charge" to make clear which costs are in scope of the overarching definition contained in the Pensions Act 2014.

I beg to move.

4.10 pm

**Lord McKenzie of Luton (Lab):** My Lords, I thank the Minister for her introduction of the Bill. It is her first pension Bill and we wish her well. I welcome the open approach that she has signified and the focus already on delegated powers, which I am sure we will discuss extensively.

As we have heard, the Bill focuses on three significant areas: a framework for setting up, operating and regulating "collective money purchase" schemes, otherwise known as collective defined contribution pensions or CDC; enhanced powers for the pensions regulator; and pensions dashboards. As we have heard, Part 1 relates to England, Scotland and Wales and Part 2 to Northern Ireland. We have agreed to consider these in parallel.

My noble friend Lady Drake will focus in particular on matters relating to the dashboard while my noble friend Lady Sherlock will focus on the powers of the regulator. On the former, we know that the move away from DB schemes has been accompanied by a growing tendency for individuals to lose track of their pension pots through moving house or changing jobs. That is why we support the dashboard, but with a preference for it to be a single publicly funded one. On the latter, we are registering concerns about the breadth of Clause 107 and will wish to pursue them in Committee. Otherwise, we are broadly in agreement with the measures in the Bill. I acknowledge the close engagement of my colleague Jack Dromey MP with the Royal Mail and the CWU in formulating the CDC proposals.

In concentrating on the main provisions, though, we should not overlook the measures in Part 5, which the Minister referred to and which also have our support. These variously provide for amendments to DB scheme funding to help improve decision-making and governance across the sector. This runs from the 2018 White Paper, which concluded that DB pension schemes were well managed on average, and we agree

with the proposal for a DB funding code. Although active membership of DB schemes continues to fall—in the private sector it now has some 500,000 members, but with assets of £1.5 trillion—we should not write them off. However, we understand that the Pensions Minister, Guy Opperman, has made it clear that he would not support CDC schemes being a route to enable the closure of DB schemes. How is this secured in the Bill, if indeed it is? How many more CDC schemes, if any, are currently being considered? I take it from her introduction that the answer should be none, but it would be good to have that on the record.

So we have DB, DC and now CDC schemes. How can an individual best save in a cost-effective manner for a predictable income in retirement? An individual would of course typically not know for how long they might live, but they should know with greater accuracy how long on average a group of people might live. So finding ways of harnessing collective arrangements to allow the sharing of longevity risk is one way forward, and that applies to CDC.

Much of our consideration of pensions policy provisions hitherto has been a binary matter, with choices conducted between DB and DC schemes. On the one hand, the investment, longevity and inflation risk are with the sponsoring employer, and on the other, they are with the individual member until on annuitisation they are shared more widely. Annuities are a collective risk through contracted insurance contracts, but these have become very expensive.

UK legislation now allows for a different approach. The Pension Schemes Act 2015 enables sharing of risks by individual members through payment of collective benefits, the value of which could vary. However, the Government have chosen not to implement the 2015 provisions but, as has been explained, to bring forward in the Bill a more bespoke regime. The overlapping provisions are repealed. Can the Minister tell us what future plans there are, if any, for the remaining 2015 Bill provisions that have not been repealed? There may be none.

The impetus for the provisions in the Bill has come from Royal Mail and the CWU, which should be congratulated on their collaboration and determination. This development of course came in the circumstance of decisions to close the DB scheme. As we know, the structure of CDC involves pensions being set by reference to targets determined by actuaries. It is argued that CDC arrangements typically have better outcomes. This is in part due to economies of scale on investment and enabling a timeline on investment beyond the individual member. It is of course a feature of CDC that there are no guarantees on pension levels paid out on assets of the scheme. As the Minister said, there is no recourse to a sponsoring employer. Indeed, pension levels set by actuarially determined targets rather than binding targets require a robust communications effort to ensure that Royal Mail employees, in this case, are fully aware of what this all means.

However, numerous studies by academics and practitioners have concluded that CDC can give better outcomes when compared to DC plus either draw-down or annuitisation. We take some comfort from the fact that the CDC concept has the support, we understand,

[LORD MCKENZIE OF LUTON]  
of both the CBI and the TUC. While novel in the UK, it has been operated by the Dutch and Danish systems, albeit not on identical terms, for a number of years.

As has been pointed out, and indeed acknowledged by the Minister, this is very much a framework Bill, with much detail to be filled in by regulations. These will have to cover extensive issues, from financing, fit and proper persons, scheme design, sustainability, actuarial valuations and much more. There is a need to understand the valuation timetable and the gap between asset valuation and changes to pensions to be paid. If there is not to be a buffer, what alternative headroom measures are envisaged?

What can the Minister tell us about the tax regime which will operate and how auto-enrolment will work? Will it require changes to primary legislation? In relation to the SIs and the information that will come forward, can the Minister tell us when this will be available? I think she said by Committee, but that is actually very soon. I wonder how much detail we will get if that is the timeframe. We would certainly welcome it by Committee, but it is often more usual to get it by Report. However, I do not want to deter the Minister or suggest that she spends her time on other matters.

One of the criticisms raised about CDCs is that they invariably generate intergenerational unfairness, with older members doing better at the expense of younger members. How does the Minister respond to that? As is often the case with pensions legislation, it is the things left undone, just as much as those included, on which judgments will be made.

A number of commentators have expressed disappointment that the opportunity has not been taken to implement the changes to auto-enrolment recommended by the 2017 review: namely, to extend the application to workers aged 18, and to remove the qualifying earnings deduction and the earnings threshold. As NOW: Pensions points out, all three of these would help to narrow the gender pensions gap. Is it not time that we got to grips with the self-employed issue?

I am told that the Tory party manifesto, which I have not read, contained a promise to sort out the net pay anomaly. I would welcome that, but do not know whether the Minister has an update on the timeframe. I acknowledge the efforts of a group of professionals, prompted by the noble Baroness, Lady Altmann, in engaging with HMRC to that end.

One further disappointment is the lack of a consolidator regime. It is suggested that superfunds will provide a new and affordable option to enable schemes to consolidate—although, like CDCs, they would require a robust authorisation and supervisory regime. We trust that the Minister, Mr Opperman, has not spent all his capital on CDCs.

4.21 pm

**Lord Sharkey (LD):** My Lords, for the sake of transparency, I should record that one of my children works for the Money and Pensions Service and that I have not had, nor will I have, any discussions about any of the matters covered by the Bill with her—or, probably, about anything else.

We welcome the Bill and the Minister's openness and willingness to engage. We congratulate the Government on their engagement with stakeholders; we especially congratulate the Royal Mail and the CWU on their successful advocacy for CDC schemes. We think it a good thing that the Bill makes general provision for these schemes, rather than for only a bespoke Royal Mail scheme. However, we have some serious reservations about the approach taken by the Bill in several key areas. In large part, especially in Part 1, this is actually a skeleton Bill. Let me take CDCs or, as the Bill now calls them, CMPB schemes. As I said, we support the general idea enthusiastically but have serious concerns about how the Bill sets things out.

Our greatest concern is the number and scope of the powers to make regulations given to the Secretary of State. Part 1 runs to 41 pages. In these 41 pages, I counted 39 separate instances of giving the Secretary of State powers to make delegated legislation. I recognise that pensions legislation is often necessarily complex and that secondary legislation plays a vital role. But it is very difficult to have a realistic view of the Bill's effects or scrutinise it effectively if we have no detail at all of this secondary legislation. Perhaps the Minister can explain why it has not been possible to provide drafts of these regulations. After all, the Bill was first presented to Parliament last October.

I also draw the Minister's attention to the apparently random use of affirmative and negative procedures for the regulation-making powers. Can she give the House guidance on the principles underlying the choice of procedure? In particular, can she explain why, on numerous occasions, the first use of a regulatory power is subject to the affirmative procedure but all subsequent uses of the same power are subject only to the negative procedure?

Some of these powers are very wide. For example, Clause 28(3) on page 18 seems to allow the Secretary of State to define significant events entirely as he pleases. In Clause 18, on the calculation of benefits, subsection (4) seems to give power to change the very substance of any CMPB scheme. Is this to do with the need to safeguard intergenerational fairness within the scheme? If not, what is it for, how is intergenerational fairness to be protected and why does such provision not appear to be in the Bill? What is to prevent transfers out of the older members with large sums, to the clear detriment of their younger colleagues who remain? Does not the absence of a requirement for a capital buffer make this situation even worse, as the ABI's excellent briefing note suggests?

In the context of powers given to make regulations, I would highlight subsections (6) and (7) of Clause 36, which appear to give the Minister unlimited discretion on how schemes may be restructured in the case of continuity option 1, while Clause 47(5) appears to be a fully-grown, entirely naked Henry VIII power. I am sure that the House will want to consider this provision carefully. Finally on delegated powers, we will want to discuss Clause 51, especially subsection (2), which again seems to confer unfettered power. We will also want to discuss Clause 31, dealing with triggering

events, especially as it might concern eventually the withdrawal of a significant employer from a multi-employer scheme.

I am sorry if all this has sounded rather negative, as I am sure it has. Perhaps I should conclude my remarks on Part 1 by saying again that we enthusiastically support the idea of a CMPB scheme. We are, however, very concerned about the number and scope of the delegated powers that Part 1 contains and the absence of any drafts. I am grateful to the Minister for his commitment to provide the House with notes on what all these SIs hope to achieve, but that is not the same as being able to scrutinise draft legislation. I hope that we will have the opportunity to meet between now and Committee to discuss these issues further.

Part 3 deals with the Pensions Regulator, which I see was busy this morning exercising its powers by fining its fellow regulator, the FCA—only £2,000. We welcome the increase in the scope and strength of the regulator's powers. My only general comment is to wonder whether the proposed penalties are sufficiently large to provide effective deterrence and to change behaviour. Clause 112, in inserting new Section 77A into the Pensions Act 2004, specifies a maximum penalty of £50,000 for failure to comply with Sections 72 to 75 of that Act. How was this limit arrived at? I think I heard the Minister explain that it was to parallel a limit elsewhere. What consultation or modelling took place to determine whether it would have effect?

In Clause 115, there is a new £1 million upper bound on penalties related to Section 88 of the Pensions Act 2004. The same clause, as the Minister remarked, gives the Secretary of State the power by regulation to increase this amount. No new upper bound is specified in the Bill. Is it wise to give such unlimited and potentially draconian powers to the Secretary of State? In any case, the House will want to know how the original limit of £1 million was set and what consultation or modelling took place. The provision to raise the £1 million limit without restriction and without further scrutiny not only seems rather dangerous but suggests a clear lack of confidence that the original limit will work. I can see why that might be so, given the resources of some of those on whom the penalty may fall, but surely it would be better to have in the Bill an original limit that we thought might work. We will want to come back to this in Committee, but I would be grateful for the Minister's thoughts on the matter.

I also note that the noble Lord, Lord Balfé, who I do not think is in his place, has a Private Member's Bill which proposes among other things to require the consent of pensions trustees before dividends are paid. I hope we may see amendments in Committee that allow us to discuss what may be an interesting proposal.

I now turn to Part 4, dealing with the pensions dashboards. I note that there is an obvious and obviously increasing need to provide better information and guidance about pensions, particularly pension draw-downs. This need has grown substantially since we last discussed it in the Chamber during the passage of the Financial Guidance and Claims Bill. Since then, FCA data suggests that over 645,000 pensions have been accessed, with only 15% believed to have had a Pension Wise appointment before accessing their benefits. More than

half of the pensions accessed by savers for the first time between April 2018 and March 2019 saw the saver withdraw the maximum amount. This has all the hallmarks of a not-so-slow motion disaster, and the best remedy is more information, more advice and more guidance.

We agree that the pensions dashboard is a very important part of this, especially since auto-enrolment has brought an additional 10 million people into saving for a pension and, alarmingly, one in five adults admits to having lost track of a pension pot. The latest PPI research indicates that £19 billion has gone astray in this way. The dashboard, or dashboards, will help relocate this huge amount.

The question in my mind is whether it should be “dashboard” singular or “dashboards” plural. Should it be a dashboard provided only by MaPS, or should it be many dashboards, provided by MaPS and other qualified organisations? On the assumption that there will be very tight restrictions on how dashboard information is presented, and that future projections will not be allowed much variation, I see the merit in multiple dashboards. It seems to me that the key argument is one of reach. Allowing many dashboards will get more people to take notice and use dashboards. Restricting dashboards to MaPS risks a much smaller take-up. This has an analogue in Pension Wise, a superb service taken up historically by far too few people.

But there is more to helping the consumer than the dashboard. The increase in scams and unwise transfers connected to pension draw-downs is of urgent and increasing concern. Last week, the *Times* reported that the FCA had written to financial advisers warning against unsafe recommendations of transfers out of DB schemes, and last Saturday the front-page headline in the *FT* read:

“FCA urged to probe pension ... advice”

with the sub-heading

“fears over fresh mis-selling scandal”.

The article noted that the regulator planned to write to 1,841 financial advisers about “potential harm” in their DB transfer advice. That is 76% of all advisory firms.

Noble Lords may remember that I, the noble Lord, Lord McKenzie, the noble Earl, Lord Kinnoull, and the noble Baroness, Lady Altmann, proposed a simple default guidance draw-down mechanism, Amendment 24, during Report stage of the Financial Guidance and Claims Bill. The House passed this amendment by a majority of 80 or so. The Commons substituted its own version, which we accepted, perhaps a little reluctantly. This Commons version is now Sections 18 and 19 of the Act. They delegate the design of a “nudge” to the FCA, the industry, the DWP and MaPS.

As a result, there are now in the field two pilot tests. Both have the aim of delivering a nudge to guidance at the point at which someone wishes to access their pension pot, with a view to making receiving guidance a social norm. The trials will run for three months or so, and MaPS has said that it will publish a report on the outcome in spring 2020. This is quite a long time from October 2017, when we passed Amendment 24. Could I encourage the Minister to see whether this

[LORD SHARKEY]

process could be accelerated? Government definitions of spring have been known to extend to July, sometimes in the same year.

More importantly, can the Minister say how the results of the trial will be judged? I do not mean one trial against the other; what absolute levels of take-up or behavioural change will be considered large enough to trigger a full-scale national rollout? I note that the Long Title to this Bill is simply to

“Make provision about pension schemes.”

This seems to me to allow scope for the reintroduction of Amendment 24 if the trials fail to produce the right result. This is certainly something we will want to consider as the Bill proceeds.

Again, we very much support the intentions of this Bill. I stress again how important we think it is that we see the draft regulations for Part 1 before Committee.

4.34 pm

**Lord Vaux of Harrowden (CB):** My Lords, I too generally welcome the Bill, which makes a number of improvements to the pensions landscape. However, there are a few areas that I would like to raise.

I welcome the introduction of the new class of pensions: collective money purchase schemes, or CDCs. The ability to pool risks across members should bring real benefits, including potentially higher pensions than current defined contribution schemes can produce. However, I would strike a note of caution. I fear that these schemes are being seen as a replacement for defined benefit schemes, which they most emphatically are not.

First, as the noble Lord, Lord McKenzie, said, we must clearly understand that CDC schemes do not guarantee any particular level of pension but merely provide a target. More importantly, even once you start to receive your pension, the amounts paid each year are still not guaranteed and may go down as well as up. That is a fundamental difference compared with defined benefit schemes and annuities purchased under defined contribution schemes. Retirees will expect their pension to at least grow in line with inflation, but the experience in the Netherlands shows that that is not always the case. Indeed, none of the five largest Dutch schemes has managed to keep up with inflation over the last decade, and three of them have made cuts in nominal terms to the level of benefits. If we are to avoid scandal, this risk must be clearly communicated, with very clear health warnings when people sign up to a CDC, in any communication that includes a forecast, and when people are nearing retirement, so that they understand the risk that their pension is not a fixed and growing amount.

Secondly, the principal benefits from CDC schemes arise, as we have heard, from the pooling of risk. However, when risk is shared, there are inevitably winners and losers. As the noble Lord, Lord Sharkey, mentioned, it is important to ensure that we do not create further intergenerational unfairness. Because employers have no obligation to increase funding, a CDC scheme has only two ways of reacting to lower returns: cutting benefits for existing pensioners or

raising contribution levels for employees, or a combination of both. It is always easier to push the problem into the future. This creates the risk that one group is favoured over another. Trustees and the regulator will need to ensure that risks and returns are not skewed against the younger generation to the benefit of pensioners, or indeed the other way around. It would be good if the Minister could comment on these issues.

The next part of the Bill strengthens the powers of the Pensions Regulator, especially in relation to corporate transactions, which is greatly to be welcomed. However, I cannot help feeling that there is a missed opportunity to do more here. Recent high-profile failures, such as Carillion and BHS, went under with significant pension fund deficits after shareholders had taken substantial sums out of the companies; for example, Carillion consistently paid out dividends in the range of £50 million to £75 million a year, while at the same time the pension deficit grew from less than £100 million to over £600 million. In the year to March 2018, FTSE 100 companies with DB schemes paid £84 billion in dividends, compared with £8.2 billion repairing their deficits—a ratio of over 10 times. For FTSE 350 companies with DB schemes, the median ratio of dividends to deficit reduction contributions is even higher, at 14.2 times, and is growing. The Pensions Regulator itself has said:

“We are concerned about the growing disparity between dividend growth and stable deficit reduction payments. Recent corporate failures have highlighted the risk of long recovery plans while payments to shareholders are excessive relative to deficit repair contributions.”

It would be tempting simply to prevent companies with pension fund deficits from paying dividends at all, but commercial reality is not that simple. Stopping a company paying dividends might actually make its financial position less stable as markets react badly and the cost of capital increases. Deficits can be short-term, and the payment of a dividend may have no material adverse impact on the position of the pension fund. We should also remember where dividends go; much goes into pension funds. There is a balance to find here. However, we could move that balance to strengthen the position of pension funds relative to shareholder returns. Clause 103 in Part 3 goes some way in this direction, but we could do more to safeguard scheme members.

The noble Lord, Lord Sharkey, mentioned the Bill that the noble Lord, Lord Balfe, introduced to make it a requirement for trustees and the regulator to approve the distribution of dividends, which I support. This important protection could easily be covered in this Bill, at least in part, simply by including the declaration of a dividend as a notifiable event under Clause 109, to be treated in the same way as any other relevant corporate transaction. I would welcome the thoughts of the Minister on this.

Related to this, we have heard about delegated powers in this Bill, but one that jumps out at me, where the Bill and the Explanatory Memorandum are somewhat less than clear, is what will actually constitute a notifiable event in Clause 109. The Explanatory Notes refer simply to,

“circumstances to be prescribed by regulations.”

It seems odd that such an important, even headline, element of the Bill is left completely to be dealt with by future regulation. It would clearly be better to put what is intended into the Bill. Perhaps the Minister could clarify what notifiable events will in fact include and why that cannot be included in the Bill. At least, could the regulations be published before Committee, as with those from Part 1, which she mentioned earlier?

My next point relates to pensions dashboards. I wholeheartedly welcome them. As someone who is rapidly approaching his crucial 55th birthday and trying to work out what to do about pension funds from various past employers, having all the information in one place will be of great benefit. In fact, I am probably one of the one in five to whom the noble Lord, Lord Sharkey, referred. My fear, however, is that those funds that are oldest and hardest to find will be the very ones that do not end up on the dashboard. How do the Government propose to ensure that all funds can be added to dashboards in a reasonable timescale? Also, importantly, will the state pension entitlements be included in the dashboard?

Finally, the Bill makes some welcome changes to transfer rights, but it does not address the important underlying issue of how transfer values themselves are calculated. I greatly recommend an article in the *Sunday Times* by Louise Cooper on 27 October, from the last time we were about to look at the Bill, which sets out the problem very clearly. She gives the example of a fund that will pay an inflation-linked pension of £4,000 a year. The transfer value that she was quoted from that fund for that £4,000 a year is £130,000. An annuity providing the same benefits would cost £240,000: nearly double the transfer value.

This chimes with my experience of looking into consolidating a small pension from an old DB scheme. The differences between transfer values and annuity prices are so large that, intuitively, someone must be profiteering here. While the law requires advice to be taken before the transfer of funds over £30,000, there seems to be no legal way to ensure fairness in respect of the transfer valuation itself—how it is calculated. I imagine that consumers may be losing out substantially. It would be good to hear the Minister's thoughts on that as well.

4.42 pm

**Baroness Altmann (Con):** My Lords, I declare my interest as set out in the register of interests and warmly welcome my noble friend to the Front Bench on the Bill. I certainly agree that this is far more than a morsel: whoever called it that had not quite seen its scale. I warmly welcome it.

My remarks will be mostly framed from the perspective of members of pension schemes, customers of pension providers, and their interests, being future pensioners. Part 1 on collective defined contribution, is adding a new type of pension scheme with the concept of a target pension. As the noble Lords, Lord McKenzie and Lord Sharkey, mentioned, it is important that people realise that this is not one of the two current systems. It is not a money purchase system, where there is no guaranteed outcome and members shoulder all the investment risk and costs, whatever the final

outcome. Nor is it a non-money purchase scheme, where there is some element of guarantee: either the traditional defined benefit with an assured lifetime pension income—although that can be reduced in the PPF—or the assurance of a lump sum payment, where employers bear some of the risk and the costs, beyond just their contributions.

The aim of this scheme is to ensure that employers know the limits of their liabilities. That means that the huge challenge with the CMPSs, as they will be called—we have added another acronym to our arsenal—will be communications to explain the lack of security that these schemes will provide.

The shouldering of investment risk and the intergenerational risks is vital for us to help members to understand. As with the Netherlands and Denmark, as the noble Lord, Lord Vaux, mentioned, CDC pensions can reduce when in payment. The risk is still on the worker. Although the scheme will bear the cost of the actuarial analyses, and will look after the management of investment choices and the decumulation options for some members if they stay, there are still residual risks. The Bill is not yet sufficiently robust on what regulatory protection there should be for members' money. Of course, Royal Mail, which is expected to be the first scheme using this CDC structure, may be a powerful and well-resourced employer.

I am pleased that Clause 7 requires the authorisation of these schemes and that Clauses 11 to 17 suggest that there will be criteria but, as other noble Lords have said, we need to know what those criteria are and what attention will be paid to a situation where authorisation is withdrawn, as proposed in Clause 26. We also need to know what provisions we need to put in place at this stage if the scheme needs to wind up and members' pensions must be raided to cover the costs of the wind-up, to make sure that members do not end up with no pension—as could happen in theory, although I hope not in practice. We need some more robust underpinning and assets set aside to cover the cost of a wind-up, or some kind of insurance could be embedded in the Pension Protection Fund.

Having seen this before, I know that there are risks. So what risk margins will be retained for future market falls? This is particularly relevant to Clause 25 where members will apparently have a right to transfer their benefits, but these are not accrued pension rights. They do not have accrued rights to an income. So what reserving requirements and risk margins need to be applied to members who want to transfer out on the basis of their rights to a particular portion of the fund today, which may then leave future members and those who do not transfer out—those who are trusting the scheme, if you like—at risk of having reduced pensions later on because those who transfer out today took more than they would ultimately have been entitled to?

Part 3 deals with the regulator's powers. I fully support the idea of giving the regulator extra powers—its statutory duty to protect scheme benefits is certainly important—such as the power to intervene sooner and the power to demand information. At the moment,

[BARONESS ALTMANN]

the regulator can ask for information but it must use its powers before it can require that, so I warmly welcome this measure.

The aim is to focus on forcing employers to fund these schemes in full but, as we have heard from the noble Lord, Lord Vaux, and others, the annuity costs of these schemes are way beyond the ongoing costs of running them. So the ongoing funding and the technical provisions of these schemes are well below what would be required in buying out with an annuity. Even certain billionaires have been allowed to walk away without meeting Section 75 debt. Just paying an initial starting pension means that the future pensions will be lower, which recognises some of the problems that exist in the annuity market today as a result of quantitative easing and its impact on the cost of buying so-called secure or risk-free long-term assets.

