

Vol. 825  
No. 79



Tuesday  
29 November 2022

PARLIAMENTARY DEBATES  
(HANSARD)

# HOUSE OF LORDS

## OFFICIAL REPORT

*ORDER OF BUSINESS*

Questions	
Ukraine: Russian Drone Attacks.....	1661
Rape: Prosecutions and Support .....	1664
Humanist Marriages.....	1667
Net Migration.....	1670
Air Quality (Designation of Relevant Public Authorities) (England) Regulations 2022	
Persistent Organic Pollutants (Amendment) (EU Exit) Regulations 2022	
<i>Motions to Approve</i> .....	1674
Manston Update	
<i>Statement</i> .....	1674
Independent Cultural Review of London Fire Brigade	
<i>Commons Urgent Question</i> .....	1682
Export Control (Amendment) (EU Exit) Regulations 2022	
<i>Motion to Approve</i> .....	1686
Internal Market Information System Regulations (Amendment etc.) Regulations 2021	
<i>Motion to Approve</i> .....	1690
Food and Feed (Miscellaneous Amendments) Regulations 2022	
<i>Motion to Approve</i> .....	1694
Autumn Statement 2022	
<i>Motion to Take Note</i> .....	1700

Lords wishing to be supplied with these Daily Reports should give notice to this effect to the Printed Paper Office.

No proofs of Daily Reports are provided. Corrections for the bound volume which Lords wish to suggest to the report of their speeches should be clearly indicated in a copy of the Daily Report, which, with the column numbers concerned shown on the front cover, should be sent to the Editor of Debates, House of Lords, within 14 days of the date of the Daily Report.

*This issue of the Official Report is also available on the Internet at  
<https://hansard.parliament.uk/lords/2022-11-29>*

The abbreviation [V] after a Member's name indicates that they contributed by video call.

The following abbreviations are used to show a Member's party affiliation:

<b>Abbreviation</b>	<b>Party/Group</b>
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
Lab Co-op	Labour and Co-operative Party
LD	Liberal Democrat
Non-afl	Non-affiliated
PC	Plaid Cymru
UUP	Ulster Unionist Party

No party affiliation is given for Members serving the House in a formal capacity or for the Lords spiritual.

© Parliamentary Copyright House of Lords 2022,  
*this publication may be reproduced under the terms of the Open Parliament licence,  
which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

## House of Lords

Tuesday 29 November 2022

2.30 pm

Prayers—read by the Lord Bishop of St Albans.

### Oaths and Affirmations

2.35 pm

Baroness Deech took the oath.

### Ukraine: Russian Drone Attacks

Question

2.37 pm

Asked by *The Lord Bishop of St Albans*

To ask His Majesty's Government what assessment they have made of Russia's use of drone attacks against Ukraine.

**The Minister of State, Ministry of Defence (Baroness Goldie) (Con):** My Lords, Russia's forces are resorting to striking Ukraine's critical national infrastructure, especially the power grid. It should be noted that these facilities have no direct military role, but the impact is multiplying the misery of ordinary Ukrainian citizens. Notably, these strikes are partially being conducted by one-way-attack unmanned aerial vehicles—so-called kamikaze drones. These weapons are being provided by Iran, another sign of the strategic degradation of Russia's military.

**The Lord Bishop of St Albans:** I thank the Minister for her Answer. The use of these drones is deeply worrying for everybody right across the world. Will His Majesty's Government take a lead in international efforts to control the proliferation of these armed drones, particularly to ensure that all parties stick to both the spirit and letter of the missile technology control regime as it pertains to UAVs?

**Baroness Goldie (Con):** As the right reverend Prelate will be aware, it is not so much the numbers of drones as the way in which they are used, which is required to comply with international law and the law of armed conflict. Drones have allowed Ukraine to stretch the limits of its armed forces, and certainly, having eyes in the sky to spot targets and then direct artillery fire means that it can make better use of what it has.

**Lord Browne of Ladyton (Lab):** My Lords, the Government are to be commended for imposing sanctions on three individuals and one commercial entity here in the UK who have been responsible in part for the provision of kamikaze drones to Russia from Iran. What plans do the Government have to work with allies to ensure that sanctions are tethered to international criminal accountability, following the French example? Only two days ago, the French courts decided that two

senior executives at Amesys should face prosecution for knowingly providing technology that facilitated the torture of Libyan citizens by the Gaddafi regime. Should we not be following that example?