I support the aims, but perhaps my noble friend will consider whether we need to look at the issue of Section 75 debt as well because it is imposing draconian costs. I want particularly to raise the issue of the plumbing pension scheme. In this case, employers are being asked to pay money they do not have without selling their own homes and losing everything they have built up over their entire lives in order to fund Section 75 debts for an event that they were never warned about, which is their retirement and which apparently crystallised these debts, and yet the scheme is supposedly fully funded. There has been no deficit recovery and all the dues have been paid. I urge my noble friend to facilitate a meeting to discuss this issue and consider whether some of these problems can be dealt with in the Bill.

I fully support the aim of having a pensions dashboard, but I fear that the Government have severely underestimated the challenge facing the Money and Pensions Service in delivering any kind of comprehensive pensions dashboard. It needs to include charges and the information that members would actually like to see, as called for by Which?, but the Bill seems to imply that the Government believe that the existing regulatory framework will provide appropriate consumer protection. I have serious concerns about that. There are more than 12 pension regimes with different subsets of those regimes, legacy schemes which have guaranteed annuity rates, protected tax-free cash and death benefits. All of these need to be identified on a dashboard before members decide whether they want to transfer money or consolidate their benefits. We need to make provision for that.

There are masses of manual records in the depths of life assurance companies and pensions administrators, so I fear that the powerful financial institutions may not wholly support the dashboard, especially those which have bought closed books of past pensions. The cost of transferring millions of partial manual records on to a platform on an electronic database has not been adequately appreciated. I would therefore welcome my noble friend asking her department to consider mandating the simple statements that are currently being consulted on. These could be sent out to everyone in a standard format as the very minimum requirement to facilitate a comprehensive dashboard, regardless of whether they are immediately provided in an electronic

format. The Money and Pensions Service could work together with the consultation team to make sure that a dashboard-compliant annual statement is produced so that the data can be merged. Of course, any commercial pensions dashboard needs to be properly regulated and authorised. I have severe concerns about this being used as a marketing tool, which may not be in the best interests of the members.

There is also the issue of DB funding and transfer rights, along with the allied problem of scams. Of course we must put duties on trustees and managers to facilitate transfers where members want them, but I support what the noble Lord, Lord Sharkey, was saying about how best to protect those members who have potentially fallen for a scam, which is usually the result of a cold call, against transferring their pensions out of the scheme and then regretting it later. Perhaps we could put conditions on the transfer rights that would ideally trigger an automatic referral to Pension Wise. Its representatives could go through questions with the individual to help identify whether it is likely to be a scam. Or, at the very least, it would require the trustees to ask those questions themselves, which to be fair are not that many, such as, “Are you trying to transfer out as the result of a cold call? Do you know the people who are recommending you to transfer? Do you know anything about the scheme that you want to transfer to?” Those would raise red flags and thus would immediately help to protect members from what we all want to ensure does not happen. We must not forget how many hundreds of billions of pounds of taxpayers’ money is in these pension schemes from the tax relief they receive over the years. That money was given to make sure we do not have problems of having to support poor pensioners.

I implore my noble friend to look at a couple of other issues dear to my heart; I know a number of other noble Lords have alluded to them. Number one is the problem of net pay pension schemes and whether we can put in this Bill a duty on trustees and the regulator to ensure that any member automatically enrolled in a pension scheme is enrolled in one that is suitable for them—in other words, not one that charges the lowest earners 25% extra for their pension, which a net pay pension scheme currently does. Finally, there is an issue with the National Health Service Pension Scheme. It might be worth pursuing whether we can look at putting any of this problem into this Bill to help sort out on the scheme-pays side for the NHS.

I stress that I welcome this Bill. I am delighted that we are looking at all the measures in it; it is a very large piece of legislation. I look forward to hearing from my noble friend and to discussing it further in Committee.

4.55 pm

**Baroness Drake (Lab):** My Lords, I draw attention to my interests in the register. I too welcome this Bill, but I believe that parts need strengthening.

The Pensions Regulator protects pensions from the moral hazard of employers avoiding their responsibilities, but the BHS and Carillion cases raise two questions of public interest to tackle today: is the regulator deploying

its existing powers in an effective and timely manner, and are the powers in the regulator's armoury sufficient to prevent employers avoiding their responsibilities?

The regulator's recent activities have focused on using and testing the full range of existing powers. This Bill strengthens them—which is welcome—extending when an employer can be required to contribute money into a scheme, and enhancing powers to collect information and sanctioning those that mislead on corporate activities.

During the Work and Pensions Select Committee inquiry into BHS, documents from the regulator revealed that on 9 March 2015 the chair of trustees advised the regulator that they were still awaiting from the company information needed to make the moral hazard assessment. Two days later the company was sold.

Clause 107 introduces new civil and criminal sanctions. I welcome the Government's intention to address what they describe as plundering by "reckless bosses". But concerns have been expressed, including by the Association of Pension Lawyers, that a power designed to prevent future BHS and Carillion-type situations has been drawn incredibly widely, such that it could criminalise minor actions or ordinary business activities and expose third parties such as banks and even trade unions to sanctions, giving rise to consequences not properly considered. I certainly support stiffer sanctions, but these concerns should be probed, given the range and credibility of the people expressing them. Will the Government give consideration to the concerns expressed?

Part 5 provides for more enforceable scheme funding standards. One important supporting amendment—referenced by the noble Lord, Lord Vaux—was also captured well by the Government Actuary in evidence to the Work and Pensions Select Committee. The committee's report said that

"the average ratio of deficit recovery contributions to dividends has declined"

over the last five years for FTSE 350 companies, meaning that more than half of these companies paid out

"Ten times more ... to shareholders"

than to their DB pension scheme—largely due to the significant increase in dividends over the period, without a similar increase in contributions.

Financial technology can deliver a pensions dashboard and make a real difference to savers, finding their lost pots and allowing them to see in one place their total pensions savings, state and private, to assist them in making important decisions. A finder service could search the records of all schemes to identify data matched to an individual, which could be presented to the individual to view, transforming accessibility for more than 22 million people. But public good cannot be traded off against commercial interests. Notwithstanding future government decisions on commercial dashboards, there must be a public good dashboard, the governance, control and ownership of which must be with a public body.

The CEO of the Pensions Regulator appeared to be with me in that view, and he emphasised to the Work and Pensions Select Committee on 25 June 2019 that "there must be a public dashboard."

It would be extraordinary if the Government compelled all private, public and state schemes to release the data of over 22 million individuals and £7.6 trillion of pensions assets, when individuals can access their own data only in the commercial marketplace because the Government have denied them access to a safe space in a public good dashboard.

The public are with me on this. Surveys of public attitudes conducted by the Money Advice Service, the DWP, the ABI, ComRes and others all found that the public wanted an accessible public good dashboard, publicly owned, which they would trust more than a commercial dashboard. The DWP feasibility study on dashboards in December 2018 stated that

"evidence would suggest that starting with a single, non-commercial dashboard ... is likely to reduce the potential for confusion and help to establish consumer trust."

In April 2019, in response to the consultation, the Government altered their view and referred to simultaneous testing of commercial dashboards and an openness to further functionality, taking multiple dashboards beyond their initial find and view purpose. The impact assessment states:

"Option 2: Government to legislate: (the preferred option). Government supports the coordination of an industry-led dashboard ... This will lead to the creation of dashboard service designed, developed and owned by industry, facilitated by Government"

This is a remarkable statement. There is no public dashboard mentioned, only a commercially owned pensions "dashboard ecosystem", with no limit on its functionality. There is a reference tucked away in paragraph 50 to the industry being expected to create a non-commercial dashboard—a loose expectation, undefined.

Equal in importance to ownership is consumer protection. The provisions in Part 4 are far too weak. As Which? argued in its briefing,

"it is absolutely crucial that there are strong regulations in place to prevent potential harm against consumers from the misuse of commercial dashboards by providers. The bill does not go far enough to mitigate against this harm, and should be amended."

The Bill must establish a high bar for consumer protection at the heart of the dashboard which hardwires the best interests of the savers and the resolution of conflicts of interest in the sole interests of members and beneficiaries. Transactional dashboards should not be allowed without further legislation; they open up a new market, with very significant potential for consumer detriment. We need to understand market and consumer behaviour, with legislation being brought forward before dashboards become transactional.

As has been mentioned, there is also public interest in data standards, the information to be provided, how it is presented, who can hold it and how, and so on. A priority is getting schemes' basic data fit for release—for many it is not—but demands for further information will come, such as where investments are held and whether they align with the Paris Agreement on climate change.

If the Government compel the release of the data of 20 million to 30 million individuals to commercially owned dashboards, while simultaneously denying the public the right to access their own data through a public good dashboard not owned by the industry,

[BARONESS DRAKE]

and failing to implement a tough consumer protection regime, then they will fail in their obligation to millions of people. The technology is great and it should be available to people, but in a way that protects their interests.

Efficient ways for workers to share risk are to be welcomed. The Bill allows these collective money purchase schemes to be set up by a single employer or group of connected employers. However, like master trusts, these CMPSs will have to meet a financial sustainability requirement and demonstrate that they have sufficient financial resources to run the scheme for a period of time in the event of a scheme failure, such as employer insolvency and a loss of contributing members, administrative failure or removal of authorisation. As the noble Baroness, Lady Altmann, referenced, it is important to probe how this protection will work and the extent to which the employer who set up the CMP scheme has to financially contribute to the sustainability requirement. This is the issue not of funding the benefits, but of resources to manage a potential failure in a CMP scheme.

I am conscious of the time, so I will be brief. I completely support the noble Baroness, Lady Altmann, in her campaigning on the way the tax system can really disadvantage not only consultants but a large number of low-paid women. I was disappointed that the Bill does not address the gender pension gap. I compliment her on the work she has done, but I want to raise an issue that I keep raising: I will take advantage of my last minute to do so again.

There should be a carer's credit paid through the social security system towards a private pension, complementing the carer's credit in the state pension system. Prior to the flat rate state pension introduced in 2016, carers were credited with entitlements in both the first-tier basic state pension and the second-tier state second pension. Now that the second-tier has been totally transferred to the private pension, carer's credit should not be lost. Prior to 2016, public policy accepted that caring was an economic contribution credited for the first and second-tier pension. Until that crediting is rightly restored, our reforms will have disadvantaged carers.

5.07 pm

**Baroness Bowles of Berkhamsted (LD):** My Lords, I only very recently decided to speak on the Bill. Unfortunately, due to other commitments, I was unable to attend any of the meetings with the Minister—but that will be forthcoming in due course. But here are my initial thoughts on what I have found out so far as, I suppose, a newcomer to pensions.

I agree with all the Bill's general intentions, but there are some areas where I do not think it has gone far enough and many where pensioners' security will depend on regulations that we have very little policy guidance on, or reassurance about, in the Bill. I note that the Minister said that we will have illustrative regulations, but we need the shape of the policy and how far in the future those regulations can or cannot

go outlined in the Bill. I hope that, once they are written, something can be adduced from them and reflected backwardly.

Collective money purchase schemes seem entirely sensible for well-known reasons that have already been explained. They enable longevity and other risks to be pooled, and they potentially allow a more consistent investment policy. That is the theory, at least, but it has to be recognised, especially in the potential case of smaller schemes, that the pooled advantages can be undermined by too many transfers out, or even the equivalent of a run by older members. What safeguards are there? Can the Minister say whether this will be kept under watch and count as an "event" to trigger the operation of some safeguards or a continuity plan?

It is clear that a person who has the power to take decisions under the scheme, or a trustee, can intervene to indicate that, for example, the fund should be wound up—but what if they do not give such an indication? How is the regulator to know and intervene; is it only through obtaining valuations and making directions under Clause 23, or are there other mechanisms that make sure that the regulator is well informed?

What is the role of the viability statement in this regard? Is it a specific matter to be reported to the regulator, and, if not, why not? Will schemes be expected to have provisions for lock-in periods or redemption windows? The questions now being asked about investment fund redemptions, following the run on the illiquid Woodford funds, are mirrored here—with the slant, as the noble Lord, Lord Sharkey, and others, have pointed out, that the older generation has the whip hand. I agree very much with the noble Baroness, Lady Altmann, that these new schemes are a halfway house. Something is missing, some kind of capital provision or buffer so that when there is trouble, there is something to call on, rather than seeing those still in the scheme left in the lurch by those old enough to do a runner.

Turning to penalties, I found 20 recitations to do with the new collective scheme, when only the small civil penalties under Section 10 of the Pensions Act 1995 can be invoked. Some of these things deserve greater penalties, especially if done repeatedly or deliberately: for example, not taking actuarial advice; not getting valuations; not carrying out a continuity strategy; not properly dealing with the discharge of liabilities and winding up; or not dealing with directions regarding failures. Seriously, should the maximum fines for what could be pretty egregious omissions really be just £5,000 for an individual or £50,000 for companies?

While researching, I looked at the recent fines levied on the regulator's website. They were all smaller than the Section 10 maximums. I raised an eyebrow at the FCA pension scheme's fine, but today's *Times* says that the £2,000 fine is the highest possible fine for lack of information to members in a chair's report. Irrespective of what fine the FCA merited, it is another pretty derisory maximum for what could be a serious lack of information provided to members. These fines are



lower than the cost of taking advice on whether you have got your report right. What kind of incentive is it to get your report right?

Elsewhere in the Bill, there are new escalating fines for failing to provide information or allow site inspections. Of course, by that stage things will have got pretty serious, but should the escalating concept be widened for repeat offences and more serious matters related to the viability or stability of a scheme? Early warnings are key, before things get to notifiable or dangerous status. Also, can the Pensions Regulator remove persistent repeat offenders on the basis that they are no longer fit and proper persons? We found out from the FCA's report on the GRG that removing people as fit and proper was not all that easy, because they put lots of other rules around it that were not necessarily infringed. So what is the situation with the Pensions Regulator and that possibility?

Going up in amounts, of course I note the new £1 million fine that the regulator will be able to apply in what are the worst instances of behaviour around deficit matters in defined benefit schemes, or providing false and misleading information. But this is way too small for all circumstances, given the deficits revealed with BHS—Philip Green eventually put back £363 million of the £571 million deficit, which was just about his dividends, but we are still way off—and £2.6 billion for Carillion. Last year, the UK's direct benefit pension scheme deficit increased by another £60 billion to £260 billion. Companies with deficits are continuing to increase dividends significantly, without pro-rata repayment of deficit. I, too, welcome the initiative the noble Lord, Lord Balfe, is taking on this matter.

Against that background, £1 million looks like an affordable cost of doing business for larger organisations. I consider that it would be relevant to apply fines that match, for example, a multiple of the unpaid deficit, or based on turnover, such as the fines for offending against the GDPR or competition law. Putting employees' pensions at risk or raiding the public purse via the Pension Protection Fund is egregious behaviour and deserves no less penalty than those other policy areas where larger fines can be levied. There are precedents beyond financial services, which are behind the game on what fines should be for egregious matters.

I realise that there are new criminal offences and there is always nervousness about them, especially by the people who probably never risk being caught by them. We have to try to make them work against the people we need to catch, but we know how difficult it can be to prove mens rea in the collective decision-making of the corporate environment. Frankly, I think that prosecutors and judges can recognise wrongdoing when they see it and so I do not take so strongly as the noble Baroness, Lady Drake, the cautions in this regard.

Finally, I come to the pensions dashboard. Yes, it is a good idea to have somewhere where you can access all your information. I have already done some of the voluntary ones on platforms where I have got pensions—I have filled things in and got things popping out at the other end—but, in the longer term, there are lots of ideas around these things that we are thinking of. There is the nudge effect that such dashboards can have on encouraging more savings into pensions.

Commercial platforms enabling you to act on the nudge may well be more successful than just getting a message to save more somewhere. For example, it may turn out that banks are better placed to nudge regularly as people log-in online to banks more frequently, and there is already the open banking experience to model upon.

The noble Baroness, Lady Drake, is right: we have to take great care when we introduce any kind of transactional dashboard. Even before that, whatever the rules say, once there is a dashboard other people will come along with their dashboard, which may not be a qualifying dashboard. So we have to make sure that we can catch scammers and other dashboards where you catch your own data, because they will not fall within the rules of a non-qualifying platform.

You cannot rely on entities being regulated. We have had plenty of experience of highly regulated entities, such as banks, where wrongdoing has not been caught because the activity itself was not regulated. For example, again with GRG, the FCA report says that it was unable to act against bankers because the activity of commercial lending is unregulated. So the only way to catch perpetrators who in some way abuse the concept of dashboards is for dashboard activity—whatever it is in a wider sense—to be regulated in a widely defined way so that regulators can act. It is just too risky to leave wriggle room with matters as precious as people's pensions.

5.18 pm

**Lord Young of Cookham (Con):** My Lords, I wish to make a brief contribution to this Second Reading debate and, like others, I welcome the provisions in the Bill. I wish my noble friend well in piloting it through your Lordships' House and commend her and her department for the briefing with which they have provided us.

It may be my noble friend's first pensions Bill but I hope she will not mind if I tell her that I first spoke on a pensions Bill on 18 March 1975. The Bill was Barbara Castle's Social Security Pensions Bill and the Opposition spokesmen were the now noble Lord, Lord Fowler, and Mr Kenneth Clarke. I must have been the Whip on the Bill, and reading my Second Reading speech, I was clearly a pretty obnoxious young man, haranguing Barbara Castle as follows:

"As a generation we have the collective effrontery to insist that our children make sacrifices on our behalf, on a scale that we are not prepared to make on behalf of the elderly today."—[*Official Report*, Commons, 18/3/1975; col. 1538.]

I went on:

"If the benefits which she has promised are forthcoming, it is not she whom we ought to thank but the future generations, as yet unborn, who have been committed by her to a level of contributions that we are not prepared to pay ourselves."

My parting shot at Barbara Castle was:

"I leave the Minister with this thought. How sad it would be if, in order to meet the contributions that future generations will have to make, the retirement age had to be raised to generate the necessary income."—[*Official Report*, Commons, 18/3/1975; col. 1540.] That was an accurate prediction of what has in fact happened.

Forty-four years later, and a beneficiary of that Bill, I want to focus my remarks on Part 4, dealing with the pensions dashboard. Like other noble Lords,

[LORD YOUNG OF COOKHAM]

I welcome putting this on a statutory footing and placing a requirement for pension schemes to provide information for the dashboard. Most people make inadequate provision for their old age, despite the success of auto-enrolment, and this is particularly true of young people. The excellent briefing by Which? for this debate showed that half of those over 50 and still in employment are not sure of the value of their pension savings, one-third find it difficult to keep track of their pension pots and one-fifth have never checked. The dashboard will bring home to people at the flick of a mouse what their entitlement will be and perhaps cause them to think seriously about whether that will suffice. Perhaps the dashboard might have some options indicating what that individual's contributions would need to be if they wanted to retire on today's salary.

I have a few queries, which my noble friend might like to address in a letter if that is more convenient. Over the weekend, I logged on to the Pensions Dashboard Prototype Project, which I found informative, but right at the end it said:

"The industry and government hope to have Pensions Dashboard services ready by 2019."

That sounds as if folk will already be able to access the service, but they cannot.

Reading the response to the consultation document, we are told:

"Once the supporting infrastructure and consumer protections are in place, and data standards and security are assured, most pension schemes should be ready to provide consumer's information to them within three to four years."

Even that rather long timescale is qualified by the words "most" and "should". This project has been on the stocks for some time, and I wonder whether we really have to wait that long for this. If we do, perhaps somebody might amend the wording on the website as it is seriously misleading.

My second query is about the identity service referred to in Clause 119(3). The government response says:

"Before the pension search can take place, the identity service will authenticate the user to an accepted standard."

The Explanatory Notes state:

"For example, the regulations may provide that ID verification must be completed before any information is provided".

As I understand it, that means one has to register with a service such as Verify in order to get the digital key that unlocks access to this new service.

Last year, the NAO issued a very critical report on Verify:

"GDS reported a verification success rate of 48% at the beginning of February 2019, against a 2015 projection of 90%."

GDS is the Government Digital Service. I tried to access Verify and was rejected by two before I succeeded with the third of the six private sector authenticators. Government support for Verify ends this March, with the hope that the private sector will take over. Is my noble friend satisfied that those who want to access the dashboard will not be deterred by the at times cumbersome and unreliable identity services?

My third query is about the many pension schemes where the widow, widower or partner has benefits when the principal beneficiary dies. Will those "secondary" beneficiaries be able to access their entitlement under

the principal's scheme both before and after the principal has died? If the objective is to give people a good idea of what their pension will be and whether they need to make additional provision, that information is essential if they are to get a complete picture. There may be data protection issues, but I think that this issue needs addressing and I hope that my noble friend will be able to say something about it.

It is not clear—this point was raised by my noble friend Lady Altmann—whether the information will include charges and income projection figures. To be meaningful, both should be included. Presumably, schemes will not be able to make their own heroic assumptions about projections. Can the Minister confirm that there will be a standardised methodology for projections?

Next, equity release is becoming an increasingly important component of retirement planning. A person's equity might be worth far more than their pension pot and be capable of providing an income stream in retirement. I do not want to suggest anything that might slow down the rollout of the dashboard, but is it being configured in such a way that it will be possible downstream to incorporate the savings locked up in equity as well as the savings locked up in the pension pot, together with potential income streams?

My final query relates to the use of "pensions dashboards" in the plural—a point raised by other noble Lords. If I were mischievous, I would table an amendment to delete "dashboards" and insert "dashboard" in the singular in Clause 118. I assume, incidentally, that there will be no charge for access to any dashboard, and perhaps that might be made explicit in the Bill.

As a Conservative, I am in favour of competition and choice, but I asked myself why we need more than one dashboard, particularly as under Clause 122 the Money and Pensions Service will be obliged to provide one itself. Of course, the same information will be available to all dashboards, and designing and setting one up will involve providers in considerable expense, with no revenue. The excellent Library briefing refers to the industry's concern about the costs of establishing a dashboard.

I see a parallel with the directory enquiry service. That was abolished in 2003 and replaced with a bewildering array of no fewer than 20 118 schemes. I am not convinced that competition and plurality has always been a worthwhile innovation. Any mischief on my part might be avoided if any dashboard had to be regulated by the FCA—as suggested by the noble Baroness, Lady Drake—to make sure that it was compliant.

As a postscript, can my noble friend shed some light on the recent support of the Pensions Minister for a new pensions commission, as suggested by the Fabian Society and Bright Blue?

Having said all that, I welcome the Bill and hope that it might reach the statute book before too long.

5.27 pm

**Lord Hain (Lab):** My Lords, we always welcome the contributions of the noble Lord, Lord Young of Cookham. I say that we all do but I am not sure that

that is always the case with his Front Bench, which he occupied with distinction. He is very fortunate that Barbara Castle is not present to reply to him in her normal robust fashion.

I refer to the Members' register in welcoming the Second Reading of this Bill, especially having been Secretary of State for Work and Pensions in 2007-08. Its provision for collective defined contribution—CDC—schemes is a step forward in addressing the UK's growing pensions crisis.

Individual, as opposed to collective, defined contribution schemes are now the default for occupational pensions, but these individual DC schemes are characterised by inadequate contribution rates and uncertain outcomes that completely fail to provide a decent standard of living in retirement. The average total contribution rate for an individual defined contribution scheme is just 5% of pensionable earnings, and the average pension pot is £50,000, which would give an annual income of just £2,500 a year. That is nowhere near enough to live on, and experts are saying that we should save at least 13% of our income from the age of 25. By comparison, average contribution rates for defined benefit—DB—schemes are far higher, at nearly 26% of earnings, compared with 5%.

Fresh impetus was given to the push for collective defined contribution pension schemes when Royal Mail and the Communication Workers Union agreed in February 2018 that they would seek to introduce a CDC pension scheme for Royal Mail's 143,000 employees. I commend Royal Mail and the CWU for their efforts in working closely together to pursue this new "third way" pension scheme, which, as CWU national officer Terry Pullinger said at the time of the agreement, would "secure our members' future employment, standard of living and retirement security".

Nobody pretends that CDC is some silver bullet, as the noble Baroness, Lady Altmann, pointed out so succinctly; indeed the Royal Society for the Encouragement of Arts, Manufactures and Commerce has recently published an excellent analysis, which I hope the Minister will read, highlighting some of the specific issues of concern that all CDC schemes must address. But there is widespread recognition that CDC schemes can provide greater certainty about retirement outcomes than is possible in traditional individual defined contribution schemes.

When in 2018 the CWU secured this ground-breaking deal with Royal Mail to introduce a CDC scheme after the company closed its defined benefit scheme to future accrual due to rising deficit costs, the union had fought to save the DB scheme, but, with the deficit repayments increasing from £400 million to £1 billion a year, they had no choice but to discuss alternatives.

The agreement opens the way for new collective pension schemes to be rolled out across the UK with the help of this Bill. It shows how elements of defined benefit can be linked to CDC because it includes a defined benefit cash balance fund that will provide guaranteed lump sums for members. In pushing for this deal, the union saw a clear need to do something to improve pension provision for all its members, 80,000 of whom were in the company's defined benefit scheme and 40,000 in the defined contributions scheme. The DB scheme was closed to new entrants in 2008.

Most DC scheme members were on the base contribution level, which was very low, and most were in the younger age bracket, so there was a question of generational fairness and making sure that younger employees had access to a decent pension scheme. There was also the need for the CWU to protect those who were in the defined benefit scheme, as moving them on to the defined contribution scheme would have substantially reduced their expected benefits.

Although a CDC scheme provides for a target rather than a guaranteed pension benefit—a point made by other noble Lords and Baronesses—modelling shows that the Royal Mail CDC scheme would hugely outperform the individual defined contribution scheme and could even deliver the kinds of benefits that would have been expected under DB.

It is important to understand why CDC schemes, at least of the kind negotiated between the CWU and Royal Mail in 2018, have clear advantages over individual DC schemes. First, they allow savers to pool their risk, which enables higher yield investment strategies and better returns. Studies have shown that CDC schemes can generate a pension that is up to 39% higher than a traditional DC scheme. Evidence from other countries—such as the Netherlands, as has been mentioned, where CDC schemes are widespread—clearly demonstrates that CDC schemes offer a better alternative to DC schemes. Secondly, collective pensions are subject to less volatility than individual pensions, making them far more predictable. They also avoid the need for an annuity or draw-down, which reduces costs and avoids difficult and often stressful decisions for savers about how to invest their funds. It is no secret that the guarantees associated with annuities are expensive and consumers often receive a poor deal when choosing them.

There has been some resistance to these plans from those with a vested interest in selling DC products, of course. They say that CDC schemes could run counter to the trend towards individual freedom and choice in pensions, but the evidence suggests that the majority of scheme members do not want the responsibility of managing their savings pot when they come to retire, or the uncertainty that comes with it. I certainly would not want that. Most savers just want financial security with the guarantee of a pension income for life, and that is what CDC offers.

Of course, there are also benefits for employers because CDC schemes avoid the risk of large, long-term pension liabilities on their balance sheets. Defined benefit schemes remain the gold standard for occupational pension provision and should be defended as far as possible. Sadly, however, DB schemes have been closing at an alarming rate over the last decade as companies have sought to cut costs. There has also been a total lack of innovation in the pensions space. The only show in town has been inadequate defined contribution—DC—schemes. If they remain the norm, and the Government, with business, do nothing, the state—which means the taxpayer—will begin incurring multi-billion costs in future to save millions of elderly citizens from abject destitution.

As the CWU's Terry Pullinger has explained, in the Royal Mail we have a generation of people fast approaching 40 years of age who do not own any property and have little or no pension provision. It is a

[LORD HAIN]  
social car crash waiting to happen and, if not addressed, will leave an entire generation facing poverty in old age with total reliance on the state.

Research by the TUC has found that a typical DC saver could be £5,000 a year poorer in their old age if they retire after a bad period of investment returns for pension funds rather than in a good period. The benefits of scale and pooling of investment and longevity risk in CDC schemes are clear; modelling by the highly respected Pensions Policy Institute likewise confirms that, over the long term, CDC produces better outcomes than individual DC schemes.

Overt measures have been taken in the design of the Royal Mail scheme to ensure that there is no deliberate saving up of a capital buffer which would represent money paid in by one generation that is held back from that generation's benefit provision. While there will inevitably be variations across generations, Royal Mail and the CWU have worked to ensure that these are only the product of varying circumstances rather than an inherent bias.

Furthermore, the legislation before us is drafted in such a way as to ensure that CDC schemes are governed within a strict regulatory structure and implemented only once a clear governance and disclosure framework is put in place. This regulatory framework is vital in providing savers with full confidence in this new type of scheme. There is an indisputable case for enabling CDC schemes through legislation and encouraging their take-up as an alternative, at least to DC pensions. That is why it is welcome that the Bill sets out not only how Royal Mail and the CWU can progress with their CDC scheme, but also how other companies could follow suit.

As the CWU has said, this scheme will drive pension innovation for current and future generations of working people, and will resurrect the principle of dignity and security in retirement. Royal Assent to this Bill is needed as early as possible. Can the Minister in replying please say when exactly that is expected to occur?

CDC schemes offer a third way forward, which has been recognised by one of our largest employers, Royal Mail, and one of our largest trade unions, the CWU. If we get this legislation right and enable the establishment of these schemes, I believe that they could offer a positive way forward for many other employers, as well as unions.

5.38 pm

**Baroness Neville-Rolfe (Con):** My Lords, I always welcome the contribution of the noble Lord, Lord Hain, who likes to call a spade a spade. He is right to say that everyone should be encouraged to save more, especially in pensions, as they represent such a favourable form of saving.

I thank my noble friend Lady Stedman-Scott for her summary of the Bill. She used to be my Whip, and I can think of nobody more kindly and more helpful. It is a tribute to her ability that this Bill has started in this House. Her experience in the charitable sector, her openness—on which everyone has commented—and her readiness to tackle the nitty-gritty are just what is needed today. I look forward to helping her make any necessary improvements.

This is a very complicated subject and I will deal with only a few issues, which unfortunately involves leaving many important ones unmentioned by me.

The truth is that pensions legislation has a rocky past, from which we must learn. The combination of long timescales, complexity and unexpected changes in the market and in demography has been disastrous. In the 1980s, the Government promoted private pensions—a good idea in principle. However, the selling was largely unregulated and, as a consequence, a substantial number of teachers and nurses were persuaded to relinquish their state-financed final salary pensions.

In the 1990s, Robert Maxwell dealt with his financing difficulties by borrowing money from the *Mirror* pension funds, and he came to a sticky end. When the markets were strong, pension funds did well, but there was a rule that you could not keep more than a certain surplus in a pension fund so a number of companies gave staff pension holidays instead of saving such surpluses for a rainy day. The rain came with the arrival of Gordon Brown, who made a substantial raid on the pension funds, arguably setting them up for later failure.

I was responsible for pensions when I was an executive at Tesco, and I used to have cups of tea with Frank Field as we both felt that private provision for all company staff was a marvellous benefit. The pensions cap that limited payouts to senior staff perversely encouraged executives to wind down the favourable final-salary pensions and to reduce corporate contributions to all employees.

One of the positive changes in this sorry story has been auto-enrolment, which makes young people save for a pension with a match from their employers. In its time, that was very unpopular, especially with small business, but I believe it was right. As the noble Lord, Lord Sharkey, said, it has boosted the pension prospects of 10 million people in just seven years.

Today I shall mention just two aspects of the Bill and one omission. The first aspect is the introduction of collective money purchase schemes. I strongly support this as it will remove the unhappy choice between, on the one hand, defined benefit schemes that are unaffordable and, on the other, defined contribution schemes that put most of the risk on the individual. Savers pool their money into a single fund and share the risks of longevity and investing. As we have heard, this will help the Royal Mail, whose workers now face huge challenges as online life replaces the letter and the stamp. However, I will want to question the Minister on the potential danger of the transfer of DB scheme members to collective money purchase, possibly leading to pension providers reneging on their promises, as highlighted by the Institute and Faculty of Actuaries.

The second aspect is the requirement for pensions dashboards. With employment patterns changing, many people have several small pots and find it very difficult to keep track of them. Dashboards would allow people to see how much they could expect on retirement and to prepare better, by putting more money aside where they can—for example, through tax-free ISAs—or indeed working for longer. When the Tesco scheme was established, the average beneficiary lived until 62.

The pensions dashboard is a great digital idea. Matt Hancock would be proud of it. However, there is another problem that we will have to debate in Committee: the substantial cost, and whether that is borne by employees, employers or other beneficiaries. I have to say that the impact assessment for the Bill is impressively fat, but, unfortunately, it is difficult to understand. The various dashboard costs appear to me to tot up to well over £1 billion, which is a lot of money. We must try to keep that cost down. Can we work up a single, secure and simple dashboard system in order to do so? Is this another area where we could see a draft statutory instrument and debate the options? And is there a case for some state help for the smallest and poorest schemes? The noble and, if I may say so, expert Baroness, Lady Drake, also made some good points about the dashboards that I think need to be addressed and discussed.

I also listened to the noble Baroness on the subject of sanctions. I would like to express some doubts about the scale and nature of penalties. I think the noble Baroness, Lady Bowles, needs to listen to the Minister on this. Most pension schemes are well run and well managed. Indeed, I fear that increasing penalties, especially increasing them more than proposed, could deter respectable people from becoming trustees or entering the pensions industry. That would obviously be another perverse effect.

My final point relates to the omission in the Bill of any remedy to tackle the problem of the pension cap for professionals, notably in the health sector. This Treasury-inspired cap is leading to many GPs and hospital doctors retiring early and/or refusing to work extra hours. I understand that there has been a short-term interim fix, but my doctor friends tell me that it has introduced other disincentives. I know this is not within the Minister's remit, but will she undertake to talk to the Treasury and write to us about this whole issue before Committee? That is just in case we need to use this Bill to help the Government to solve this appalling problem.

5.46 pm

**Baroness Warwick of Undercliffe (Lab):** My Lords, I declare my interest as a board member of the Pension Protection Fund, which protects the pensions of employees in defined benefit schemes when their employers go bust and cannot pay their pensions.

Looking at this Bill from a defined benefit perspective, I find much to support. I shall touch on four topics: the DB scheme funding code; TPR's anti-avoidance powers; the pensions dashboard; and some areas that I believe require further consideration.

Before diving into the detail, it is worth stepping back for a moment and making two broader observations. First, the Bill looks to build on and improve the defined benefit landscape rather than radically reshape it. In broad terms, it confirms that the settlement established by the Pensions Act 2004, which created the regulator and the PPF, has stood the test of time.

Secondly, it is of course right that we need to focus on how we can further improve outcomes and strengthen member protections, but it is worth saying loudly that, compared to pre-2004 days, DB scheme members are considerably better protected today, thanks to the Pension Protection Fund. Before 2004, your holiday

was better protected than your pension. There was no safety net for DB scheme members in the event of employer insolvency. In some cases, that meant heavy reductions on their promised benefits; some faced real hardship in retirement. In some ways, it is a shame that memories of the pre-PPF days have now largely faded, but it speaks volumes for the quiet achievement of the PPF. BHS is an example: if PPF had not existed, members of the pension scheme would have faced dramatic reductions on what they had been promised. Today, PPF provides safe harbour for over 250,000 members and its compensation can make a huge difference to many people's lives. I hope the Minister will join me in recognising the valuable protection that it provides and its role as a force for good.

Turning to the Bill itself, I welcome the measures to review and improve the DB scheme funding regime. Striking the right balance between sponsor affordability and member protection is of course easier to say than do, and as we go through the Bill we will undoubtedly find that the devil is in the detail. Having said that, we should be careful in guarding against the new scheme funding code being seen as an opportunity to increase flexibilities or to ease up on closing down funding shortfalls. The majority of DB schemes still remain in deficit. Flexibility is of course essential, given the range of circumstances facing schemes and employers in the DB universe, but recent experience has shown that, if anything, that very flexibility has in some cases been inappropriately used. Take Carillion: senior managers apparently viewed contributions to the pension schemes as a "waste of money" to be ranked below dividends to shareholders.

If we are to ensure members are not exposed to unnecessary risks, now is not the time for schemes and sponsors to take their foot off the gas. It is vital that the new code results in schemes closing their deficits within reasonable timeframes, prevents excessive recovery plans on the basis of current covenant strength and ensures schemes are given equitable treatment with other financial stakeholders.

I also welcome the provisions to further enhance TPR's anti-avoidance powers. The regulator must have the right tools in its armoury so it can be proactive in preventing detriment to pension schemes. While it already has an array of powers, these targeted enhancements may help deter potential wrongdoing and are useful for TPR to have in its back pocket. I suspect that these provisions are likely to be needed only in extremis, if at all. They are, one would hope, for use in only exceptional cases, not in relation to the vast majority of sponsors and schemes which do the right thing by their members.

As other speakers have said, the pensions dashboard is an important innovation. For too many savers, pensions can be confusing and difficult to understand. Added to this, many savers have multiple pension pots and keeping track of these can be difficult. Therefore, I welcome the underlying ambition to enable people to better engage with their pension savings through digital channels, while very much endorsing the cautionary points made by my noble friend Lady Drake.

Having welcomed a lot in this Bill, I cannot help but identify some notable omissions. There are two areas that are not currently covered by the Bill but

[BARONESS WARWICK OF UNDERCLIFFE]  
 which are important to draw out briefly in the context of this debate. First, in relation to commercial consolidation vehicles, the current DB legislative and regulatory framework as set out in the 2004 Act was predicated on a continuing link between scheme and sponsor. The emergence of the consolidator model challenges this. Well-run consolidators could be beneficial, offering a route to improved security for scheme members. Equally, they also present significant new potential risks, particularly to PPF members and levy payers. To manage these, a new legislative and regulatory framework will certainly be required. However, I recognise that this is relatively new and fast-evolving territory and it is important to get it right, so it is understandable that provisions are not currently contained in the Bill.

The second area relates to PPF compensation. The Bill contains measures intended to address the outcome of the Beaton case. I would appreciate it if the Minister could say whether she expects there will similarly need to be legislative clarity in relation to the Hampshire case in due course.

Pension freedoms are a further area of interest for us as policymakers and for scheme members. Since 2015, something like 160,000 members have opted out of their DB schemes. Some were required to take independent legal advice. There are growing concerns about the advice they received. For example, in the case of British Steel in 2017, it is clear that some members were given poor advice. It may not be a matter specifically for this Bill but, given its scale and impact, it is something we must address.

5.53 pm

**Baroness Noakes (Con):** My Lords, it is some time since I have spoken on a pensions Bill. Indeed, I think the last occasion may well have been when the noble Lord, Lord McKenzie of Luton, was sitting in the place now occupied by my noble friend the Minister and I was sitting where the noble Lord now sits. I particularly recall many hours late into the night spent debating the powers of the Pensions Regulator in the Pensions Act 2008. I shall return to that when I speak about Part 3 later in my speech.

I shall start with collective defined contribution schemes. These account for more than half the pages in this quite long Bill. We are promised large volumes of delegated legislation to follow. I have no particular objection to CDC schemes, but the plain fact is that this extraordinarily complex legislation is being introduced to accommodate just one employer, namely Royal Mail. Despite a wide-ranging consultation and exposure in the specialist media, there has been absolutely no other corporate interest in CDC schemes. Other private sector companies have transitioned in whole or in part from their DB schemes unaided and it is far from clear to me that this is a good use of government and parliamentary time.

Nevertheless, now that we have the Bill, I would like to raise one question with the Minister. The Government have been clear that they wish to ensure that pension freedoms are available to members of CDC schemes as they are to members of other schemes. At one level, that sounds perfectly okay, but I am concerned about the impact that this might have on

the notion of shared risk, which is an intrinsic part of CDC schemes. My particular focus is on longevity risk.

Pension freedoms are not always used wisely, but one clear beneficial use case—it applies even to defined benefit schemes—concerns members whose health status means that they can do better by removing their funds and purchasing an impaired life annuity. If members of CDC schemes in this situation acted rationally and took their share of the assets out of the scheme, that could well disadvantage the remaining members. The average life expectancy of those remaining would increase and, all other things being equal, the benefits payable to them would reduce. Are the Government comfortable with this outcome, in effect allowing selective risk-sharing under this new arrangement? This is a subset of the wider issue of intergenerational fairness, which has been raised by other noble Lords, including the noble Lord, Lord Sharkey.

I now turn to Part 3 and the Pensions Regulator. I thank the Association of Pension Lawyers for its analysis of the new offences, which I know has already been provided to the Minister's officials. Very briefly, its concerns relate to the scope of the new criminal offences set out in Clause 107, the meaning of "likelihood" and "materiality" in that clause, and the way in which the reasonable excuse defence will work.

When the Government first announced these new offences, they were explained in terms of people running their companies into the ground. It often happens that, when legal draftsmen get to work, an intuitively reasonable proposal ends up being so wide that it can trap the unwary. The issues that have been raised are serious and I hope the Minister will be able to allay the fears expressed. In doing so, I hope that she will not simply fall back on the courts acting reasonably in interpreting the new offences. If we have to wait until we get a body of case law, which could take a decade or more, that will mean major uncertainty for the business community.

I have a separate question for the Minister on Part 3, concerning the new financial penalties of up to £1 million in Clause 115. I support the principle of the Pensions Regulator being able to take swift action, but such powers carry dangers, especially when used against those concerned with the pension funds of smaller companies. I would like to understand what checks and balances exist within the system to ensure that this power is used in a proportionate way. Can a person in receipt of a financial penalty challenge the Pensions Regulator? Will there be an opportunity for an appeal to an independent body? This is particularly important because the invocation of the penalty powers involves several key judgments, including materiality and likelihood, just like the criminal offences, but there is no court to interpret them. The Minister will know that something more accessible than judicial review is needed because in practice that is simply not available for those with limited resources.

My last topic is the pensions dashboard in Part 4. I have to say that this is at best a half-baked policy. We have no idea exactly how this will work. Part 4 is littered with rule-making powers, which may well tell us in due course what is involved. The impact assessment

has a huge range of potential costs between £0.5 billion and £2 billion over 10 years. My noble friend Lady Neville-Rolfe referred to the figure of £1 billion, but it is over £2 billion if you take the set-up costs and the ongoing costs over the first 10 years. If this were a business proposition, it would be sent away and told not to come back until the costs and precise impacts had been precisely worked up. Furthermore, benefits have not been clearly identified and the impact assessment admits that the behavioural impacts are “highly uncertain”. I do not doubt that having 10 or 11 jobs over a working life means that keeping track of pension entitlements is a problem. But I am far from clear that the dashboard is the answer and we are no further forward in giving people access to advice, as opposed to guidance, on what to do when faced with the information that the dashboard contains.

I have long thought that a more sensible approach would be to facilitate the consolidation of pension pots, which means tackling the cost and bureaucracy involved when people attempt to do that for themselves. Switching bank accounts has been made pain free for consumers but there has been no equivalent for pensions. I completely accept that the issues are far more complex for pensions than for bank accounts; equally, the industry has no real interest in solving this problem. The Government would be doing pension savers a great service if they set their sights a bit higher than this dashboard.

6.01 pm

**Baroness Donaghy (Lab):** My Lords, it is always a pleasure to follow the noble Baroness, Lady Noakes. I suspect that she is correct about CDCs, but if they had not been put in the Bill, there would not have been a Bill. This is possibly a case of the tail wagging the dog, but at least we have an opportunity to deal with other important aspects of pensions.

I thank the Minister for her presentation of this Second Reading, which she did in her usual frank and open-handed way. I am not the first person to say that, but I see no harm in saying it again. She accepts that the Bill is limited in its objectives. We are used to skeleton framework Bills from successive Conservative Governments. I can only add to the plea that we are given as much information as possible before Committee if we are to keep the number of amendments to a manageable amount and have sensible discussion. The Bill needs to be set in the context of the wider issues of pensions and the inequality of pensions provision, as well as being about dashboards, CDCs and auto-enrolment.

On CDCs, briefly, they have attracted support from both sides of industry. The scheme agreed between the Royal Mail and the CWU, the communications union, appears to be potentially reasonably good, but let us not forget that it was done in the context of the decision to close the defined benefit scheme. The union was faced with the harsh reality of today’s pension jungle, so it represents some security for employees. CDCs could give a better outcome than other schemes, such as defined contribution schemes, but I echo what others have said about the importance of informing employees in the pension scheme that these schemes are not guaranteed and that pension amounts could

go down as well as up. How will workers be made aware of this? How can we be assured that CDCs do not represent the death knell for defined benefit schemes, and how will intergenerational unfairness be dealt with? Does the Minister agree that CDC pension schemes could have a negative impact on members of defined benefit schemes? It is clearly not for me to oppose such a scheme when it has been negotiated in good faith by Royal Mail and the CWU, but I hope that the Minister will be able to reply to some of my questions on and clear reservations about the uncertainties surrounding this pension option.

Nowhere in our unequal society is inequality so stark and shocking as in the area of pensions. According to the Money and Pensions Service, 22 million people say that they do not know enough to plan for their retirement, while the OECD places the UK well down the rankings of G20 countries—behind France, Norway and many others. The Money and Pensions Service went on to say:

“Financial wellbeing is about feeling secure and in control”

and that poor financial well-being affects mental and physical health and relationships. Examples of inequality are the huge gaps in protection for the self-employed, those working in the gig economy and those excluded from auto-enrolment, and those who, for whatever reason, do not take up the pension credit to which they are entitled. Almost 2 million older people aged 65 and over are living in poverty in the UK. Independent Age has been asking the Government to set out an action plan to improve the take-up of pension credit. More than two in five of the pensioner households which are entitled to pension credit do not receive it. The Explanatory Notes refer to the Government’s commitment to help people with better planning for retirement and for achieving financial security in their later life. What better way could there be than ensuring that the 1.3 million pensioners who miss out on £3.5 billion every year actually receive their entitlement? I echo the question asked by Independent Age: what is the Government’s action plan to improve the take-up of pension credits?

So much has already been said about the pensions dashboard. I favour having one publicly funded pensions dashboard, but I do not think that the Government are looking that way. How will they ensure data quality and the protection of privacy in multi schemes? The director of policy at The People’s Pension has said:

“if the government continues to promote multiple dashboards it’s imperative that a legal duty to operate in the best interests of savers is placed on all ... operators.”

Will the Government agree to such a legal duty?

As the noble Lord, Lord Young, said, Which? has called on the Government to clarify that it is their intention for dashboards to include pension charges and income projection figures at the earliest opportunity. This is too important to be left to secondary legislation and the Financial Conduct Authority. As Which? stated, the Government recently proposed including charges on annual statements; the same principle should apply to dashboards. Although Which? supports in principle the proposals for commercial dashboards, it has said that it is absolutely crucial that there are strong regulations in place. It calls on the Government to make the

[BARONESS DONAGHY]

provision of a pensions dashboard a regulated activity, to ensure that providers are authorised and subject to the FCA's complaints-handling rules.

It is in everyone's interest to get this right. According to the Association of British Insurers, it is estimated that £19.4 billion is held in pots that consumers have lost track of. The DWP—the Minister's own department—estimates that, without a dashboard, 50 million pension pots will be lost or dormant by 2050, leaving people wide open to frauds and scams. In 2017, the victims of pension scams lost £91,000 each to fraudsters.

On the subject of auto-enrolment, I did not expect the Government to address the injustices done to women born in the 1950s, who lost thousands of pounds in pension payments, nor did I expect them to deal with pension equality between men and women—that would be very nice and I deplore the fact that it is not in the Bill, but I did not expect it. What I did expect is a boost to the auto-enrolment system. As my noble friend Lord McKenzie said, the Government should include an increase in auto-enrolment minimum contribution rates. They should support those in multiple occupations, so common in the gig economy, so that their collective earnings can be counted towards eligibility for auto-enrolment. They should expand auto-enrolment to include the self-employed, allow 18 year-olds to join and remove the lower earnings limit, which in turn would solve the problem in relation to multiple occupations. This would lead to an additional £2.5 billion in savings. What plans do the Government have for auto-enrolment?

Finally, I am fortunate that I have two modest public service pensions and a state pension. I always assumed when I was working that things would get even better. Looking at today's pensions landscape does not fill me with great confidence. However, there is much to discuss, and I look forward to Committee stage.

6.10 pm

**Lord Kirkhope of Harrogate (Con):** My Lords, I want to make just a short contribution to this debate, looking mostly at the provisions and powers relating to the functions of the Pensions Regulator. I declare my interest in doing so as a pension trustee for a UK company scheme.