**Baroness Goldie (Con):** What is important is that, first, we have an effective sanctions regime. As the noble Lord indicated, the UK has sanctioned more than 1,100 individuals and 100 entities, and with our allies has frozen around £275 billion of assets. The noble Lord will be aware that certain actions constitute breach of law, and those will be acted upon. But perhaps pertinently, the Government are considering closely with international partners all options for seizing assets. They could be used, perhaps, to support the people of Ukraine and contribute towards the reconstruction of their country.

**Lord Bellingham (Con):** My Lords, is it true that Iranian military experts are providing technical advice on the ground in Crimea? Is that not a blatant breach of UN sanctions?

**Baroness Goldie (Con):** I have no specific information on that matter. I can make inquiries and, if permitted, I shall disclose to my noble friend what I can.

**Lord Wallace of Saltaire (LD):** My Lords, I understand that the Iranian drones are slow, noisy and powered by the equivalent of motorbike engines, and that Ukrainians are shooting them down mainly with machine guns. Are there more modern methods of interception that the West should be providing but has not yet provided—for example, jammers and air-to-air defences?

**Baroness Goldie (Con):** The noble Lord is correct in that intercepting these drones is challenging because some of them are relatively small in mass, so certain types of weaponry may be more effective than others in addressing them and trying to stop their continued progress. What I can say is that the UK continues to give air defence missiles to Ukraine; we are proud to be the second-largest donor of military equipment. We will provide additional air defence missiles to Ukraine, and we continue to provide sophisticated electronic warfare equipment, which gives additional protection against long-range drones and missiles.

**Lord Craig of Radley (CB):** My Lords, have the Government made any detailed assessment of the impact of sanctions on Russia's ability to produce weapons and deploy them? Is there any indication that the sanctions have in fact affected Russia's ability to fight?

**Baroness Goldie (Con):** There is evidence that the sanctions have certainly had an impact on Russia's ability to operate a functioning economy. As to their impact on its weapons manufacturing, I have no specific information. It may not be information that I would be able to disclose; I will make inquiries and shall certainly respond to the noble and gallant Lord if I can.

**Lord Howell of Guildford (Con):** My Lords, although concerns about the use of drones are justified, are not both sides—Ukraine and Russia—using them, the Ukrainians very cleverly? A year or so ago, the Azerbaijanis showed that drones can inflict terrific damage on all tanks, unless they are very clever. Is it not evident that drones really are going to be the weapon of the future and that most significant armies are developing them? Can the Minister assure us that, although we are not involved in the ground fighting in Ukraine, we are building up adequate supplies here in Britain? Can she also assure us that we are making them ourselves—or are we importing them?

**Baroness Goldie (Con):** I have observed before in this Chamber that drones—unmanned aerial vehicles—are part of the UK’s defence capability. My noble friend makes an interesting point. The war in Ukraine has been instructive as to how current warfare is developing and what new stratagems and forms of equipment are necessary to conduct it. He is quite right that unmanned aerial vehicles have a role to perform.

**Lord Coaker (Lab):** My Lords, last Wednesday’s defence intelligence update on Ukraine stated that no one-way attack UAVs sourced from Iran have been used “since around 17 November” and that the supply is “likely very nearly exhausted”. The same report also stated that the quicker method of resupply is procuring more from overseas. Can the Minister update us on how the Government are acting to prevent or delay this? How will we support Ukraine to take advantage of the Russians’ supply seemingly running out?

**Baroness Goldie (Con):** The noble Lord is focusing on something very pertinent. Russia has increasingly struggled to secure critical inputs and technologies needed for its war against Ukraine because of unprecedented sanctions and export controls. We are committed to doing everything we can to isolate Russia further, and we are continuing to monitor whether it will extend its procurements from Iran to other suppliers of foreign weapons systems. That would be a very unwelcome development, but one that we would need to be aware of.

**Lord Tyrie (Non-Aff):** My Lords, further to the question that was asked earlier, as Russia has escalated the war in this shocking way, why have we not supplied the Ukrainians with the advanced weapons they need to defend themselves directly and to attack the sites, including those on Russian territory, from which these drones are being launched?