I support the proposals generally and the emphasis on the need for faster responses to deal particularly with reckless or irresponsible behaviour by employers and, as my noble friend the Minister said in her introduction, certainly to look at "serious wrongdoing" and tackle it. I agree with her on that. We have all seen examples of bad behaviour which have resulted in pension schemes being put at serious risk by deliberate acts or omissions.

In the 2018 consultation paper *Protecting Defined Benefit Pension Schemes—A Stronger Pensions Regulator*, the Government invited responses to proposals to widen the scope of "notifiable events" to include more corporate transactions and board decisions. The responses were very mixed, partially in the area of possible penalties for failure to comply. As my noble friend Lady Noakes mentioned in her remarks, criminality

was, rightly, to be in areas of wilful and reckless behaviour where a mental intent was involved, as is the case in other areas of criminal law. As a lawyer, I worry slightly about giving a regulator—indeed, any institution outside the direct courts—rights in relation to the imposition of criminal penalties. Mere failure to comply with notifiable events was suggested to be subject only to civil penalties. Clause 107 therefore produces a quandary for me. Bad employers should always be criminalised in appropriate circumstances, but applying criminal sanctions to anyone associated with a scheme, including especially trustees, for some areas where simple judgment has been exercised by them could result in some quite minor actions and even normal business activity becoming a criminal matter. The Government should look carefully at this to avoid injustice. That is not to say that there have been many demonstrable situations which need much tougher penalties attached to them. I fully support remarks made earlier by noble Lords on that theme.

I am also concerned at Clause 110(4), where the criminal offence is extended to cover a situation where an individual summoned for interview by the regulator fails to answer a question or provide an acceptable explanation on any matter specified in a notice under new Section 72A(1) of the Pensions Act 2004. I am concerned because an "explanation" is defined as a statement or account that makes something clear. This is of course a highly subjective matter and provides the regulator with a criminal sanction that cuts across the basic rights of individuals, including, so far as the country generally is concerned, the right to avoid self-incrimination.

I fully support the need to tackle serious "offenders", but the powers of the regulator must be seen as equitable and enforceable. It is not the duty of the regulator, I would submit, to run businesses or make major corporate decisions. Indeed, my remarks are partly to protect the regulator, because it should not be put in a compromising position and provided with powers where it is required to make decisions which are strictly beyond its proper remit or abilities. That is an unfair burden on our regulator.

My final point relates to the relationship between trustees and employers. That relationship needs to be close, as we all know, especially in regard to the funding plans in a scheme and the investment strategy. In the end, it is important not to require employer agreement to long-term investment plans. Under Section 35(5) of the Pensions Act 1995, the employer's consent is not required, so, to avoid confusion, paragraph 6 of Schedule 10 to the Bill must make it clear that the trustees at the end of the day may make investments without the employer's consent if they regard that as necessary. That is not to say that good practice does not always suggest full consultation—I think anyone running a scheme worth looking at is conscious of the need for that consideration and consultation.

A close and positive relationship between employer, trustees and the regulator is absolutely necessary for the success and viability of any pension scheme. To flourish, however, the provisions in place, including those set out in this Bill, must be workable, understandable, flexible and pragmatic.



6.17 pm

**Lord Hutton of Furness (Lab):** My Lords, it is a great pleasure to follow the noble Lord, Lord Kirkhope, with whose remarks I am mostly in full agreement.

This is a necessary Bill, and I am delighted that we have the opportunity to have this Second Reading debate so early in our Session. It is designed to make a number of welcome reforms, which will, for example, help reinforce the existing safeguards protecting defined benefit pension schemes. The reforms have been made necessary, as we have all seen, by recent scandals, especially in the case of BHS, which have highlighted failures in the existing framework. Measures such as these provide greater confidence in pension savings, help assure savers that schemes are properly managed and assist the process of encouraging more people to save for their retirement, whether in DB or DC schemes. That should remain the focus of pension policy. Sadly, there are still far too many workers in the UK—many millions—who are either not saving for their retirement at all or are seriously undersaving. This is still a subject that we in this House and in Parliament as a whole should keep under careful review, because we cannot afford complacency.

I also welcome the fact that the Bill has been the subject of extensive consultation, as the Minister said in her opening remarks, because that helps build consensus, which is important if these reforms are to be allowed to work over the long term. I welcome particularly the clauses providing for collective money purchase schemes and the new pensions dashboard. I do not believe that collective money purchase schemes are a panacea or somehow represent a miracle cure, but they give employers a new option. These schemes are designed to focus on levels of retirement income, which is entirely right, but without the significant costs and risks faced by employers in respect of defined benefit schemes, which, as we all know, have almost entirely disappeared from the private sector in the UK. Collective money purchase schemes add a new string to our bow, and it is right that we should debate these provisions in more detail.

The pensions dashboard will contribute towards greater knowledge and awareness for pension scheme members and is an important part of the Bill. There is some evidence from the Netherlands that dashboards can help increase engagement with pension savings, and the FCA highlighted the need for this in 2016. The details are going to be set out in regulations under the Bill, and obviously we will need to take the greatest care in establishing how this can best be done. The Minister said in her opening remarks that she wanted to present draft regulations covering Part 1 of the Bill for Committee stage. That is a noble and brave offer, and I hope that she will be able to do that for Part 4 as well, because this will be very important indeed.

I echo many of the comments in this debate about the importance of doing no harm to consumers in the process of setting up these pensions dashboards. The obvious way to avoid that is for there to be a publicly funded dashboard service. If there are going to be multiple dashboards driven by commercial interest, it is crucial that we establish an overarching duty on the part of those providers to act in the best interests of savers. There is no hint or sign of that in the Bill as currently drafted.

I also understand and support the need for the new criminal offences in the Bill, because I think that they are fully justified. However, as has been referred to by a number of speakers, the scope of the proposed new offence in Clause 107—what will be new Section 58B of the Pensions Act 2004—goes significantly beyond the criminal sanction proposed in the consultation which preceded the Bill. The original framing of this offence was going to criminalise

“wilful or reckless behaviour in relation to a pension scheme” and was targeted, so we were told, at a small minority of employers and connected persons. In fact, the wording “wilful or reckless behaviour” was used by the Minister in her opening remarks. The problem is that the Minister’s words do not appear in the Bill.

By contrast, the wording in the Bill is much wider, as it covers anything that “detrimentally affects in a material way the likelihood of accrued scheme benefits being received”.

It is clear that not only is the scope of this new offence much wider than what was originally proposed but it is also very possible that it could operate at a much lower level—criminalising the existing material detriment test, which forms part of the contribution notice regime, and bringing into its net persons associated with scheme management and administration. I really do not think the case for this extension has been made.

The use of the word “likelihood” in this context is also an intriguing concept. Would it bring, for example, corporate investment decisions or taking on new corporate debt within the range of the new offence? I really do not think that it should, but these are things we will have to examine in Committee.

There is also a strong argument for saying that the parameters for any new offence such as this, where there is considerable room for interpretation, should be clearly set out in a statutory code of practice—to define those parameters in advance so that people know where they stand. That is exactly what Parliament decided to do with the Bribery Act 2010; when there was a new offence which was quite extensive in its scope, it was accompanied by extensive Ministry of Justice guidelines.

Before I leave this part of the Bill, the other thing that troubles me is that, the way it is currently drafted, there are three prosecuting authorities: the Secretary of State, the Pensions Regulator and the Director of Public Prosecutions. I do not think that is appropriately drafted at all. I do not want to see the Secretary of State bringing criminal proceedings where, for example, the Pensions Regulator or the DPP might have decided not to do so.

There is much to welcome in this Bill, but it is also quite clear that there is much work to be done in Committee.

6.23 pm

**Baroness Hayman (CB):** My Lords, it was with some trepidation that I put my name down to speak in today’s debate, given that my experience in the field of pensions is extremely limited—mainly as a trustee of charities, where I have found the discussions, particularly on the potential ending of defined benefit schemes, both difficult and complex. It is with even more trepidation that I stand to speak given the expertise and experience

[BARONESS HAYMAN]

that have been evident in other contributions. I now bitterly regret—I see the noble Lord, Lord Young of Cookham, in his place—that I was not in my place in the Chamber of another place some 44 or 45 years ago and taking notice. I may have been, but I fear I have to tell him that I have no recollection of that particular speech, from which I could undoubtedly have benefited.

Noble Lords may well therefore ask why I am contributing at all. The clue comes in my declaration of interests. I co-chair the House of Lords cross-party group Peers for the Planet, which looks at the climate crisis. I should also declare that my youngest son works for a new organisation called Make My Money Matter, which aims to allow savers and investors to align their investments with their values. Unlike the noble Lord, Lord Sharkey, I have indeed spoken to him about the Bill.

The former Pensions Minister Steve Webb said:

“This Bill is notable more for the things that have been left out than for what it contains.”

It is on one of the issues that has been left out that I will speak briefly tonight: the environment, climate change and sustainability. There is no reference in the Bill to the environmental, social and governance responsibilities of pension funds, although they now have a responsibility to report on those issues. It will simply not be sustainable—if I can use that word—if in 2020, the year in which the UK will be hosting COP 26 and which brings in the decade in which the global community must respond to the challenges of the climate crisis, which is of pivotal importance to the future of our planet, we as parliamentarians do not challenge all policies and legislation on their impact on these issues.

Pension funds and schemes are particularly relevant in this area for two reasons. One is simply the amount of resources involved: \$2.9 trillion. It is enormous, and the size and influence of pension funds mean that they can have a vital role to play in ensuring that the UK meets its climate commitments, as the Environmental Audit Committee of another place noted in its *Greening Finance* report. The Pensions Minister himself put it very well last year when he said that

“pensions schemes ought to be thinking about the assets which help drive new investment ... which deliver the sustainable employment, communities and environments which all of us wish to enjoy.”

Pension funds could have huge impacts on and give new impetus to a new green economy and the Government’s zero-emissions target.

As others have noted, the Long Title of the Bill is very short—but it is also very wide. I would like to see the Bill include provision for pension schemes to align their portfolios with the Paris Agreement objectives and report against the framework of the Task Force on Climate-related Financial Disclosures. This is not an issue simply of environmental benefit; it is an issue for investors and the safety and protection of beneficiaries. As Mark Carney, the outgoing Governor of the Bank of England, has made crystal clear, the financial and economic risks parallel the climate risks. Again, this has been acknowledged by the Pensions Minister, who said:

“The financial risks from climate change ... were too important to ignore.”

So, although it goes much wider than the contributions of other noble Lords, I hope that the Minister will give some encouragement to the views of her department about taking the pensions industry along this line.

I have a more specific question on Clause 119 and the dashboard provisions in the Bill. There is much evidence that savers and investors would like to invest responsibly. For example, a recent DfID report showed that 68% of UK savers said that they would like their investments to take impact on people and planet into consideration, alongside financial factors. As I understand it, the proposals for the pensions dashboard are aimed at giving savers more information so that they can make better choices about their pensions. Is it possible—the noble Baroness, Lady Drake, referred to this—that issues far wider simply than those that have been spoken about so far, such as the environmental, social and governance information that the new pensions investment regulations welcomingly require schemes to publish, will also be made available to people looking at their personal dashboard?

I will not apologise for diverting Peers from more specific and technical issues. As I said earlier, it is of immense importance that, as parliamentarians, we look at all the issues that are in front of us through the lens of the overwhelming issue of climate change.

6.31 pm

**Baroness Fookes (Con):** My Lords, I am delighted that my noble friend Lady Stedman-Scott is piloting the Bill through all its stages, and I wish her and the Bill itself all possible success. I say to my immediate predecessor, the noble Baroness, Lady Hayman, that it was a refreshing change to look at this from an entirely different angle, which is also worthy of further consideration.

On the Bill itself, clearly, pensions have had a chequered career so far, and it may not be altogether plain sailing in the future. However, I cast my mind back to more than 100 years ago when there were no pensions of any kind. Many of the poorest people in the land faced the prospect of destitution if they did not have a family to support them, if their work gave up on them because they were unable to carry it out, or if they were suffering the infirmities of old age. We have come a long way from then, thank God. None the less, obviously we still have things to do, but I am delighted that the Bill is taking us further forward. Like the noble Baroness, Lady Hayman, I have no particular expertise in this subject, and if she was feeling some trepidation, I share the feeling.

I welcome the part which the noble Lord, Lord Hain, talked about as the third way for pensions, in particular that it has brought together Royal Mail and a major union—the Communication Workers Union. I can recall a time when employers and trade unions appeared to be totally at loggerheads—positively at war—and I am delighted that we have come to a pleasanter era, in which the trade unions can do a valuable job for their members. I give this union full credit, and I hope that it will be the forerunner of others.

Of course, we regret the gradual—or maybe rather fast—decline of the defined benefits scheme, but I do not know that anyone, through the Bill or through any other means, can force employing organisations to

continue with it if they feel that it is not for them. Therefore, surely it is better that we have another scheme, which may not be as good but is infinitely better than nothing in particular.

On the regulator, I take the point that was made about not having such fierce penalties for errant employers that you put people off becoming trustees—I fully accept that. I hope that the draconian powers are intended only as a last resort for people who have gone completely beyond the pale. However, the proper emphasis should be on those other powers of the regulator, to make sure that employers and schemes do not get into that dire position and so that there are reins to hold them back. I hope that that is the intention; perhaps my noble friend the Minister can tell me that that is what the Bill has in mind.

On delegated powers I always twitch a bit, as I was both a member and later chairman of the Delegated Powers Committee, and I am immediately suspicious when faced with regulations yet unknown, particularly when there seems to be a vast number of them. Other Members have detailed that, so I will not repeat it. I am glad that the Minister herself mentioned delegated powers and has offered kindly to try to give us some indication of the scope in Part 1.

However, I am also interested in Part 4, on the dashboard. I hope that the Minister might be able to bring forward some draft regulations on that basis. That is probably asking a great deal. But I recall that, when I chaired the Delegated Powers Committee, we held a short inquiry into what one might call the birth of Bills. We were told that there was a Cabinet committee, through which a proposed Bill had to pass to ensure that it was fully operational and all right before it was let through the gate. The fact is that a lot of them escape through the gate without that serious consideration of all the details. I would have supposed, with a Bill of this kind—which is in its second incarnation and which has been the subject of full consultations, which I fully applaud—that somewhere in the background, some of these regulations and powers should have been sorted out. As we all know—it has become a cliché, has it not?—the devil is in the detail. It is therefore extremely important that we have some idea of what the Government have in mind before we get to the point when regulations are laid before us and, as I rather crudely put it, you either swallow them whole or spit them out. I do not want to get to that stage.

Incidentally, how did the dashboard scheme come by that curious name? I presume that it refers to the driving of a car with the dashboard in front of you. However, as far as I am aware, no car I have ever driven could rely on the dashboard alone. But that is by the by. It seems to have acquired that name. I welcome it, and I would have done so years ago when I had several pensions. I had done my utmost to make sure that I had provided as well for myself as possible. However, I have to say that I was one of those people in their 50s who have been referred to, and I did not know what I would get at the end of it. I would certainly have welcomed that sort of information, which will be very useful for people today. Although it gives just basic information, how much easier will it be

if you want to go to a decent, reputable finance adviser and they have that information on which to work? I think it is a good idea.

Like my noble friend Lord Young, who is not in his place, I query why we want one main public dashboard and a series of commercial ones. I would have thought that, at the very least, one would start with the public one and, if it seemed necessary at a later stage to introduce commercial ones, so be it. I am blessed if I can see why we have six, seven or whatever number when one would do. Again, perhaps my noble friend can enlighten me on this point.

That said, the measure is welcome. I hope that it might be simple to start with, to obviate the point made by another noble Baroness that it could be extraordinarily expensive; in fact, I think that two noble Baronesses made this point. I take that entirely. Perhaps we can start with something straight and simple and work up from there; otherwise, it may be 10 years before we have sight of this noble enterprise if it becomes too complicated. In fact, part of the problem sometimes is that something that starts as a good, simple idea is then elaborated on and has further layers added to it until, in the end, it bears no resemblance to the straightforward, simple scheme we all thought we had.

On that basis, I conclude my remarks since the hour is late and I do not have the expertise of so many of those around me.

6.40 pm

**Baroness Bryan of Partick (Lab):** My Lords, I think I can claim to be the most intimidated speaker in having to follow the noble Baroness, Lady Fookes, who spoke for eight minutes without a note in front of her. I will proceed to read my contribution.

Although I welcome some of the Bill's aspects, like other noble Lords, I am sorry that the opportunity to address some outstanding concerns around pensions has not been taken. I want to keep some of them on the agenda by raising them today. The Bill could have introduced controls on the level of profits that pension companies can make from annuities schemes. Secondly, as has been mentioned, it could have addressed the stark problem of gender inequality in pension provision. Lastly, it could have included provision for women born in the 1950s whose pension rights were hit so hard by the rush to equalise the retirement age: the WASPI women.

First, I congratulate the Communication Workers Union on its campaign, which resulted in Part 1 of the Bill enabling collective defined contribution—CDC—pension schemes. It has been said by many speakers that although CDC schemes do not provide all the certainties of defined benefits, they are in many ways preferable to defined contribution schemes. I also congratulate the Fire Brigades Union on its successful challenge to the discrimination against its younger members, who were not given the same conditions in their pension scheme as older members. These two examples demonstrate the importance of the collective strength that comes from the trade union movement.

As others have done, I declare an interest as someone who receives a pension through a defined benefit scheme. Like others, I looked on in horror as friends

[BARONESS BRYAN OF PARTICK]

and family members were transferred to defined contributions schemes with all their uncertainties, particularly in purchasing lifetime annuities.

Patrick Collinson wrote this in the *Guardian* last year:

“Annuities have turned out to be fabulously profitable for Britain’s pension companies – and something of a disaster for many of those forced into them”.

He explained that the pension companies based their annuity rates on projections of how long people were likely to survive—but they got their projections wrong. It turns out that we are not living as long as they expected. Actuaries have now reduced the life expectancy rate, making it 13 months lower than they predicted in 2015. The money set aside for those pensions has been released—however, to be paid not to the pensioners who built up that fund but to the shareholders of the pension companies. The amount released is already more than £1 billion and is likely to be £4 billion over the next seven years. The Bill could have improved the regulation of these annuities to ensure that pensioners who have saved so hard are not overcharged and that, where there is excess, it is paid to pensioners rather than distributed to shareholders. We must always remember that pensions are deferred wages, not a gift or an unearned benefit.

I know that the Minister has rather a lot to do today but I hope that she will take the time to reassure the House that there are no plans to increase the retirement age. The suggestion by a previous Secretary of State for Work and Pensions that the state pension age could be increased to 75 is outrageous, particularly as we are now seeing an end to the rise in life expectancy and its reduction for people on lower incomes. The life expectancy for men in Glasgow is in the low 70s, but even in areas with higher life expectancy, it is a cruel prospect for people in their later years. I do not believe that anyone proposing further increases in the retirement age really expects people to work until they are 75. They simply want to reduce the number of years that people will be entitled to the state pension. Instead, people would have to face their old age as benefit claimants or through scraping by on a workplace pension. Any further increase would mean that more people would die without ever receiving a penny of the state pension that they had contributed to throughout their working lives.

Pension contributions based on earnings will inevitably favour men as long as we have a gender pay gap. As my noble friend Lady Drake pointed out, women are far more likely to take time off work or work part-time while caring for children or elderly or sick relatives, and they usually cannot recover those missed contributions. The pay gap is a disadvantage to women throughout their working years and continues into retirement, making a substantial difference to their final pension. It is not surprising that women of all ages are more likely to opt out of auto-enrolment than men.

The treatment of the WASPI women is also likely to make all women more sceptical about pensions. I imagine that Ministers blush when they talk about the importance of pensioners being able to predict their income in later life or their aim to build greater trust in

schemes. This is what the WASPI women expected and trusted in from their state pensions. They thought that they could predict their pensions but suddenly found that their circumstances had been changed without giving them enough time to make adequate alternative provision. Is there any possibility of the Government making an act of good faith to the women who were misled over their pension entitlement? Legal avenues are still being pursued against the Government, whose own lawyer had to fall back on the defence that “legislation carries with it no duty of fairness to the public.”

Following what appears to be an admission that their treatment of these women was unfair, I hope that the Government will feel honour-bound to do the right thing and give the WASPI women the compensation that they are entitled to.

6.48 pm

**Lord Flight (Con):** My Lords, I echo the comments made by my noble friend Lady Neville-Rolfe about my noble friend Lady Stedman-Scott. I also make the point that my noble friend Lady Fookes spoke not only without notes but with enormous common sense in this difficult territory. I thank her. I also agree very much with what my noble friend Lord Young and the noble Lord, Lord Hutton, had to say.

The most important aspect of this Bill is, as we would probably all agree, the introduction of pension dashboards and of CDCs as a new option. Dashboards are important because they should enable more individuals to look up and thus know what pension savings they have. I declare an interest as a consultant to TISA, which is itself a consultant to the savings industry, where we have campaigned for dashboards over quite a long period and have been in liaison with the Government on the subject.

Since pension saving has become largely the responsibility of individuals after having simply been provided by the employer—a crucial point of change which I do not think is necessarily for the better—it has been a challenge for them to know what pension savings they have. The Which? research carried out in 2016 found that nearly half of people aged over 50 in employment were unsure of the value of their pensions, while over a third of those approaching retirement found it difficult to keep track of their pensions, as well as a fifth who said that they had never checked how much they had in total. It really is an area that needs a bombshell under it in terms of letting people know what they have.

The Bill is a good start but there are areas where Which? and others are correctly looking for further commitments from the Government to ensure that all the key information that consumers need will be shown on dashboards, that commercial dashboards are properly regulated, that the state pension is fully integrated, that there is full coverage of pension schemes and a clear timetable for their delivery. It would also be nice if at some point equity release assets could be included. It has been pointed out that these are becoming an increasing source of income in retirement. Inevitably, one of the key issues is who is going to pay for the dashboards. Which? has pointed out that the whole project could cost between £1 billion and £2 billion

when taking into account the related costs as well as the direct costs. The pensions industry has warned the Government that it is not willing to bear all the costs.

The key clauses enabling dashboards are Clauses 119 and 121. They set out that the Secretary of State and the FCA can require all necessary pension scheme information for dashboards to be provided. It is not yet clear whether such information is to include pension charges and income projection figures, which would clearly be helpful if they were included. The Bill appears to leave a lot of specific information requirements to the secondary legislation, but the Government should clarify whether it is their intention for dashboards to include both pension charges and income projection figures. Consumers need to know what they have paid and where charges can have a significant impact on investment returns. An increase in fees from 0.5% per annum to 1% per annum requires contributions to increase by 10% to achieve the same retirement income.

The FCA's Financial Lives survey found that 71% of respondents with defined contribution pensions are not aware of the charges incurred. Charges need to be shown on the annual dashboard statements. It is clear that people are not saving enough for their retirement. A single retired person needs an income of some £20,000 per annum to have a comfortable retirement lifestyle. Under the current auto-enrolment system, a middle income earner should be able to save £114,000, but they would not expect this to deliver an income of more than £13,450.

Dashboards will also show the retirement income projection as part of the annual benefits statement. The objective is that by providing the necessary information in a readily digestible package, individuals will be motivated to follow it and to save more for their retirement. It is also necessary to ensure that adequate regulations are put in place to prevent the potential misuse of commercial dashboards by providers, and obviously to prevent fraud. Which? thinks that the legislation does not go far enough on this and that it should make the provision of a pension dashboard a regulated activity, but as several noble Lords have said, in many ways the proposals go too far and may discourage people from serving as pension trustees. There is also a risk that at least some commercial dashboard providers will use the opportunity to present information designed to attract custom. If dashboards remain outside FCA regulation, protection for customers if something goes wrong depends solely on the providers. There is a clear and strong case that the FCA should set standards, monitor compliance and ensure that providers are subject to its complaints and handling rules.

I agree with the comments of my noble friend Lord Kirkhope about penalties being excessive. The Bill enables information about the state pension scheme to be shown on dashboards, but it does not prescribe in what form. State pension information needs to be fully integrated as it forms a significant share of most individuals' total retirement income. It is to be hoped that the Money and Pensions Service will give priority to designing the government-backed pensions dashboards, which could provide a model for the private sector.

Decisions also need to be taken on whether or not the provision of dashboards should be an activity regulated by the FCA, the Pensions Regulator or

both. It is clear that there will be trouble ahead in the form of rivalry between the regulators if this is not sorted out. We need to see how much information about an individual state pension will feature on dashboards. Should it be required that all pension schemes provide information to dashboards? Will the Government set out time deadlines for pension schemes to provide dashboards?

The introduction of pension dashboards requires the creation of a supporting infrastructure enabling consumers to access their pension information. The design and development of this infrastructure is a task for the new industry delivery group working with the oversight of the Money and Pensions Service. Recent high-profile insolvency cases in relation to defined benefit pension schemes such as BHS and Carillion have, not surprisingly, damaged confidence in our pension system. It is difficult not to conclude that dashboards should be FCA regulated. Official policy now seeks to provide greater protection for scheme members by strengthening the pensions regulators' powers, including new civil and criminal sanctions. However, there is clearly an issue as to what should be done by the FCA and what by the Pensions Regulator.

Another major aspect of the Bill is the provision of a framework for collective defined pension contributions, and in fact this takes up half of the Bill. These are a new concept for the UK. As others have pointed out, they provide members with a variable income in retirement by the pooling of investment and longevity risks. CDC pensions also have the potential to remove risk from employers' balance sheets as there is no guarantee about the level of income to be provided. I agree very much with what the noble Lord, Lord Hain, had to say about CDCs.

The Bill is drafted to ensure that schemes are set up on a sound footing, that members will get good quality communications, and know that if things go wrong, their rights are protected. Schemes will have to satisfy the Pensions Regulator that they should be authorised and subject to ongoing scrutiny. CDCs may also prove to be a useful vehicle for master trusts.

Part 5 of the Bill introduces four other measures, all of which are essentially protective of pension schemes. Opposition parties have had little to add and indeed there has been broad political agreement on this legislation. Labour has welcomed pension dashboards and the CTC legislation, which should resolve the Royal Mail dispute. Labour and the SNP have argued for compensation for women affected by the raising of the state pension age. In the 2017 general election, the Liberal Democrats advocated the establishment of a review to consider introducing a single rate of tax relief for pensions that is more generous than the current 20%. Former Minister Steven Webb expressed the view that the Bill is notable for things that have been left out rather than for what it contains, as has already been mentioned. I think that is a little harsh. He pointed to a lack of measures advocated by some in the industry, such as expanding auto-enrolment saving—clearly something that has to happen—and the regulation of direct benefit superfunds. There are a few other anticipated measures not yet in the Bill, such as remedying the discrepancies in the tax treatment of

[LORD FLIGHT]

relief-at-source schemes versus net payment schemes and the unintended consequences of pension taxation rules for higher earners.

All in all, this is a necessary piece of legislation. A reasonable amount needs to be added to it and sorted out. It is positive that there is cross-party political co-operation on this legislation.

7 pm

**Viscount Eccles (Con):** My Lords, it is a pleasure to follow my noble friend Lord Flight. He mentioned equity release, and about 20 years ago he assisted me with a major chunk of equity release when I moved from a house into a flat. I am very grateful; it certainly eased my way to comparatively old age.

Of course, I come from the defined benefit era. I would have had an interest to declare, being trustee and chairman at various times of several pension schemes, and I have a SIPP—probably about the purest money purchase scheme you can possibly have. There are no contributions from anybody else except the Chancellor of the Exchequer and the taxpayer, and those contributions were immensely welcome.

I will concentrate on Part 1, which is welcome. The pooling of assets has a very long history, all the way back to tontines. It is a framework Bill; I suppose we have become quite used to framework Bills. Yes, there are a lot of regulations—about 30 in Part 1. Only one of them has a “must”—most have a “may” and some are silent—so I suppose we can take some guidance from the master trusts Act, which was on a similar scheme, and from my noble friend, whom I welcome on the Front Bench. She has just arranged to send a 120-page document to the Delegated Powers Committee setting out all the proposed regulations and the reasons for them, so I am sure we will return to that and find out more about how this part of the Bill will be implemented and over what time.

There seem to be a lot of people involved: predominantly the employers in this case; the union; the trustees; the members; the Secretary of State with his many powers, some of which I suspect are to be held in reserve—sort of “if it happens” powers—the Pensions Regulator; the Financial Reporting Council; the Institute and Faculty of Actuaries; the Money and Pensions Service; and potentially the Prudential Regulation Authority. I hope these bodies do not trip over each other. I rather agree with the noble Lord, Lord Hutton, that there is quite a possibility that they will.

I will concentrate on the actuary, a shadowy body not much mentioned in the Bill and not much referred to in this debate. I have a memory; of course, as my noble friend Lord Young of Cookham may find out, memories are quite risky. I recall an actuary saying to a board of trustees, which then informed the employer: “You don’t have to make any more contributions for a considerable number of years.” This was in a defined benefit scheme, and its investment experience had been very good. However, some short period afterwards, the same actuary came and said: “Things have changed. Not only do we need to continue with contributions, but I want a one-off special contribution from the employer.” The reason was that outside intervention had entirely altered the business plan of that organisation

and put it in a completely different position. If it had not been for the professionalism and strong-mindedness of the actuary, the correction might never have been made.

Of course, in those days and perhaps—I do not know—even now, sometimes employers agitate for positive changes. It may be that they would like the rules of the scheme improved because they see it as a recruiting tool. They go to the trustees, who go to the actuary, and the actuary says: “I hope you all realise how much this will cost and what this might mean to the contribution rate.” That applies in defined benefit schemes.

As has been much referred to today, all sorts of negative things may happen that the actuary has to assess and report on. The actuary’s job is complex, important and difficult. In the Bill, the two phrases he has to bear in mind as he gives his advice to trustees are

“the available assets of the scheme”

and “the required amount”. In those few words, you have what he has to try to do—and, of course, he is doing it over a very long timescale.

I admit that I have been a member of a pension scheme for 65 years—not the state pension scheme but a private one. I have no intention of doing so, but if I were—rather belatedly—to marry somebody 30 years younger than me, I suppose the timeframe would become 100 years in today’s circumstances. That is a very difficult period of time for anybody to deal with when they sit down to work out

“the available assets of the scheme”

against the rules of the scheme, and “the required amount”. In that period, there are huge social changes, enormous economic changes and all sorts of unexpected events.

Although sometimes things can be done positively with the rules of a scheme, sometimes you run into negative circumstances such as a market disappearing. Let me cite deep-mined coal as an example. All the firms that used to supply a lot of equipment to the deep coal mines of this country no longer have a market in this country. In these circumstances of rapid and complicated change, there is always tension between the employer, the trustees and the actuary. The actuary is in the most difficult position of the three, because he is a paid servant of the trustees and has to nerve himself on some occasions, I suspect, to convey some of the news that he needs to convey as he does his professional calculations.

Recently, there has been much comment and criticism of the present arrangements for actuaries. Following a report written by Sir Derek Morris in 2005, action was taken and a memorandum of understanding entered into between the Institute and Faculty of Actuaries and the FCA. That is coming on for 15 years ago, and in 2018, a powerful report was produced by Kingman, who said that the memorandum of understanding is not going well. He made radical proposals for reform, in the sixth chapter of his report, entitled “Other Matters”. It is quite short, but he thinks that the system for regulating the actuaries and for taking responsibility for measuring their performance should be moved from where it is now to part of the Bank of England. In response to Kingman, the Government

said—motherhood and apple pie—that they would reflect on these recommendations and bring forward proposals in due course. Will my noble friend on the Front Bench tell me where this is getting to?

My experience, as a trustee of pension schemes, is that the actuary was the most important person, and the one with whom I spent most time to assess whether or not our scheme really was in a circumstance with which we could be content for the time being—and only for the time being. It seems to me that there is a strong argument for saying that the actuaries are unlikely to be in the best place at the moment to discharge their complicated responsibilities and ensure accountability for performance. I look forward to hearing why this has not been included in this current pensions legislation—2018 is a fair time ago. What is the Government's intention?

7.12 pm

**Baroness Jones of Whitchurch (Lab):** My Lords, I intend to speak relatively briefly. I welcome the Bill and echo the excellent points made by my noble friend Lord McKenzie in his opening statement. I agree with many of the points made by noble Lords around the Chamber this afternoon. Like the noble Baroness, Lady Hayman, I do not claim to have any expertise in this matter and, also like the noble Baroness, I will concentrate my remarks on the environmental impact of pension investments and the lack of controls in the Bill. The noble Baroness mentioned Peers for the Planet, so perhaps I should say that I have had some involvement with it. I do not know whether we have to formally declare that, because in an ideal world all noble Lords would be members of Peers for the Planet and it would be a badge of honour. Perhaps we should aspire to that.

I believe that this is a lost opportunity to use the pensions dashboard, and the powers of the Pensions Regulator, to address how pension schemes are meeting the challenge of the climate change emergency. As things stand, we are currently on track for an increase of 2 to 4 degrees centigrade of global warming by the end of the 21st century. This will have profound consequences for the global economy, and therefore for the investments and financial returns of occupational pension schemes.

The Bank of England Governor, Mark Carney, has stated that pension fund investments held by millions of people could become “worthless” unless the financial sector reacts quickly to the climate change crisis. As the noble Baroness, Lady Hayman, said, the Environmental Audit Committee produced an excellent green finance report last year, which recognised that, due to their size and influence, pension investment portfolios have a vital role to play in delivering our climate commitments. At the same time, recent polling by the charity ClientEarth has shown that the majority of savers want to move their money away from fossil fuels and would consider moving their pension to another provider if they found out that their fund had significant fossil fuel investments.

This is a rare opportunity to align pension funds with the Government's stated commitments in the Paris Agreement, which will be reviewed and updated at COP 26 in Glasgow later this year. We can do this through the Bill by requiring pension funds to disclose

information about their investments to individual savers via the pensions dashboard. We can also require trustees to align their investment and stewardship activities with the objectives of the Paris Agreement.

The new pensions dashboard will quickly become the primary means through which savers will obtain information about their pension fund. Obviously, it is an important step forward to empower savers with details of fees and charges, the benefits of their scheme and other issues we have debated this afternoon. But full transparency requires more than this. Very few savers have a good understanding of the steps their pension fund is taking to manage climate change risks. Obtaining this information is time-consuming, slow and difficult. Given the potential high impact and the systematic nature of climate change risks, reporting through the dashboard would enable savers to judge whether the risks are being properly mitigated. It could also help build trust and stronger engagement between savers and pension fund providers. Does the Minister accept the principle that savers should have easy access via their dashboard to information about how their fund is mitigating the damaging effect that climate change could have on their savings?

There is also a wider challenge for pension funds to play their part in meeting our obligations under the Paris Agreement. Increasingly, evidence shows that the long-term best interests of savers are most likely to be met where global warming is held as close as possible to 1.5 degrees centigrade. As stewards of a significant portion of the UK's capital, pension funds clearly have a critical role to play in shaping corporate business plans so that they de-risk their capital investment by switching to green alternatives. Some are already playing their part and rising to the challenge, but we clearly need a level playing field for consistency across the sector. This can be achieved only if it is done not on a voluntary basis but under an obligation to comply with our Paris Agreement promises.

Given the acute nature of the climate change emergency, does the Minister accept that this Bill could be used to require pension funds to align their investments with Paris-compliant business models? Does she agree that the regulator's role could be enhanced to ensure compliance with these objectives? I very much hope that, when she replies, she accepts that the Bill would indeed be an excellent vehicle for achieving these objectives. I look forward to hearing that she agrees with those views.

7.18 pm

**Lord Freeman (Con):** My Lords, I intend to be very brief indeed. Having sat through most of today's proceedings, I am not sure that I have all that much original to say. I agree with the earlier comments of the noble Baroness, Lady Stedman-Scott: this Bill is designed to help people plan for a secure future. We make judgments about what government does in the light of that statement, which I very much agree with.

It has been far too long since we last considered pension reform in your Lordships' House—quite a considerable time, as I recall. In my judgment, it should be much more regular. I humbly suggest that a five-year review maximum should be put in place.

[LORD FREEMAN]

I very much agree with the noble Baroness, Lady Neville-Rolfe, on the use of the dashboard. She was exactly right, and I very strongly support the use of the dashboard so that people can keep track of their savings and pension entitlements and, very importantly, understand what their financial situation is.

Finally, I will suggest one novel recommendation. Schoolchildren should also benefit from education about financial planning and entitlement, and, indeed, fund management. Many leave school without the vaguest idea about planning their financial resources. With that, I conclude my remarks and sit down.

7.20 pm

**Lord Warner (CB):** My Lords, I rise with the rather dubious proposition that, as the last Back-Bencher to speak in the debate, I should be brief. I will have to take a bit of time because I will talk about something that has not really been discussed this afternoon and I hope to persuade the Government to add something to the Bill that is not already there.

The issue I wish to raise is that of senior doctors' pensions, where anomalies in the pension taxation system are resulting in doctors having to reduce significantly the contribution that they are willing to make to the NHS, sometimes by retiring early and sometimes by reducing the time they are willing to devote to NHS work. The problem is caused by the tax charges many senior clinicians incur due to exceeding their pension threshold and which can result, in some instances, in them in effect paying to go to work.

Let me illustrate the problem that the current pensions taxation situation has caused with some figures provided by the Royal College of Physicians from a survey of nearly 3,000 members. Of these members, 45% of respondents reported that in the past two years they have decided to retire at an earlier age than planned. In the past two years, 38% of clinicians aged 50 to 65 have reported having had an annual pension tax charge due to exceeding their pension threshold. These numbers are rising, not diminishing. Once the decision to retire is taken it is much less likely to be reversed. We know that senior doctors told the royal college that they are doing so as a result of these tax charges. Some 62% of senior clinicians said that they were avoiding extra paid work such as waiting list initiatives or covering for colleagues; 43% are bringing forward their own retirement; 25% have reduced the number of programmed activities they work. Similar data is available from the Royal College of Surgeons and the Royal College of Emergency Medicine.

I know from my conversations with the BMA—as an ex-Health Minister I still have a reasonable relationship with the BMA—that its members have the same concerns, with the most recent BMA survey of more than 6,000 doctors from hospitals and general practice across England, Wales and Northern Ireland revealing that 42% of GPs have already reduced the number of hours spent caring for patients because of actual or potential pension taxation charges. In addition, 34% of GPs now plan to reduce their hours. Some 30% of hospital consultants have already reduced their hours

and 40% have told the BMA that that was also their intention. Data from an earlier BMA Scotland survey had similar findings.

The impact of the pension tax charge is hitting direct patient care. A recent survey by the British Society of Gastroenterology showed that 40% of its consultant membership had dropped at least one endoscopy list. This resulted in 74% reporting a rise in two-week waits for endoscopy for patients suspected of having cancer, with 22% saying that the increased wait was an extra four weeks. It is now the case that figures for cancer waiting times, routine care waiting times and A&E performance are the worst since records began and 11 million patients are waiting more than four weeks for GP appointments. A lot of this is directly related to the pensions problems.

These are big numbers and they relate to an experienced group of doctors that the NHS relies on very heavily. We are seeing losses of senior doctors on a scale not seen before, seriously damaging the NHS and putting patients at risk. These doctors realise that they are in society's higher earnings band, but even high earners can reasonably expect to be paid for their labour rather than working for nothing or, in some cases, paying to go to work.

In the time available to me I have struggled to find out who is to blame for this mess. It is somewhere in the territory of the Government and employer failure to understand how these tax arrangements would impact many public sector workers, not just doctors. Whoever is to blame, it certainly is not the fault of doctors. They have often been presented with an unexpected tax bill at the end, or even after the end, of a tax year. As far as I can judge, doctors were given too little advance explanation and warning about the tax and pension changes to plan their finances in advance and to mitigate the financial risks. As a result, doctors are now taking understandable steps to limit their financial exploitation.

The profession's leaders have made all this information available to the Prime Minister, the Chancellor and the Health and Social Care Secretary as part of the ongoing review led by the Treasury. However, in the meantime, senior doctors continue to leave and cut their workloads. Waiting times lengthen. Unless something is done urgently, we will soon reach the end of another tax year and another tranche of senior doctors will receive a tax charge. They will add themselves to the growing numbers deciding to retire early or cut their hours working for the NHS. Every month that passes without a government solution being implemented, the more experienced doctors leave the NHS.

I expect the Minister will tell me that this is a very complicated matter and that a review is under way in time for an announcement in the Budget. However, we are now on to not our first but our second review. So far, the Government have produced just a couple of modest tinkering moves, including a temporary scheme for refunding annual allowance payments at the point of retirement, so doctors can put off paying the debt. The catch about that is that they also charged 5% a year for the pleasure of doing so. These measures have not convinced anybody that the Government are serious about fundamentally resolving this problem.



In contrast to such totally inadequate tinkering is the solution, supported by, among others, the Royal College of Physicians, the BMA and the Treasury's own advisory body, the Office of Tax Simplification, that the Government should remove completely the annual allowance, including the taper in defined benefit schemes. I recognise that this might cause convulsions in Great George Street and I suggest that maybe a more modest approach would be to require the Secretary of State immediately after the Bill's Royal Assent to make regulations that enable doctors and NHS workers in the NHS Pension Scheme to pass for payment by the scheme any such transfer of payments tax charges from HMRC, with any such payments attracting no interest or detriment to the scheme's participants.

Before deciding what to do in Committee, I would welcome the Minister's response to my two suggestions. One way or another, the Government will have to remove this unplanned tax burden from scarce senior doctors. If they do not, even more patients will suffer and NHS England's long-term plan will not be delivered. I wish to hear what the Minister has to say.

7.30 pm

**Baroness Janke (LD):** My Lords, the three strands of the Bill contain proposals that have been broadly welcomed across the sector and across this Chamber.

My noble friend Lord Sharkey spoke about secondary legislation and Henry VIII powers, on which large parts of the Bill are dependent. As other noble Lords have said, in this House we are suspicious of such measures. We are reluctant to delay this long-awaited Bill, but we would like assurances from the Minister that the substance of measures not included on the face of the Bill, if not the actual letter of the legislation, will be made available to us in good time. As my noble friend Lord Sharkey said, this is a skeleton Bill with random use of affirmative and negative procedures. I thank the Minister for her recognition of these issues and very much hope that the illustrative regulations she spoke about will be substantive and informative.

CDCs—collective defined contribution schemes—have been supported across the parties, and the provisions in the Bill will enable these pensions, in the first instance as requested by Royal Mail and the Communication Workers Union. The Minister suggested that other employers who still have open defined benefit schemes are watching closely. Nevertheless, she has said that the Government will wait to see how the scheme beds in. Unlike defined benefit pension schemes, there is no hard pension promise or guarantee. However, unlike a defined contribution pension scheme, there is a pension target, which makes it easier to plan for retirement. If things do not go well, everyone in the scheme suffers collectively. In retirement, longevity is pooled. As I said, there is cross-party support, and the Bill builds on legislation passed in 2015 to enable risk sharing and risk pooling in workplace pensions.

Noble Lords have raised questions about safeguarding the interests of members of the scheme, in respect of, for example, transfer of rights and the destinations of transfers in the light of poor advice. Several noble Lords raised the issue of whether this should be an opportunity to prevent fraud, for example by making

such transfers conditional on advice or levels of information—the noble Baroness, Lady Altmann, and my noble friends Lady Bowles and Lord Sharkey all raised that point. Other issues include intergenerational fairness, losses caused by market fluctuations or through transfers from the scheme, and the need for a capital buffer if the employer becomes insolvent. As the ABI has said, the success of CMP schemes will depend on their financial strength, combined with robust governance and regular reporting and disclosure. Careful thought must be given to how best to communicate to scheme members the crucial difference between a guaranteed and a targeted income. These are questions that many of us will have considered when reading the Bill.

As far as increasing the powers of TPR, the question of whether those powers are strong enough has been raised by a number of noble Lords—particularly the noble Baroness, Lady Drake—as have the issues of early intervention, how TRP can become aware of issues concerning pension funds and whether there should be growing duties on the Pension Regulator to become familiar with some of these very large schemes.

On the whole business of criminality, which was raised by the noble Lords, Lord Kirkhope and Lord Hutton, and the noble Baronesses, Lady Drake and Lady Noakes, this needs to be looked at again by the Minister. On the scope, to whom do the new criminal offences apply? Is it not only directors but also trustees and any other party who may be involved in an action that could have an intended knock-on effect on a pension scheme, even though they were trying to do the right thing? Is the intention of the policy that the new criminal offences should apply to activities and events that are much wider than the “wilful and reckless behaviour” described by the previous Minister? Are they to include day-to-day business activities that get caught accidentally but which are without wilful intent? The Bill needs to be looked at again, and some redrafting needs to be done.

The noble Lord, Lord Vaux, highlighted the different treatments of the shareholders and the pension holders and whether it is appropriate to pay a dividend when there are constraints on the pension fund and questions about its viability. Noble Lords asked whether the new measures will lead to people like Philip Green facing a criminal charge. I think the general view is that it is unlikely. My noble friend Lady Bowles wanted greater penalties. I think that people would support that if it was clear that the people getting those penalties had seriously offended and, as the previous Minister said, had wilfully brought ruin or damage to the scheme.

The pensions dashboard has received a lot of attention. The noble Baronesses, Lady Neville-Rolfe and Lady Noakes, drew attention to such issues as the cost, the importance of engagement with the public and how much care there needs to be in making information available about an individual's personal circumstances. According to the ABI, already one in five adults have lost pension pots. The DWP estimates that 50 million pension pots will be lost or dormant by 2050. People are also highly vulnerable to fraud and scams. We believed that multiple dashboards with robust regulations, as proposed within the Bill and endorsed by Which?, is the right road to take.

[BARONESS JANKE]

Obviously, consumer engagement will be key to making this work. The noble Lord, Lord Young, mentioned the whole business of accessibility and security measures—and the time that this has taken—and other noble Lords mentioned the online banking model, which has proved so successful, and whether this could be a better model.

Like other noble Lords, I wish to talk about some outstanding issues. The DWP review recommends extending auto-enrolment; the noble Baroness, Lady Neville-Rolfe, mentioned what a success this had been. The noble Baroness, Lady Donaghy, agreed that it should be extended, particularly by reducing the lower age limit to 18 and removing the lower earnings limit. This could have a powerful impact on many people.

Noble Lords, particularly the noble Baroness, Lady Bryan, have mentioned the 1950s women. Might this Bill be an opportunity for the Government to give fairness and justice to these women, who have lost out on so much as a result of government policy?

The noble Baroness, Lady Altmann, mentioned the gender pay gap, which is a matter of great importance to many of us in this Chamber. This Bill could provide another opportunity to look at that. The qualifying earnings deduction operates against workers with multiple part-time jobs, particularly low-paid workers, including woman.

The noble Baronesses, Lady Hayman and Lady Jones, mentioned the duties to climate change and the importance of investment in sustainable businesses and the duties which could be placed on pension funds, which we are very supportive of.

Finally, the noble Lord, Lord Warner, spoke about the BMA. Has the Minister considered the briefing sent to us by the BMA? Have the Government plans to address that issue as part of this Bill?

As we have all said, there is great cross-party support for the measures in the Bill but a feeling that there are opportunities for action on a broader pensions landscape which could bring significant benefit to many people. I hope they will not be missed. We support the Bill and look forward to taking some of these issues forward in Committee.

7.40 pm

**Baroness Sherlock (Lab):** My Lords, this has been an interesting and thoughtful debate and I have learned a lot during the evening. I now know a lot more about doctors' pay, thanks to the noble Lord, Lord Warner, and more about actuaries, thanks to the noble Viscount, Lord Eccles. I should draw the attention of the House to an historic interest: I am former senior independent director of the Financial Ombudsman Service, to which I will refer later. I, too, look forward to my first Bill with the Minister and her team and I look forward to engaging with them in the weeks ahead.

I thank the noble Baroness, Lady Fookes, for reminding us of what the world was like without pensions and how important it is to get this right. I am grateful to her for that piece of context.

Labour is in broad agreement with the aims of the Bill, but we will want to see clarifications, assurances and improvements. As we have heard, this is a framework Bill with many delegated powers—a point made very

elegantly by the noble Baronesses, Lady Fookes, my noble friend Lady Donaghy, the noble Lord, Lord Sharkey, and others. I am delighted to hear that the Minister will bring forward some illustrative regulations—I am not sure what they are but I look forward to seeing them—for Part 1. I hope she will heed the recommendations from her noble friend, the noble Baroness, Lady Fookes, my noble friend Lord Hutton and others that other areas will also need this detail. I refer in particular to Part 4 which, essentially, is simply the granting of powers to Ministers to do things by regulation. If we see those regulations not, we know not what those things are. So I encourage the Minister to draw those together before we get much further.

I have many questions for the Minister, but this is in fact an attempt to be helpful. If some of them can get dispatched, we will not need to spend too long in Committee, and at the moment we have only four days in Grand Committee.

Let me look at the main provisions of the Bill. First, on CDC schemes—I will try to learn to call them CMPs but I am not there yet—Labour broadly welcomes the proposals and my noble friends Lord McKenzie of Luton and Lord Hain have made the case for the Royal Mail scheme. But we are also concerned to see protections for existing public sector DB schemes—a point referred to by the noble Lord, Lord Vaux, and others.

My noble friend Lady Drake raised the crucial issue of the sustainability requirement and of the potential difference between the way in which that may operate here and the way it operates in master trusts. I will be interested to hear the Minister's response on how that will work in CDCs.

A number of noble Lords made reference to the fact that, although a CDC scheme may give a better pension than the alternatives available, of course it is not guaranteed. So I look forward to the Minister telling us how workers will properly be informed about the risks and potential changes in what is coming their way.

The noble Baronesses, Lady Noakes and Lady Altmann, expressed concerns about the way in which pension freedoms operating in CDC might impact back on the scheme and the shared risk of those remaining in the scheme. I am also interested in how that might affect the person wanting to move out because, as far as I can see, there is no requirement for someone to take advice when transferring out of a CDC scheme. Why not?

I read somewhere that Julian Barker, the DB lead at DWP, said at a meeting in the other place that the Government intend to introduce a £30,000 advice threshold similar to the one that operates in DB transfers some time in the future. Is that definitely happening and, if so, at what point in the future might we look forward to it? Will the FCA be responsible for creating new rules for financial advice on CDCs in that context?

Let me turn now to the pensions dashboard. The case for a dashboard was made by many noble Lords, including the noble Lords, Lord Flight, Lord Young of Cookham, and Lord Freeman. The big question is who is going to run it or them? My noble friend Lady Drake made a strong case for this, because my understanding of the Bill is not simply that there will

be many dashboards—many flowers will bloom, one of which will be bloomed out of the Money and Pension Service—but that there is no requirement that I can see that there should be a public-good dashboard. Can the Minister tell us about that? It seems obvious that that should be the place to start, but it seems that there is not even a requirement there should be one. I may have misread this, and I would welcome the Minister's clarification. However, that is my reading of the impact assessment.

If that is the case, are the Government seriously planning, as my noble friend Lady Drake said, to compel all pension schemes to release data on £7 trillion of assets and 22 million people, and then tell those people that they can access their own data only in a commercial setting? We do not know how many dashboards there will be. Can the Minister tell us how many have been tested? We have heard concerns about how the dashboards will be used in commercial settings. How are the Government going to protect consumers against the misuse of commercial dashboards by providers when the Bill does not contain, as my noble friends Lord Hutton and Lady Donaghy pointed out, even a legal duty on operators to act in the best interests of savers?

I shall listen carefully to the Minister's response to my noble friend Lady Drake, who said that transactional dashboards specifically should not be allowed without further legislation. Imagine the position of the Government if a misselling scandal were to ensue in a market created by the Government having compelled the release of data on individual pensions. If that happens, we will not be talking PPI; Ministers will not simply have failed to stop a scandal, they will have legislated to create it. So I ask the Minister to think carefully before moving any further down this road.

There were a number of questions about other issues such as data quality, as raised by my noble friend Lady Donaghy. Some interesting points were made by the noble Lord, Lord Young of Cookham, about identification and access by widows and widowers. I will be interested to hear the Minister's response.

I have a few other questions. How much transparency will there be around the FCA's criteria and process for authorising dashboards? Who will oversee dashboard complaints? Will it be the Financial Ombudsman Service or somebody else? There are clearly already demands for more information on the dashboards, whether from the noble Baroness, Lady Altmann, on other savings holdings, or the points made by the noble Baroness, Lady Hayman, and my noble friend Lady Jones of Whitchurch, about the crucial information relating to the climate emergency the savers will want to see. What are the Government doing to plan for those developments?

On the powers of the Pensions Regulator, my noble friend Lady Drake again made a clear assessment. The two questions are: first, are the regulator's powers currently being used adequately and appropriately; and, secondly, does it need more powers? Those are the two things to hold on to. We have had pushes from both sides—from those who think there are not enough powers and from those who think the powers are too strong—but I take the view that, if you read the reports from the Select Committees on BHS and Carillion,

it is hard to conclude that the chief danger facing the pension sector is an over-zealously interventionist regulator. So we should look carefully at how we decide to get that balance right as we move forward.

Having said that, Committee here will be a good point to probe some of the questions about drafting and scope. There are some important questions. Is there a risk that the Bill as drafted could criminalise minor actions or ordinary business activities? Could it catch third parties such as banks and trade unions who interact with the sponsoring employer? Could it even, in theory, catch government entities that contract with a private pension scheme? We will need to explore those questions in Committee.

The Bill also proposes that the regulator will additionally be able to issue a contribution notice in new circumstances where an act or failure to act materially reduced the resources of the employer or materially reduced the debt likely to be recovered from an employer in the event of an immediate insolvency. One can see in recent history where the inspiration for those came from, of course, but contribution notices have rarely been issued. Do Ministers expect that these changes will increase the likelihood of the regulator using the moral hazard powers? Will these new triggers for contribution notices be easier to activate, as it is currently a long and developed process with many stages?

The Bill also creates new duties on employers and others to notify the regulator about certain events relating to the sponsoring employer of a scheme—the noble Lord, Lord Vaux, mentioned this—and there are certainly questions to be asked about what those circumstances are. We will want to understand that more in Committee in order to get a sense of the range of circumstances and what it is intended to be, while understanding that it is impossible to nail everything down, even in regulations.

As the Bill substantially increases the role and powers of the regulator, what is the Government's thinking about whether it will need additional resources to enable it to do its job? We need to make sure that it is able proactively and effectively to use the powers it has been given to implement the law and ensure that it is enforced.

The killer question is this: are the Government confident that this new legislation plugs the holes in the regulator's powers that were highlighted by the failures of BHS and Carillion? The Minister should think carefully, because that is one of the questions they have to answer, otherwise they have failed.

Finally, some broader points were raised in the debate. Auto-enrolment was raised by my noble friends Lady Drake and Lady Donaghy, the noble Baroness, Lady Janke, and others. I would be interested to hear why the Bill has not addressed issues such as minimum contribution rates, age thresholds, income thresholds or the extension of auto-enrolment to the self-employed.

My noble friend Lady Bryan of Partick made another passionate plea for the WASPI women born in the 1950s who lost out so much when the state pension age was equalised so sharply. My noble friend Lady Drake raised the important issue of the lack of a credit for carers in auto-enrolment. I will be interested to hear the Minister's reply. My noble friends Lady Warwick

[BARONESS SHERLOCK]

of Undercliffe and Lord McKenzie of Luton raised the important issue of the role of superfund consolidators. As noble Lords will know, they offer to take over DB schemes, thereby relieving the sponsoring employer of any future responsibility, but at a cheaper price than entering the more secure insurance buyout market. That of course poses a risk of regulator arbitrage. Can the Minister update the House on the Government's current thinking on DB scheme consolidation? This is an issue now and it will become more so.

My noble friend Lady Donaghy, the noble Viscount, Lord Eccles, and others talked about wider issues around the changing nature of the pensions landscape: inequality, the climate emergency and other issues and the way future policy is shaped. I thought the noble Viscount's comments about the 100-year time span and his future matrimonial plans were interesting. It is a reasonable guide to what we are thinking about and how challenging it is. Have the Government given thought to the best way to shape pensions policy going forward, given how long-term it is? Is a pensions commission the way forward, or are there other ways in which they should do it? I will be interested in their thinking.

We have much to explore in Committee, and I urge the Minister to come armed with detail. Concerns were expressed in the House last week that the Government had refused to engage with any amendments to the EU withdrawal Bill. We all hope that that was a Brexit thing and that now we are on to other legislation we will not see a similar response. It really matters because this is precisely the sort of legislation on which this House adds real value. There is broad agreement on the principles, but there are huge dangers lurking in the detail. That is what we are for. It is almost the definition of a revising Chamber such as this. Those dangers have to be flushed out before the Bill is sent to the other place. So I urge the Government to listen as they may find that, once again, in those circumstances, this House serves not only to protect consumers but to protect the Government from themselves. I look forward to the Minister's reply.

7.52 pm

**Baroness Stedman-Scott:** My Lords, this has been an excellent debate with excellent contributions. I thank noble Lords for the time they have spent preparing and delivering those contributions. I thank everybody who has taken part. It has been encouraging to hear the positive responses to the measures this Bill proposes. Noble Lords have certainly laid down the challenges we need to address.

The noble Baroness, Lady Sherlock, asked me about our confidence in the Bill. We will have confidence in it if we all work together and turn every stone to make it fit for purpose. I pledge that the Government will do that, and I see no dissention from us working together to achieve that.

I shall deal first with delegated powers and the commitment I made to your Lordships that we will bring forward some examples in relation to Part 1. I do not use the word "trepidation" in conjunction with my noble friend Lady Fookes—it is quite the other way round—but I have her point about Part 3 and the

point made by the noble Baroness, Lady Sherlock, about Part 4. We have a wonderful Bill team who are working incredibly hard, and if they tell me they will have them, they will have them.

I understand the concerns raised by some noble Lords in this debate that there are important legal principles at stake before the proposed delegated powers can be exercised properly. In many instances the Government have promised to consult further on the technical substance, particularly in relation in Part 1. There are also instances where there may be a statutory requirement to consult because of a connection to existing legislation. Where there is an intention, promise or legal requirement to consult on the substance of secondary legislation, the legal position is clear: the Government cannot prejudge the outcome. In opening this debate, I said that I have listened to what noble Lords have been telling me, and we are preparing illustrative regulations relating to Part 1 which will be available before Committee. I also pledge to meet noble Lords before Committee to discuss them and all the questions that I will not have time to answer. Noble Lords can see that I have them, so I am not trying to get out of doing the job.

I want to put to bed very quickly the question asked by the noble Baroness, Lady Bryan, about whether we have any plans to increase the state pension age to 75. This is not government policy. The recent independent report recommending raising the state pension age to 75 is not a government report. I hope that gives her comfort.

The multiple dashboard point was raised by numerous noble Lords. The noble Lord, Lord McKenzie, made the point that there should be a single, government-run, non-commercial dashboard to protect consumer interests. We agree that there should be a dashboard that has no commercial aspect. The Money and Pensions Service has made a commitment to deliver such a dashboard.

The noble Lord, Lord McKenzie, asked whether the CDC is just a backdoor to allow employers to close defined pension schemes and impose collective pensions. CDC schemes are unlikely to work well unless the employer and employees are comfortable with the approach. I am sure that employers with open defined benefit schemes are well aware of that. The CBI's response to our consultation on CDC makes interesting reading. It said that CDC has advantages for both employers and employees and welcomes the opportunity that CDC presents to help fill the gap between defined benefit and current defined contribution schemes.

The noble Lord, Lord McKenzie, was very busy in this debate. He asked why we have not implemented the 2015 Act. Our approach to CDC schemes has developed since, and after much scrutiny we concluded that new primary legislation is necessary to ensure that we get the CDC exactly right for the United Kingdom.

The noble Lord, Lord McKenzie, and the noble Baroness, Lady Warwick, asked why our superfund is not in the Bill. Developing the new regulatory framework for superfunds is a complex task and we are working hard across government and with relevant stakeholders to build consensus on the right approach. We aim to publish shortly our response to the consultation which

will set out in more detail our proposals for a future legislative framework. Once this work is completed, we will legislate as soon as we can.

The noble Lords, Lord Sharkey, Lord McKenzie and Lord Vaux, and the noble Baronesses, Lady Donaghy and Lady Janke, raised intergenerational fairness. Fairness between age cohorts has been one of our key considerations from the beginning of our work on CDC schemes. That is why we intend to bring forward scheme rule requirements using regulations under Clause 18. This will ensure that all members, whether active, deferred or pensioner, will share the effects of investment outperformance and underperformance in the same way every year. Should a scheme's rules not be compliant, it will not be authorised to operate by the regulator.

The noble Lord, Lord McKenzie, and my noble friend Lady Noakes asked how many employers are considering CDCs. It is true that only one company is, namely Royal Mail. However, others are interested. We want to make sure that CDCs work before any future increase.

The noble Lord, Lord McKenzie, asked about automatic enrolment and what the Government are going about the gender pensions gap. Automatic enrolment has been a great success and is already having an impact on the gender pensions gap. Participation in pension saving among eligible women in the private sector has risen from 40% in 2012 to 85% in 2018, which is equal to the figure for men. We have made great progress on that.

**Baroness Drake:** The Minister is accurate. I do not disagree with her description of what is happening with women in the eligible population for auto-enrolment, but it is the millions not in the eligible population for auto-enrolment whom we are particularly concerned about and whom those figures do not address.

**Baroness Stedman-Scott:** The noble Baroness, Lady Drake, is absolutely correct and I am glad that she pointed out the difference to me. I would like to meet her before Committee to address that issue, if she is happy to do so.

The noble Lord, Lord McKenzie, asked why the Government have not legislated for the measures in the 2017 automatic enrolment review in this Bill. The Government have set out their ambition to lower the age at which people are automatically enrolled from 22 to 18 and to abolish the AE lower earnings limit in the mid-2020s. Our approach will be to expand the coverage and increase the amounts put into retirement savings by millions of working people, focusing on younger people and lower earners.

The noble Baroness, Lady Donaghy, and the noble Lord, Lord McKenzie, raised the subject of the self-employed. The 2017 automatic enrolment review concluded that the current automatic enrolment framework is not suitable for the self-employed. They are a highly diverse group and one solution will not necessarily fit all. The Government have committed to carrying out research trials to form the evidence base and future policy.

The noble Lord, Lord Sharkey, asked what the Government are doing to tackle investment scams—an issue raised by other noble Lords. These scams are

outrageous. The Government are committed to raising awareness about pensions scams to help protect consumers. As part of this, the Financial Conduct Authority launched its ScamSmart campaign to raise awareness of the steps that people can take to avoid investment scams. During the campaign, 173,000 users visited the ScamSmart site, and 376 users were warned about an unauthorised firm.

The noble Lord, Lord Sharkey, raised the need for a stronger nudge towards guidance, as provided for in Sections 18 and 19 of the Financial Guidance and Claims Act 2018. In that Act, we committed to test different approaches to providing a stronger nudge towards Pension Wise guidance. Pension Wise began this work on Royal Assent of the Act and it was picked up at the launch of the Money and Pensions Service. Trials commenced in October 2019. We are on course for those trials to finish and for qualitative work to be undertaken ready for the publication of the evaluation report in the summer.

Many noble Lords raised the question of whether there should be one dashboard or multiple dashboards, and the views on that were mixed. My noble friend Lady Fookes asked why there should not be just one, but I was interested to hear the noble Lord, Lord Sharkey, say that multiple dashboards will give consumers more choice in where they access pension information. Multiple dashboards will help to meet the varied needs of the 24.5 million people with pensions and wealth. I am sure that this is a topic on which we will have extensive discussions prior to and during Committee.

The noble Lord, Lord Vaux, made the point that the payment of dividends will not be a notifiable event. It would be disproportionate to require every dividend payment to be notified to the regulator. Hindering dividend payments could affect pension schemes, as many are shareholders in companies with DB schemes.

The noble Lord also raised the Dutch scheme. Despite communication issues in Holland, for generations the Dutch scheme worked as though it were a DB scheme. Where adjustments needed to be made, these came as a surprise. We will ensure that in communications to members, particularly at key points throughout a member's pension scheme journey—on joining and annually, and before and during retirement—CDC schemes are clear and transparent that benefit values may go down as well as up.

The noble Lord, Lord Vaux, asked what safeguards there are to ensure that transfer values are fair. The cash equivalent transfer value represents the actual calculated cash value of providing members' benefits within the scheme. Legislation provides a framework for the calculation of transfer values that trustees must follow.

The noble Lord also asked why companies should not be stopped from paying dividends if their pension schemes are in deficit. We do not believe that it is sensible to stop companies paying dividends to shareholders, even when a scheme is in funding deficit. Government intervention to block dividend payments could discourage investors and weaken the business, further reducing the security of the defined benefit scheme.

[BARONESS STEDMAN-SCOTT]

The noble Lords, Lord Vaux and Lord Sharkey, and others raised a lot of questions on that subject. It is not that I am not trying to give an answer; it is just that I am unable to do so at the moment, but I will get back to them.

My noble friend Lady Altmann asked what the sanctions will be for pension scheme providers who do not comply with compulsion. If a pension scheme provider fails to comply, it might be subject to penalties, including fines. The regulator will have a range of powers, including issuing compliance notices, penalty notices and fines.

My noble friend also raised the question of simpler annual benefit statements. The industry delivery group will consider the outcome of the consultation on simpler statements when making recommendations on the information to be included on dashboards.

I pay tribute to my noble friend Lady Altmann, whose tenacity on net pay allowance and tax relief is legendary. She has taught me everything that I know about it. That was a matter raised also by the noble Lord, Lord McKenzie. I am not trying to get out of anything here but it is a matter for the Treasury. However, the Government recognise the different impacts of the two systems. To date, it has not been possible to identify any straightforward or proportionate means to align the effects of net pay and relief at source. However, as announced in our manifesto, the Government will conduct a comprehensive review of how to fix this. We say that we will do it.

My noble friend Lady Altmann asked whether the new scheme's funding requirements support the plumbing pension scheme. I am afraid that I am not able to give a response to that at the moment but I would love to meet her and give her the information that she requires, as well as making it available to other noble Lords.

I am taking a moment to look through my responses in an attempt to be fair to all noble Lords, although I do not think that I am doing a great job.

The noble Baroness, Lady Drake, raised the important point of carer's credit and the family carer top-up. The Government recognise the valuable role of carers and the fact that they are disproportionately women. The Government Equalities Office gender equality road map, published in July 2019, set out plans to support carers. They included helping people to return to work after taking time out for caring. We are working closely with colleagues in the Money and Pensions Service to empower people to take informed decisions about saving throughout their lives. I am sure that we will revisit this very soon.

We have talked about the gender pay gap—a matter raised by the noble Baronesses, Lady Drake and Lady Bryan. As I said, automatic enrolment has helped lots of women—I have given the statistics. We want to empower them to take informed decisions about saving throughout their life, but we have made progress in bridging the gap.

The noble Baroness, Lady Drake, talked about the consumer protection regime. The Government recognise that the regulation of dashboard providers is critical to maintaining public confidence. My department has

been working with HM Treasury and the FCA to decide how best to ensure that the regulatory regime is appropriate and robust.

The noble Baroness, Lady Drake, also raised the important issue of the security of data on pension dashboards. Ensuring the security of data is key to establishing consumer confidence in the dashboards. The Government are committed to ensuring that the infrastructure includes a level of identity assurance that satisfies the good practice established for national cybersecurity.

The noble Baroness, Lady Drake, and my noble friend Lady Noakes raised the subject of the Pensions Regulator. They questioned the impact of the new criminal offences and wondered whether their scope was too wide. We do not want to stop legitimate business activity, such as lenders taking security for normal financing activities. The Government are clear that businesses must be allowed to make the right decisions to allow them to develop and grow.

The majority of employers want to do right by their scheme. However, we must ensure that sufficient safeguards are in place to protect members' pensions from the minority who are willing to put them at risk—I mention no names. The Government are committed to the Money and Pensions Service providing a dashboard, and MaPS committed to providing a dashboard in its 2019-20 business plan.

I turn to the contribution of my noble friend Lord Young. His powers of foresight are legendary; I am envious, and I am sure that many in both Houses would like to have them. The same is true of his oratory powers; he is very eloquent and his Front-Bench contributions are much missed in this House. We will meet before Committee. Time is really getting on now. I will respond directly to my noble friend Lord Young on the points he raised, and will have an answer to the point raised by my noble friend Lord Flight on equity release.

My noble friend Lady Noakes asked whether there are adequate appeal processes. The answer is yes and I would be very happy to talk her through those at a later time. Her description of a "half-baked dashboard" is interesting. We undertook a significant consultation and got more than 120 responses. These were published in April 2019 and were taken into account during the development of the legislation. We will continue to seek all views as we develop regulations.

The noble Baroness, Lady Donaghy, raised a point about holders of multiple part-time jobs. Currently, where an individual does not earn more than £10,000 per annum in a single job but earns more than the lower limit of the automatic enrolment qualifying earnings band, they can opt in to a scheme in one job and receive the mandatory pension contribution from their employer on earnings over that level.

The noble Baronesses, Lady Hayman and Lady Jones of Whitchurch, talked about climate change. This is a subject close to our hearts and I will meet with them both to talk in more detail. The Government are absolutely committed to tackling climate change and recognise the concerns that have been raised. We have already introduced legislation to require pension schemes to state their policy. In building on this, the DWP continues to work with the industry.

On dashboards, we expect that initially there will be no more information than is already available; to start with, simple information will become available. The delivery group may make recommendations for adding more detailed information as the needs and interactions of users develop.

**Baroness Neville-Rolfe:** Before the Minister sits down, would she be willing to talk to us a little more about the detail of the subordinate legislation on dashboards? She kindly said that she would do that on the first part of the Bill, but several noble Lords are interested in the subordinate legislation on the dashboard.

**Baroness Stedman-Scott:** Of course, I will do that as soon as possible. This is an important Bill with a far-reaching impact on people. We will all work together in the House to get the legislation as we want it. I extend my invitation once again to all noble Lords who may wish to discuss any further issues before Committee. Our door is always open. I thank noble Lords for their contributions today. I commend the Bill to the House and ask that it be given a Second Reading.

*Bill read a second time and committed to a Grand Committee.*

## Direct Payments to Farmers (Legislative Continuity) Bill

*First Reading*

8.14 pm

*The Bill was brought from the Commons, endorsed as a money Bill, and read a first time.*

## Tokyo Nutrition for Growth Summit

*Question for Short Debate*

8.15 pm

*Asked by Lord Collins of Highbury*

To ask Her Majesty's Government what consideration they have given to formulating their pledge at the Tokyo Nutrition for Growth 2020 summit, and what they are doing to build commitments from other countries.

**Lord Collins of Highbury (Lab):** My Lords, I declare an interest as co-chair of the APPG on Nutrition for Growth. Nutrition is so foundational to human life that it intersects with almost all aspects of development policy and is therefore fundamental in delivering on the SDGs.

Unless a child has adequate nutrition, they will be unable to meet their potential in school and are more susceptible to disease. Malnutrition disproportionately affects women and girls, preventing many girls from attending school and hindering the potential of those who do. So, as welcome as it is, the Government's objective to ensure 12 years of quality education for every girl will not be met unless we equally support nutrition. Nutrition has implications for a child's employment prospects and therefore the economic

success of their country. Good nutrition also relies on food and agriculture systems that deliver healthy diverse diets at a cost that people can afford. It is estimated that undernutrition in childhood reduces an individual's earning potential by 10% and has the same impact on GDP rates, with a total global economic cost of \$3.5 trillion.

I am sure that one area that many of the noble Lords who are speaking in this debate will focus on is climate change. Last year the UK committed £61 million to support drought-resistant crops that can withstand high temperatures, with the intention of preventing food insecurity because of climate change. While tackling food insecurity is important, unless the crops contribute to a diverse and nutritious diet, the Government will miss a gaping opportunity to really improve people's health rather than simply keep them alive. Climate change adversely impacts food systems, but food systems also emit 20% to 30% of global greenhouse gas emissions. So how are we supporting the development of climate-smart as well as nutrition-sensitive food and agricultural systems?

The question tonight is about the Tokyo summit that will take place in December. The first summit in 2013, hosted by the UK, mobilised around £17 billion in new investments, and the UK contributed £1.25 billion. Since 2013 the number of children whose physical or cognitive growth is stunted by malnutrition has reduced by over 12 million. However, despite progress, nutrition remains one of the most pressing issues in global development. In 2018 5.3 million children under the age of five died, with undernutrition a key cause of nearly half those deaths. Some 149 million children under the age of five were stunted due to malnutrition, meaning that they will be more susceptible to illness throughout their life and unlikely to meet their educational and economic potential, as I have highlighted.

If progress is to continue, it is vital that the UK once again provides the lead at Tokyo by taking steps to better embed nutrition into UK aid's portfolio and pledging funds at least to the same level as has been the case since 2013, or ideally making an uplift. I hope the Minister will be able to give us some positive news on the pledge, if not on the amount then at least on the timing of when a decision will be made. The springboard event in July that precedes the summit would be the ideal time to commit. A UK commitment of £800 million a year for 2021 to 2025 would represent a small increase reflecting inflation, the UK's economic growth and the global shortfall in funding for nutrition. By taking such an early lead, we can encourage others to contribute. Other positive steps would be to ensure high-level ministerial attendance at the summit, drafting ambitious policy commitments, considering a match-funding scheme and co-financing and supporting the implementation of countries' national nutrition plans. Is the Minister able to say tonight who will attend for the Government at both the July event and the December summit? It is vital that the Government take this seriously, since of course I know there are other commitments.

Nutrition-sensitive interventions have made up 84% of DfID's past nutrition funding, and this should continue. Such programmes meet a number of objectives beyond nutrition—for example, economic empowerment schemes

[LORD COLLINS OF HIGHBURY]

that help mothers to afford a healthy diet for their children. DfID can increase the impact of these interventions by ensuring that all teams within the department understand how nutrition affects their portfolio. I have previously raised the important issue that the implementation of the OECD policy marker for nutrition in its reporting systems would deliver on this by measuring the impact of nutrition-sensitive interventions. Two weeks ago the Minister indicated that the Government were exploring options to ensure that the policy marker was used to best effect in DfID. I hope that tonight she will be able to indicate the timescale for that assessment. It is certainly something that the Government have advocated, and they should not delay over it. Has the Minister assessed DfID's historic nutrition programmes to determine which should be scaled up and which discontinued?

I am sure other noble Lords will mention this, but on nutrition-specific programmes we know that the promotion of exclusive breastfeeding for six months, continued until 11 months, is the single most effective way to reduce child mortality in countries with high burdens of malnutrition. What steps is DfID taking to promote uptake of exclusive breastfeeding? How are the Government working with partners to ensure better enforcement of the International Code of Marketing of Breast-milk Substitutes?

Having seen Scaling Up Nutrition programmes first hand in countries such as Zambia, I know the importance of civil society organisations in building the political will for nutrition in high-burden countries as well as holding the politicians to account. What support is the Minister's department giving to such civil society organisations?

Finally, I know the Minister was heavily engaged in last year's voluntary national review of the SDGs. It noted that challenges remain in the UK in measuring and addressing every aspect of household food security, highlighted of course by the 1 million people reliant on food banks. Is she confident that the UK will be able to announce progress on domestic nutrition before the summit? I beg to move.

8.24 pm

**Baroness Walmsley (LD):** My Lords, I thank the noble Lord, Lord Collins, for securing this important debate this evening. I strongly suspect that there will be considerable agreement with what he just said from across the House. I certainly agree with him.

Malnutrition is the main driver of illness and poor human potential worldwide and the UK has been a leader in taking action against it. We have to admit that while asking for more, as we always do. Action on nutrition is one of the most cost-effective things we can do to help us achieve the sustainable development goals and to maximise the potential of the global population. Value for money is £16 for every £1 spent on nutrition. As it happens, such action is closely linked to the other global crisis, climate change: improve one and you beneficially affect the other. The scale of the problem is enormous, as we have heard, with over 20% of children stunted and unable to reach their education potential, and very susceptible to illness.

It is, of course, children who suffer most because of their vulnerability, but it is also girls and women who are particularly susceptible to anaemia and consequently give birth to underweight babies, thereby perpetuating the problem. We have long known that if you support a woman's health, you benefit a family, and this is a cost-effective way of benefiting the economy of fragile countries. However, we must not forget malnutrition in older people who are more likely to lack the finance necessary to feed themselves properly and who often lack influence in their community, so get forgotten. I am told that one in three older people in hospital in this country is malnourished.

It is tempting to think that malnutrition is something that happens somewhere else and is the responsibility only of the contributions of DfID. However, malnutrition includes undernutrition, shortage of micronutrients and obesity; one in three children globally suffers from one of these three, including here in the UK. Actually, I strongly suspect that it would be a good deal worse if it were not for the existence of food banks, the wonderful school breakfast initiative, the nutrient standards of school meals and the availability of free school meals. I congratulate those local authorities that ensure that children on FSM also get fed during the holidays. Although the main focus of this debate is the Government's pledges at the Tokyo Nutrition for Growth summit, what action are they taking to address child and elder malnutrition, in all its forms, in the UK?

As we have heard, the current DfID funding for nutrition around the world ends this year. We all hope that the Minister will be able to go a little further when she replies than she did in answer to the Oral Question from the noble Lord, Lord Collins, earlier this month and say whether the Government will up their game a little and pledge £800 million a year for the next five years. Could the Minister also say what analysis has been made of the most effective nutrient-sensitive and nutrient-specific programmes so that we know that the money is being spent on what works best?

As a fellow of UNICEF, I have always been a great admirer of its child nutrition programmes. Part of that is the programme on breastfeeding which also takes place in the UK as the Baby Friendly Initiative. The wonderful thing about breastfeeding is that it helps to protect the mother from breast cancer as well as nourishing the child at minimal cost and risk. It also provides the child with valuable immunity from common diseases. Exclusive breastfeeding for six months and carrying on until 11 months could prevent over 800,000 child deaths and 20,000 maternal breast cancers. What are the Government doing both here and abroad to promote breastfeeding? To protect poor mothers from spending scarce resources on breast milk substitutes, are we providing education about the benefits of breastfeeding? I echo the plea from the noble Lord, Lord Collins, to make sure that we work with partners to ensure the enforcement of the International Code of Marketing of Breast-milk Substitutes.

Talking of working with partners, despite all we do, it is clear that the UK cannot solve malnutrition alone. However, we have already set an example and can do a lot to encourage others. Part of that would be to make the early pledge at the July event in Tokyo



that the noble Lord, Lord Collins, asked for and show commitment at the top level by the presence of the Prime Minister.

What plans do the Government have to match fund or co-finance nutrition initiatives to support nutrition plans in the most fragile countries? Will the Minister commit to programmes which strengthen the resilience of food production in poor countries in the light of the effects of climate change? It is much healthier for populations to eat their own normal, fresh diet rather than have to rely on dried food brought in by aid organisations in response to famine, war or natural disasters.

Our track record on these matters is something we can be proud of, but there is much more to do. Therefore, we need the Minister's assurance that the UK will continue to make a major contribution to tackling the scandal of child and elder malnutrition across the world and start this new decade with a major announcement in Japan in July.

8.29 pm

**Baroness Manzoor (Con):** My Lords, I thank the noble Lord, Lord Collins, for securing this timely and important debate. As the House is aware, we have spoken about nutrition on two recent occasions in this Chamber. The first was in the context of taking an integrated approach to UK foreign policy and development; the second was about weaving nutrition across DfID's portfolio. I will continue on that theme, but it is the intersectional and foundational nature of nutrition that makes it so important.

I will start by talking about Gavi, the vaccine alliance, which is hosting its replenishment conference in London in June this year. Gavi aims to raise \$7.4 billion from international donors to immunise an additional 300 million people between 2021 and 2025, saving up to 8 million lives. UK civil society organisations are calling for Her Majesty's Government to retain or increase their share of Gavi funding, which is roughly 25%. I support that ask. Ensuring full coverage of all WHO-recommended vaccines will make the world a safer and more prosperous place.

However, if the UK is to spend such a large amount of money on vaccinations, it is only right that steps are taken to ensure that investment is as impactful as possible. It is well known that malnutrition reduces the efficacy of vaccines. While some vaccines may still work on a malnourished child, the timing, quality and duration of responses may be impaired. Likewise, malnutrition is often caused by vaccine-preventable diseases; additionally, malnourished people are far more likely to die from these. In short, vaccinations and nutrition are two sides of the same coin.

To accelerate action on ending preventable deaths and improving people's health and economic prospects, the Government must invest ambitiously in Gavi, but also at N4G. In addition, they should take steps to align their objectives in both areas and across health more broadly. On that point, what steps is my noble friend the Minister taking to ensure that ready-to-use, therapeutic foods and other nutrition services are included in DfID's wider efforts to build effective health systems? What consideration will her department's N4G pledge give to the strategy of Gavi and other health multilaterals, in order to align objectives?

My second point covers aid and trade. Too often, a country's ability to feed its population with a healthy diet is hindered because its fruit and vegetables are too expensive for most of the population, or are exported to wealthier nations. Conversely, companies from a range of countries, including the UK, are able to flood local markets with cheap, high-sugar foods. For example, it is worth noting that the CEO of Associated British Foods was present at the UK-Africa Investment Summit last week. ABF owns the largest sugar producer in Africa, which recently received a DfID grant to implement its land rights policies. While I am wholly supportive of that work, I urge that further DfID funding should improve employment and market conditions for locally owned companies, growing food that contributes to a healthy, diverse diet. What consideration will the Minister's N4G pledge give to private sector engagement and international trading arrangements?

As the noble Lord, Lord Collins, and the noble Baroness, Lady Walmsley, have said, the promotion of exclusive breastfeeding for six months, continued until 11 months, is the single most effective way to reduce child mortality in countries with high burdens of malnutrition. Near-universal adoption of optimal breastfeeding could prevent 823,000 child deaths and 20,000 maternal breast cancer deaths per year. As well as being extremely high in impact, breastfeeding promotion is very low in cost. Will my noble friend the Minister ensure that the promotion of exclusive breastfeeding is made a priority in the Government's N4G pledge? Specifically, will she commit, as has already been asked, to working with partners to ensure better enforcement of the International Code of Marketing of Breast-milk Substitutes?

As co-chair of the APPG on Nutrition for Growth, I look forward to a strong commitment from the Government. I appreciate that my noble friend the Minister is to meet APPG members to discuss this further, but what thought has she given to the International Coalition for Advocacy on Nutrition's request that the Government commit £800 million per year to nutrition between 2021 and 2025? I look forward to hearing about a really ambitious pledge from the Government.

8.35 pm

**The Lord Bishop of Oxford:** My Lords, I, too, welcome this timely debate. I thank the noble Lord, Lord Collins, and welcome the opportunity offered by the Tokyo Nutrition for Growth Summit.

It is moving to note, as other noble Lords have mentioned, that the number of people suffering from hunger has been increasing since 2015, albeit slowly. We know that behind the statistics lie terrible and moving stories of human suffering, disease and death, especially across Asia and sub-Saharan Africa. It is sobering to ponder on the one hand the challenge of providing a sustainable diet and preventing the lifelong consequences of malnutrition and, on the other, the striking rise in obesity across the world and consequent health problems.

Seven years ago, the UK Government exercised global leadership through the first Nutrition for Growth conference and have delivered on many of the pledges made there. I support strongly the calls made

[THE LORD BISHOP OF OXFORD]

by other noble Lords in this debate for a renewal of that leadership at the Tokyo summit, for a strong United Kingdom delegation and for a generous pledge of £800 million per annum for nutrition between 2021 and 2025.

The Tokyo summit will take place just a few weeks after the key COP 26 in Glasgow, which the UK Government will host and chair. Short-term interventions to combat malnutrition are vital, but the world must also engage, as noble Lords have pointed out, with the long-term multiple linkages between poor nutrition and climate change.

Climate change is already having a negative impact on the four pillars of food security: availability, access, usage and stability. The climate emergency means that the world needs to increase spending on nutrition adaptation and mitigation just to see the statistics stand still.

We see across the world the impact of extreme weather-related disasters, which have more than doubled in number since 1990. More than 70% of agriculture is rain-fed. This directly affects the ability of drought-affected countries to grow their own food, as we see currently in sub-Saharan Africa and elsewhere. Agricultural land will be lost to rising sea levels, fires and flooding.

Two years ago, I was privileged to visit one of our linked dioceses, Kimberley and Kuruman, in South Africa. It was excellent to hear reports of local feeding programmes to combat malnutrition, some supported directly by parishes in the Oxford diocese. However, those signs of hope were set against a background and a deeper narrative of concern about the climate and poor harvests.

There is increasing evidence that high ambient carbon dioxide in the atmosphere decreases the nutritional quality of important food crops, including wheat, rice and maize, affecting the entire world. The science suggests lower yields of micronutrients: protein, iron and zinc decrease as CO<sub>2</sub> in the atmosphere increases. The changes in the climate affect agriculture. This in turn affects livelihoods, all too commonly leading to malnutrition and mass migration for a more sustainable future. There is a vicious circle here which can be broken only through a sustained global determination and action to address the climate emergency.

We have a moral imperative to love our neighbours as ourselves and to feed the hungry. We own now a moral imperative as the pioneers of the Industrial Revolution, who have gained most from fossil fuels, to lead on the fight against climate change. In this context, what consideration have the Government given to the linkage between our leadership of the COP 26 conference and the pledges we will make at the Tokyo summit in December? Will the Government continue to focus our interventions in the areas of most extreme poverty and climate change?

8.40 pm

**Baroness Nye (Lab):** My Lords, I too thank my noble friend Lord Collins for instigating this debate and for the invaluable work he and others are doing in the APPG. He and other speakers have made very important points in this debate and I fear that the

Minister should prepare herself to hear us all singing from the same hymn sheet—perhaps she will be minded to join in. I am also grateful to Results for its excellent briefing and for the work it is doing in the coalition.

The juxtaposition in Japan of the Nutrition for Growth summit and the beginning of the Olympic Games can have escaped no one. On display in Japan will be thousands of the elite of the elite—Olympians who spend their lives working on strict nutritional regimes to ensure that they are in peak fitness. But these Games will take place when the world will be discussing truly appalling figures of malnutrition and obesity and when the effects of climate change are becoming ever more visible.

One in three children globally suffers from one or more forms of the triple burden of malnutrition, undernutrition and obesity. The effects on children under five will be a defining factor of how they live the rest of their lives. Not only will their health suffer but the effects on their future earning potential will be reduced, with consequences for themselves as well as the societies they live in. Income and wealth inequalities are closely associated with undernutrition, with more complex patterns associated with obesity.

I pay tribute to the work of DfID and the British Government, alongside Japan and Brazil, in appreciating the scale of the problem and mobilising support in 2013 from other countries to pledge money and action to deal with this issue. I am sure that the Minister shares this view, but it would be disastrous if DfID were absorbed into the Foreign Office or if there were not a dedicated Secretary of State sitting at the Cabinet table making the case for the important development role that Britain should play across the globe. DfID was created in 1997 by the incoming Labour Government to give a voice to the voiceless at the highest level, and that is as relevant today as it was then.

The goal of eliminating malnutrition is not something one country—however good its programmes are—can solve in isolation. The money pledged at the 2013 conferences, as has been said, runs out at the end of the year and the concern of this House is that no further DfID money is currently earmarked for nutrition; momentum needs to be maintained if the goal of ending malnutrition in all its forms by 2030 is to be achieved. As noble Lords have said, nutrition underpins all the sustainable development goals, but the challenge is getting greater, with climate change impacting on world food production in vulnerable areas, especially in countries classified as drought-sensitive.

This highlights, as noble Lords have already said, how breastfeeding is crucial during the incredibly important first thousand days of a child's life. It is one of the most cost-effective interventions for improving the health and survival of children. However, experience from NGOs such as Save the Children shows that during an emergency—such as El Niño—breastfeeding decreases at exactly the same time it is most needed. This can be due to factors such as inadequate food for the mother, lack of clean water or the sheer stress of the situation. Would the Minister take this opportunity, as other noble Lords have asked, to update the House on the steps the Government are taking to promote the uptake of exclusive breastfeeding?

It is also in emergencies that the promotion or donation of breast-milk substitutes can have a negative effect on breastfeeding rates. This is why it is so vital that nutrition objectives and sensitivity are included in all DfID programmes and investments. The code of marketing of breast-milk substitutes has had some success here in the UK. The Royal College of Paediatrics and Child Health has ceased to receive funding from BMS manufacturers, and the British Medical Journal no longer carries adverts from such companies. But bold action is required to eliminate all conflicts of interest and enforce the code. More work needs to be done to promote and support breastfeeding practices through DfID investments and to ensure that the code is enshrined in a greater number of countries. I would therefore be grateful if the Minister could say what steps the Government are taking with other donors and Governments to ensure better enforcement of the code. Perhaps she might also say whether breaches of the code still occur within the commissioning groups of the NHS.

There will be many reasons for Ministers and others to visit Japan in this Olympic year to support Team GB. However, I hope that we will send our strongest delegation to the July springboard Goalkeepers event to give a lead to other countries by pledging early support and, I hope, the £800 million a year as called for by the international coalition. We need to work with national Governments to develop, lead and finance national plans for nutrition. I look forward to hearing the Minister's view on those points. While we will, quite rightly, fly the flag for Team GB, we should also fly the flag for the incredibly important role the British Government and DfID can play in moving the dial on achieving the SDG goal on nutrition, without which the other goals will never be achieved.

8.45 pm

**Baroness Featherstone (LD):** My Lords, I totally welcome the opportunity to speak in this important debate and thank the noble Lord, Lord Collins, for bringing it to the House.

When I was a DfID Minister I visited Zambia, and one day visited one of our projects where we had special practitioners talking to teenage girls about the challenges they faced, including lack of knowledge about their own bodies, contraception and sex—because their mothers never talked to them about such things—and violence against women. On leaving, I remarked to one of my private secretaries that I was rather surprised that such young children had been invited to the session—children aged six, seven and eight. She looked at me and said, “Minister, there was no one there under 12. Those girls are stunted.” That was my first experience of seeing the damage that nutritional deficit wreaks. Stunting affects brain development, making it difficult to learn or do well at school, which obviously has a knock-on effect on future life chances. In west and central Africa, the number of stunted children increased by 20% between 2000 and 2016.

The very first trip I made as a DfID Minister was to South Sudan, just after it had separated and things looked good—they have gone downhill ever since. I went to the refugee camps on the borders of Blue Nile and Kordofan, where I saw for the first time not just

the sheer challenges of a refugee camp in the rainy season, but babies and toddlers being kept alive on Plumpy'nut. It was my introduction to a world where all the things we take for granted, such as food, clean water, shelter, health systems and successful agriculture just do not exist—and they do not exist in huge swathes of Africa and Asia.

DfID and governmental and NGO partners across the world were tackling—or trying to tackle—deprivation and poverty, in continents where disease, climate change, conflict, corruption and sheer poverty meant that none of these things was yet at a standard that could prevent child deaths. Lack of water, markets and a health system, and inaccessibility—there are so many factors to overcome. But the world can and must continue to fund this endeavour. International events such as the coming Tokyo Nutrition for Growth Summit are vital in so many ways: for funding, initiatives, pledges, and programmes to orientate all those involved in this endeavour to achieve the SDG targets.

Thank goodness, the UK is a world leader—an influencer. Quite frankly, the benefits to us in terms of status and soft power are immense, and we must remain so. The Nutrition for Growth commitment tracker shows that the UK has met all its commitments for 2013 to 2020. We have reached over 60 million children, girls and women. That is amazing, and we should be totally proud of our record. However, I worry when I hear rumblings from No. 10—aka Dominic Cummings—about collapsing DfID into the Foreign Office. It is already the case that, since the Lib Dems left the coalition, the DfID budget has become vulnerable to raids from other departments, which are now legitimised.

I worry even more when populist right-wing media means that the Government may try to take a wrecking ball to our aid commitments, because our international development programme is something we can and should be proud of. It sets a worldwide standard and ambition. We inspired a lead on FGM. We empower girls and women; and where women flourish, so do children and crops. We create routes to market. We support clean water provision. We empower local communities to know what to plant and how to irrigate.

In the most hostile climates and terrains, nutrition is possible. I have seen it. Cash transfers help the most vulnerable to survive the droughts and the floods that wipe away crops and livings. Our support for health systems is invaluable. How would local communities otherwise get the vaccinations they need, have safe births, treat those who need help and learn about breastfeeding, which many noble Lords have mentioned as the best start in life you can give?

I remember one particular visit to an agricultural market that we had set up to help smallholders to learn about agriculture, because bad sellers sold bad seeds that did not grow. This was an effort to educate people on how to do things. There were lessons on soil quality, how to keep water on the land, and which seeds were good and which would never flourish. Helping people to help themselves is the foundation on which a nation can survive and ultimately flourish.

One marketable product particularly sticks out in my memory. It was a product that meant you could get your cow to market in two and a half years instead of the normal seven, thus tripling the potential income of

[BARONESS FEATHERSTONE]

a family whose cow was its income. Lord knows what they put in the product, quite frankly, but imagine tripling your income. These are matters of life and death to the people living in these regions, so I very much hope that, at the Tokyo conference, we continue to commit to being one of the world's leading contributors to development. As one of the wealthiest countries in the world, as we ourselves progress out of austerity, I trust we will continue to be generous, open-hearted and internationalist.

8.51 pm

**Lord Cameron of Dillington (CB):** My Lords, poor nutrition is a killer. Some 2.5 million children die from it every year. If it was a newly discovered virus from China, the world would be in a state of complete panic about it—but, sadly, we are inured to such devastation among our fellow human beings. Also, as has been said by numerous speakers, stunting, wasting and even obesity limit education and economic productivity, and drive ill health and costly treatments. Annually, the global economy loses \$3.5 trillion from malnutrition. So, in spite of relatively good progress in recent decades—although not so much in recent years—the world in 2020 needs to focus on this continuing blot on our landscape.

In the short time on such a broad subject, I will focus on only three points. The first can loosely be described as home-grown nutrition. A community that lives on the foods it can produce itself is a healthy community. One that lives on imports of packaged foods is a dependent community that needs either an alternative source of income to pay for that food or continuous food aid, which of course is unsustainable. So an aid agenda that stimulates improved agriculture is vital for both nutrition and the local economy.

When 80% of your population is dependent on agriculture for their living, as is the case in many African countries, transforming their output is the key to success. Although new roads, markets, finances, land tenure and water all matter to this agenda, the key is training: training in what to grow—such as, say, the highly nutritious and relatively new orange-fleshed sweet potato or other fortified or nutritious crops—and training in how best to grow and sell them to maximise yield and, above all, distribution.

My second point is that this training is also important in nutrition itself. I led a parliamentary group to Rwanda a few years back. The latest UN stats on stunting in Rwanda came out while we were there, showing an unnecessarily high figure for a country that is relatively productive in vegetables and good food. The President there immediately called a meeting of the leaders of the three key ministries—agriculture, education and health. The permanent secretary for agriculture told us that evening that the problem was that, although mothers were satisfactorily breastfeeding their babies, after weaning the tradition was to feed them maize milk, which is nothing more than ground-up maize and water and contained almost no nutrients at all. We asked what they were going to do about it, and he said that they would ask every village to choose their own most respected mother. They would put her on to a nutrition training course, and her role would

then be to go back and teach her village about the importance of a mixed diet for young children, which in Rwanda with its varied agriculture should not be too difficult to achieve. This pyramid selling, or rather pyramid training, seemed to be a good idea and it would be interesting to return and see how it is working.

That scheme brings me to my third point: the benefits of partnership, both nationally and internationally. Bringing together the departments of agriculture, education and health, which we saw in Rwanda, is also the key to the very effective World Food Programme school feeding programmes that I have seen in many countries—Ghana and Ethiopia to name but two. It is also the key to the Anganwadi village feeding centres that I came across in India in the state of Bihar, run by the Integrated Child Development Services programme, the key word there being “integrated.” Where they exist, the Anganwadis are very effective, but there are just not enough of them.

Of course, all these initiatives, of which there are many, depend on being pushed from the very top, like my example in Rwanda, where the President stepped in and pulled everyone together, or in Bihar, where it was the chief minister who was driving the Anganwadi programme. Players have to be forced to get out of their silos, preferably by their own leaders. But also, foreign aid money can exert considerable leverage in terms of driving an agenda of partnership and co-operation. If the world is determined to stamp out malnutrition, this leverage has got to be exercised, and that is the very least we should expect from Tokyo.

8.57 pm

**Lord Rea (Lab):** My Lords, I am grateful to my noble friend Lord Collins, because he has chosen a subject on which I did some work 55-odd years ago, based in Lagos in Nigeria. The MD thesis that came out of that study was called *Interactions of Nutrition and Infection*, so it was very relevant to tonight's Question. The study was modelled on the Newcastle Thousand Families longitudinal study, which observed a cohort of babies born successively in May and June 1947 and followed up for a number of years afterwards.

Lagos presented very different problems from Newcastle when randomly selecting which families to include in the study cohort. In the end, we were able to follow 420 randomly chosen infants in 250 families. All the children were seen every three months, when they would be weighed, measured and a note made of any illnesses that they had suffered. A visit to the child's home was made if they did not attend the clinic. They were each allocated an illness score, depending on the severity and duration of the illness. It was possible to relate the illness score—equivalent to morbidity—to their nutritional state and growth over the previous three months, as well as to certain measures of social status such as the parents' work, education, housing and so on. A weighted sample of well-off Nigerian professional families living a western lifestyle was included to act as a comparison with typical Lagos children. Their nutritional state and pattern of illnesses were very similar to those of typical western children of the same age, but the latter recovered much more quickly than the typical Lagos children from each episode of illness, which in their case was usually less severe.

It is not possible for me to describe the methods of study and analysis in any detail in a short speech, so I will not bore noble Lords with more research details. This type of study has been used in several other longitudinal studies in the UK and the US, and other developing countries.

The well-known signs of malnutrition, such as oedema and skin changes, were not overtly present in most of the children, but—apart from the chosen well-off group, of course—their mean weight and, less so, height was well below the norm, running at barely the 50th percentile of the better-off western norm. However, as I said, malnutrition was not overtly visible. If they were observed playing with other children, for instance, it was difficult to label them as malnourished.

Common childhood infections were present in children of all nutritional and social levels, but there was a tendency for them to be more serious and longer-lasting among those most underweight for their age, who more frequently developed pneumonia or diarrhoea as a complication. This pattern was shown most clearly in measles; the vaccine was then not yet available.

Tropical diseases did not present a great problem in Lagos, apart from some helminth infestation that did not seem to do much harm. Malaria was rare, unusually for Nigeria, because all parents used Nivaquine—that is, Chloroquine—as soon as their child had a fever, so the malaria parasite was more or less drugged out of the city. Compared with this group, a group of children of the same age in a village 20 miles outside was absolutely saturated with pneumonia. They had 2 grams less per 100 millilitres of haemoglobin, too.

It was possible on fuller analysis to show that the illness scores were higher in the most underweight children. Statistically, the episodes lasted longer and more frequently developed into pneumonia or diarrhoea. This tendency has led clinicians to concentrate on treating acute infections, neglecting nutrition in busy clinics. Supplementary nutrition is in fact not acceptable to an acutely ill child, but appetite usually returns during the recovery period—though less so if the child is already undernourished or the illness episode was severe.

I see that I am running towards the end of my time. All noble Lords will have received emails from UNICEF asking us to ask DfID an enormous number of very apposite questions, which we have no time to do—but I am sure that the Minister and her department will have scrutinised them extremely carefully. The most important thing is that the funding for nutrition should continue and possibly be augmented. As I have already passed my time, I will call it a day.

9.04 pm

**Baroness D'Souza (CB):** My Lords, I declare my interests as president of both the Children First Alliance and Young Citizens. This is a valuable opportunity to put the issue of nutrition once again on the agenda and to press for more serious thinking, not to mention better implementation and better impact monitoring. I thank the noble Lord, Lord Collins, for this.

We continue as a nation to spend billions annually on overseas aid, and of this we should be extremely proud; we are an example to the world, although there is evidence that spending and monitoring need a great

deal more attention. However, this evening, I want to bring up a domestic aspect of nutrition and children, and in so doing pose the question that, however great our goals as a donor nation are in our overseas development and humanitarian efforts, we might also pay attention to homegrown problems.

Today, I will speak about holiday hunger and the fact that many of our school-age children in socially and economically deprived areas go hungry during the long school vacations due to the lack of a daily meal, which in turn is due to poverty, ignorance and even sometimes religious reasons. Preliminary research for a pilot holiday activity and well-being programme, which the CFA intends to set up in three deprived areas of Tower Hamlets, north Bristol and Blackpool, indicates that 57% of local authorities do not provide a holiday meals scheme.

The statistics on hunger in our children are alarming. In 2019, 15.4% of all pupils in England and Wales were eligible for and claiming free school meals. It is reliably estimated that up to 3 million children are at risk of hunger during the school holidays—1 million of them as a result of extreme poverty, and a further 2 million excluded from free school meals due to one parent being in work. More than 4 million children in England and Wales live in relative poverty, with two-thirds of these children having one working parent.

These figures have disastrous consequences for the child. The effects of such poverty are multiple, severe and long-lasting, and include poor physical health, mental health issues, underachievement at school, and added risks of stigma and bullying. Again, these factors predispose children to antisocial behaviour. Furthermore, children on free school meals are more likely to be placed in lower sets, have access to less qualified teachers and have lower expectations from their schools.

The exponential rise in the use of food banks is evidence of the increasing pressure families now face. In the last three years, there have been several reports indicating that parents in deprived areas report eating less or skipping meals in order to provide more for their children and that demand from food banks almost tripled at Christmas, when access to free school meals is cut off. Almost three-quarters of teacher respondents to an NUT survey said that holiday hunger was having a marked negative impact on children's education.

Recent research by Citizens Advice demonstrates that investment in children at an early stage to eliminate severe poverty and holiday hunger is massively cost-effective. For example, for every £1 invested in Citizens Advice, the charity was able to generate £2.05 in savings to government and public services. This is achieved by helping prevent issues escalating and thus reducing pressure on public services such as health, housing or out-of-work benefits. Additionally, debt advice, an increasingly used service, resulted in social benefits savings of around £300 million to £570 million annually across the UK.

There is emerging evidence from bodies such as Sports England that activity, well-being and holiday meals schemes increase social cohesion and decrease both violence and gangs, as well as obesity. There are many admirable schemes afoot in specific areas, run by dedicated NGOs and often sponsored by major

[BARONESS D'SOUZA]

food companies. There are, too, some local authorities which, with extremely stretched budgets, continue to run breakfast and lunch clubs. Many teachers, acutely aware of hunger in their pupils, are sufficiently concerned to fund breakfast clubs themselves. But in this day and age, can we really accept that hunger in our children remains largely the responsibility of non-governmental bodies and a few local authorities and individuals? Is this not an issue that central government should be addressing nationwide?

The problem is clear and the remedy simple. All it requires is a bit of money. Again, preliminary figures suggest that a five days a week for five weeks' activity and lunch programme, including welfare advice, costs between £10,000 and £25,000 per school, depending on free food provided by organisations such as FareShare or via local food companies and the amount of volunteer help.

If we are to nurture happy, healthy, empowered and resilient children, we need the political will to enable schools through local authorities to run these programmes on a regular and statutory basis. There are some temporary pilot schemes funded by government, but these are somewhat haphazardly located and a competition to win funds for a holiday meal scheme was won by a single school. What, one asks, about those that did not win? We need the political commitment to set up a countrywide system, bearing in mind devolved responsibilities. The fund of knowledge as how best to do this cost-effectively and how to engage the wider, especially corporate sectors is now abundant. It just needs doing.

9.10 pm

**Baroness Tonge (Non-Affl):** My Lords, I congratulate the noble Lord, Lord Collins, on securing this debate and take the opportunity to welcome the noble Lord, Lord Rea, back to the Chamber after such a long illness.

We have heard from the Nutrition for Growth APPG that in 2018 it was estimated that 149 million children in the world were malnourished, and so became stunted in physical and mental growth and more susceptible to illness. Those features used to be seen among poor communities not so long ago—in Victorian times, in this country. Looking at that figure from the family and mother's perspective, it is interesting that there are 220 million women in the world without any access to family planning services, who suffer ill health and poor nutrition themselves because they have large families with no means of feeding them properly. There must be some correlation there, surely. Malnutrition will never be solved while the world's population goes on growing. This must be taken into account when nutrition is discussed at the Tokyo conference.

Our Government have a good record on family planning. Smaller families mean more food and better nutrition for everyone in the family, and that women must have access to family planning services. I make no apology for raising this over and again, because it is well accepted now by international bodies. The World Economic Forum in particular says, in my favourite quote, that there is a massive pay-off for promoting contraception for these women—voluntary contraception,

I may add—at an estimated cost of \$3.6 billion per annum. It would mean far fewer newborn and maternal deaths, and mothers more able to feed and educate the children in their smaller families, leading to economic benefit for their country estimated by the WEF at \$288 billion per annum. In other words, \$1 spent on family planning yields \$120 in benefits. That is an awful lot of money to spend on food and good nutrition. I repeat that those are not my figures; they come from the World Economic Forum.

Someone implied during the debate that DfID has not paid enough attention to nutrition, but in my experience this is not strictly true. NGOs and DfID are constantly looking at what foods are available to a particular population and how best to supplement them. I was in South Sudan years ago during the famine in Bahr el-Ghazal, like the noble Baroness, Lady Featherstone. At that time, I saw reports from workers on the ground going back to DfID, not only saying what aid was being received but checking what nuts, berries and other natural foods were available in that area. The department has always been conscious of this problem.

It was interesting that so many Members promoted breastfeeding. It should be promoted—no woman doctor would not promote breastfeeding—but the problem is that if you are in an area where there is high malnutrition, mothers are often the most malnourished of the population. They feed the men and the children first; Mum comes last. In the time of rationing, when I was a little girl, my mother always ate less than we did. My father and the children always got the lion's share. We must take that into account when we are promoting breastfeeding. Breastfeeding mothers need food.

Poor nutrition is often caused by conflict or the political actions of Governments. Briefs from NGOs say that 60% of Burundian children are irreversibly stunted, yet this is not so in neighbouring Rwanda, where they are tackling this problem, as we have heard from the noble Lord, Lord Cameron. Good governance means less malnutrition, and healthier and happier populations. The people of Gaza cannot afford food. They have been blockaded for 10 years and, apart from malnourishment and severe anaemia among the mothers, after 10 years of blockade, now 10% of the children there are stunted. We could do something about that. In Yemen and Syria, children are starving. All this is due to conflict, lack of action and poor foreign policy by our Government and their allies.

Finally, I endorse the calls for more attention and money to be spent on nutrition, but it must be in conjunction with other needs, such as family planning. All aid should be co-ordinated across the needs of a population, not confined to vertical delivery lines, as it has been in the past. I hope the Minister can assure us that these points will be raised at the Tokyo conference, especially family planning.

9.16 pm

**Baroness Sheehan (LD):** My Lords, I add my thanks to the noble Lord, Lord Collins, for bringing this important issue before your Lordships' House today. As ever, the breadth and quality of contributions never ceases to amaze, such that by this stage in the

debate there is very little to add. Maybe in summing up on behalf of these Benches I can add emphasis to some of the key points.

This issue is at the heart of successful delivery of the sustainable development goals, which owe their very existence in no small part to the leadership of development professionals within DfID. Let us face it: we can put a multitude of excellent questions to the Minister, to which she will no doubt give reassuring responses, but all good intentions pale into insignificance if the Prime Minister is determined to pursue his aim of abolishing DfID. I join my noble friend Lady Featherstone and the noble Baroness, Lady Nye, in stressing the importance of maintaining a fully functioning department for development, one that is already firing on all cylinders and which has the necessary structures, processes and global networks to pull together the threads that weave success on the global stage—something that the Prime Minister is so keen to achieve.

One thing that we know for sure is that there is a good reason why we have 17 SDGs, together with 169 targets and 232 indicators. It is because a transformative, interlinked agenda cannot be delivered without a holistic vision—one that leaves no one behind. But that vision needs to be informed and tempered by experience. Experience tells us very clearly that, to deliver our vision for better health, people need better jobs, and better jobs are dependent on better education. With better education, we can have better sanitation and hygiene, which completes the cycle back to better health. All development goals are interlinked and interdependent. It is a no-brainer that, in order to have healthy, educated people with good jobs, they must have good, nutritious food.

The Government have rightly identified the education of girls as being a crucial factor in successful delivery of the SDGs. We know that investing in girls' education, enabling access to contraception and reproductive health care and giving women the power to decide when and how often to have a baby, will have the biggest possible impact, not least on the size of families, a point eloquently made by my noble friend—I hope I can call her my noble friend—Lady Tonge.

However, while the Government's commitment to girls' education is commendable, I hope they accept that a nutrient-rich diet which provides not only the calories but also the vitamins and minerals needed for healthy development is a necessary prerequisite.

We have heard some shocking statistics on the impact of malnutrition, but the one on stunting shocks me the most: 149 million children are malnourished enough to be classified as stunted. That is a shocking 21.9% of all children—more than one in five. What does it mean to be stunted? Stunting refers to children with a height considerably below the average for their age, as we heard from my noble friend Lady Featherstone, but modern neuroscience shows it also takes its toll on children's brain development. Health and education outcomes for stunted children are poor and its consequences are irreversible. Without intervention we are building in inequality from birth—and sometimes before birth because stunting can occur in the womb of malnourished mothers-to-be.

We know that intervention works. For example, we know that encouraging breastfeeding is the single most effective way to reduce child mortality in countries with high burdens of malnutrition, and I hope the Minister will agree that bearing down on the marketing of breast-milk substitutes is essential. Hand in hand with that goes adequate nutrition for breastfeeding mothers.

Sometimes there is no alternative but to give micro-nutrient supplementation, fortification and biofortification—they work, as do ready-to-use therapeutic foods. We know they work because we have made it work before. The first Nutrition for Growth summit was hosted by the UK in 2013, mobilising \$17 billion over seven years, as a result of which 12 million fewer children suffer from stunted growth and millions of lives have been saved. The next summit takes place this year in Tokyo in December, with a springboard event in July. DfID's early leadership will encourage donors and high-burden countries to step up and pull in the same direction.

The International Coalition for Advocacy on Nutrition is asking for a pledge from Her Majesty's Government of £800 million per year for 2021 to 2025. Is the Minister able to say whether that ask will be met in a timely manner for maximum impact?

9.23 pm

**The Minister of State, Department for International Development (Baroness Sugg) (Con):** My Lords, I thank the noble Lord, Lord Collins of Highbury, the co-chair of the APPG on Nutrition for Growth, for tabling this debate, and all noble Lords who have made such interesting contributions.

Noble Lords have expertly made the case for the importance of addressing nutrition in our development work. The right reverend Prelate also made it clear that behind these statistics lie real human tragedies, and we should never forget that. So, given the limited time available, I will not add my own arguments, but suffice to say, I agree that to achieve our development goals we must ensure that nutrition is at the front and centre of our minds.

I echo the point made by the noble Baroness, Lady Walmsley. As a believer in spending money efficiently and effectively—both for the British taxpayers, whose money we spend, and for the benefit of those we are trying to help—we must remember that investing in nutrition is not only the right thing to do but a development best buy. As the noble Baroness pointed out, every £1 we spend to address undernutrition yields a return of £16 in increased economic productivity.

Before I answer some of the specific questions, I shall take this opportunity to draw your Lordships' attention to a revision to my department's estimates on nutrition. This morning DfID published a correction to one of the nutrition estimates in its annual report to improve the quality of the data and to avoid any risk of double-counting. The number of women, adolescent girls and young children who have been reached by DfID nutrition-related services now stands at 50.6 million rather than the 60.3 million that the noble Baroness, Lady Featherstone, mentioned, and which I have previously stated at the Dispatch Box. That correction

[BARONESS SUGG]

has now been issued. When publishing these headline estimates, we are committed to following the UK Statistics Authority code of practice, which means we update our estimates as and when we are able to do so. We still exceeded our 2015 target of reaching 50 million people, but the department and I are fully aware that more needs to be done.

Many noble Lords asked about the ICAN request for £800 million per year. Much as I would like to be, I am afraid I am not in a position tonight to talk about the specifics of our commitments to the Nutrition for Growth Summit. We are fully aware that the summit is an important opportunity to sustain progress on SDG 2 and to accelerate actions on nutrition after 2020, when our commitments run out. We are in the process of identifying the most appropriate and impactful commitment and are fully aware of the importance of doing so at the most opportune time, but I am not able to update your Lordships on how much or when, nor am I able to update on specific attendance for July or December. I use the defence that invitations have yet to be issued. However, we are fully aware of the importance of this. We played a leading role in 2013, and DfID continues to play that leading role.

Many noble Lords spoke of climate. The right reverend Prelate spoke about the vicious circle of climate change. We know that climate change will increase the risk of malnutrition and hunger by increasing the frequency of extreme weather events and disease outbreaks. We also know that most of the additional deaths that will come from climate change will be due to undernutrition. We are working carefully on quantity by ensuring that we are funding the development and delivery of new crop varieties that are more resilient to climate, disease and pests. The noble Lord, Lord Collins, highlighted the £61 million we announced last year. We are also looking at the quality and making sure that we have affordable and accessible healthy, nutritious diets for those who need them. We are looking at the vitamin A-enriched sweet potato which the noble Lord, Lord Cameron, mentioned, zinc-enriched maize and rice, and iron-enriched beans. We are also looking at testing new agricultural technology, such as digital weather and market price information systems for farmers and solar-powered cold storage solutions, as we know that that technology will be sorely needed.

The right reverend Prelate asked about COP 26. We want to use COP 26 to help ensure that people have access to the nutritious and sustainable diets that they need. We will be looking to boost climate resilience as well as to support good nutrition as we look carefully at the future of food systems.

The noble Lord, Lord Collins, mentioned our approach to nutrition and our assessment of our historic nutrition programmes, and the noble Baroness, Lady Walmsley, said that it is important that we spend our money as effectively as possible. The noble Lord, Lord Rea, highlighted the importance of evidence and research in everything we do. The study he pointed to in Lagos was 55 years ago, but it is still relevant today. That framework of work he highlighted underpins our decisions on our nutrition-specific and nutrition-sensitive approaches. We review all our programmes on an annual basis to make sure that we are looking carefully

at the evaluation of all our work. That information, as well as evidence generated by others, is used to look at the types of approaches we should take in the future.

The noble Baroness, Lady Walmsley, correctly said that poor breastfeeding practices result in 800,000 child deaths annually. Alongside saving lives, increasing breastfeeding strengthens the economy. It could save up to £300 billion per year and has the health benefits for women that many noble Lords mentioned. To reassure noble Lords who mentioned this, DfID includes support for exclusive breastfeeding in its health and nutrition programmes at country levels. We are very clear on that. We have had some really good programmes in northern Nigeria and in Bangladesh, where we are supporting health workers to bring groups of mothers together to discuss and solve problems and—not forgetting the men—we are making sure that we are working with fathers' groups so that they understand the importance of breastfeeding and are better prepared to support their wives and ensure that they have the food they need.

DfID clearly supports the implementation of the International Code of Marketing of Breast-milk Substitutes. In countries where we work, we know that the inappropriate marketing of breast-milk substitutes undermines breastfeeding and that infants in developing countries who are not breastfed are more likely to get sick and die. We remain concerned that manufacturers of breast-milk substitutes continue to contravene the code. Our position is that we do not partner with companies that are not compliant with the code. We are also funding the Access to Nutrition Index, which monitors performance and progress by those companies. Enforcement is more challenging. That is done at country level and is dependent on Governments' legislation. However, we are supporting Governments to put better nutrition policies in place, using the wording of the code. For example, in Yemen we work closely with Save the Children and are working to translate that monitoring into future enforcement.

My noble friend Lady Manzoor asked what consideration we give to nutrition when we look at our pledge to Gavi. That is another pledge that we are not able to talk about—the announcement or the target—but it is being carefully considered. We very much look forward to hosting the Gavi summit in June. As hosts, it is a great opportunity to continue to champion efforts to bring all health services, including vaccination and nutrition services, together under the single umbrella of universal health. We pushed for that at the UHC summit this year, held by UNGA, and we will continue to do so. That includes ensuring that all our investments in health systems are strengthened through Gavi and that other health multilateral organisations take this integrated approach, as noble Lords have advocated.

My noble friend Lady Manzoor also asked about ready-to-use therapeutic foods. As we invest in health system strengthening and service delivery, we ensure that integrated nutrition is available in countries such as Bangladesh and the Democratic Republic of the Congo as part of our efforts to achieve universal health coverage. That includes ensuring that more predictable financing is available to cover ready-to-use therapeutic foods to treat child wasting.



My noble friend also asked about the private sector. I agree that it plays a very important role in creating jobs and enabling people to improve their income so that they have the money to spend on more nutritious foods. We want more businesses to step forward and make commitments, and we will be working on that at the Nutrition for Growth summit. However, we want to avoid some of the poor practices that we have seen in the private sector and ensure that any investments that it makes have positive impacts.

I have already spoken about what we are doing to ensure that we do not work with companies that violate the International Code of Marketing of Breast-milk Substitutes. We have also worked with CDC, our development bank, to ensure that the investments do not support ultra-processed and other damaging foods.

I take this opportunity to thank the noble Lord, Lord Cameron, for his continued engagement with the department on nutrition and agriculture. I entirely agree about the need to invest in advancing people's knowledge of and practice in agriculture to improve nutrition. We have to ensure that we support farmers to diversify what they grow.

On the point about weaning foods and nutrition education, we know that we have to give families access to the right information on what to feed their children. Just this morning, one of the nutrition team showed me a bowl that we use as part of our training. It shows very clearly the kinds of foods that will give children a nutritious diet. However, we also need to be clear that nutritious diets remain unaffordable for the poorest and that the cost often exceeds the entire average income of poor households. Because of the economic barriers to good nutrition, we need to invest more in improving the affordability of nutritious foods and the economic security of the poorest. I also agree with the noble Lord on the importance of having integrated services so that families can access nutrition and health services at the same time.

The noble Lord, Lord Collins, asked about the importance of civil society support. Since 2012, we have been a clear supporter of Scaling Up Nutrition—the SUN civil society network. That includes funding through the SUN pooled fund to ensure that we properly support advocacy efforts in countries with a

high burden of malnutrition. We are also working closely with the Government of Japan to make sure that civil society is properly acknowledged at the summit.

On gender, one of my favourite topics, which was raised by the noble Baronesses, Lady Featherstone and Lady Tonge, we know that family planning interventions have a positive impact on nutrition. The evidence is clear: without family planning, we can contribute to high levels of child malnutrition as well as child mortality. That is why the WHO recommends gaps of 18 to 24 months between pregnancies and why it is so important that we continue our support for voluntary family planning. I am proud of the work that DfID does in giving women a choice on their family size. We estimate that, every year, our investment will support nearly 20 million users of contraception in total, preventing 6 million unintended pregnancies. I make no apology for repeating those figures.

We know that girls and women are particularly vulnerable to undernutrition, sometimes because they prioritise other family members over themselves. We need to get better at making sure that our investments in health, nutrition and other sectors meet their needs.

I am running out of time. I wanted to talk about obesity, the other side of the malnutrition coin; we will maintain our focus on tackling undernutrition, but we need to make sure that we are looking at the double burden as we move forward. On domestic obesity and malnutrition, I am afraid that I do not have any details of the holiday meals scheme, but I will come back to the noble Baroness, Lady D'Souza, on that.

I am out of time. There was quite a lot to get through in 12 minutes. I have done my best, and I will follow up in writing. I thank noble Lords for their contributions to tonight's important debate. I look forward to briefing the APPG team on our preparations for the summit, which will be a pivotal moment. We need to make sure that Governments, the UN, civil society and businesses—everyone—step up to do more. I take the opportunity to reassure noble Lords that we remain fully committed to nutrition. We know that preventing malnutrition delivers enormous benefits for child survival, health and future prosperity. We will continue to play a leading role globally to make sure that more actors take action to help end malnutrition entirely.

*House adjourned at 9.36 pm.*





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