**Baroness Goldie (Con):** We have been very careful as a country, whether acting bilaterally with Ukraine or in consort with our allies, to ensure that we are responding to what Ukraine says it needs and what Ukraine’s armed forces have identified as the necessary weaponry for them. That is a very important message to listen to, and we have been endeavouring to respond to it as best we can.

**Lord Campbell of Pittenweem (LD):** My Lords, following on from the question asked by the noble Lord, Lord Browne, has the Attorney-General been

consulted about the legal liability of countries that supply weapons to other countries in the knowledge that they will be used against civilian targets, contrary to humanitarian law?

**Baroness Goldie (Con):** I do not know whether the Attorney-General has been consulted, but the noble Lord will be aware that Iran, for example, is breaching United Nations Security Council resolutions. If it continues to do so, there will be continued pressure at United Nations level to address that. We all take very seriously the involvement of Iran and, as the noble Lord, Lord Coaker, indicated, if Russia were to expand that procurement base, we would look at that with the utmost gravity.

**Baroness Meyer (Con):** My Lords, as Russia is increasing its attack on Ukraine, what are His Majesty’s Government doing to send more generators to help the Ukrainian population ahead of the harsh winter?

**Baroness Goldie (Con):** I thank my noble friend. We have been able, as a country, to provide some very meaningful support, particularly on the military side. We have developed a package to support Ukrainians through the winter, including 25,000 sets of winter clothing, so that they are more effective on the battlefield and able to withstand the very low temperatures in Ukraine at this time of year. As my noble friend will be aware, we have also embarked on a number of other measures to support Ukraine in dealing with its damaged critical national infrastructure, and by trying to find ways to help it rebuild its damaged and destroyed buildings.

## Rape: Prosecutions and Support

### Question

2.47 pm

Asked by **Baroness Donaghy**

To ask His Majesty’s Government what steps they intend to take (1) to increase the number of rape prosecutions, and (2) to provide more support for women and men affected by rape.

**The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bellamy) (Con):** My Lords, the 2021 *End-to-End Rape Review Action Plan* committed us to double the number of adult rape cases reaching court by the end of this Parliament, back to 2016 levels. We have since seen an increase in both prosecutions and convictions. Actions taken include establishing the criminal justice dashboard; funding Operation Soteria, making police investigation suspect-focused; providing the rape and sexual abuse support fund; launching a 24/7 rape and sexual abuse support line; and completing the rollout of pre-recorded cross-examination, so that victims no longer must face the courtroom but can be cross-examined beforehand.

**Baroness Donaghy (Lab):** I thank the Minister, but under this Government, conviction rates for rape have reached historic lows, with only 1.3% of recorded

rapes resulting in a charge. MoJ data from June of this year showed that 28% of 53,000 outstanding Crown Court cases were for alleged sexual offences, with up to five years before anything reaches the court. Some 65% of cases analysed in London last year ended in victim withdrawal, revealing a lack of high-quality victim care in the justice system. What other plans do the Government have to improve this shocking situation?

**Lord Bellamy (Con):** My Lords, first and with respect, we are making progress on this matter. Your Lordships will perhaps recall that, after 2016 and the Allan case, where a prosecution collapsed for lack of disclosure, prosecutions for rape fell until 2019. Then we had the pandemic. That is why the Government are now committed to returning to 2016 levels.

I will give one example of progress. In 2016, a total of 766 rape cases per quarter were referred by the police to the CPS. In Q2 2022, we had 901 such referrals, up on 2019 by 97% and even up on 2016 by 18%. Many other examples can be seen on the criminal justice system delivery data dashboard at [justice.gov.uk](https://justice.gov.uk), to which I respectfully refer your Lordships. You can see the progress we are making on every offence, across every region of the country. That is a considerable achievement and I commend it to your Lordships. In response to the noble Baroness, I do not doubt that difficulties remain, but we are making progress.

**Lord Morris of Aberavon (Lab):** My Lords, an accusation of rape is a very serious matter for both the victim and the accused. I have repeatedly asked for a breakdown of figures for rape cases where the defence is consent and where there is a failure to convict—a situation of which I have long experience. Will the Minister go back to the Attorney-General, who supervises the CPS, to ask why these figures cannot be provided? This may be the heart of the problem.

**Lord Bellamy (Con):** I will certainly do my best to accommodate the noble and learned Lord.

**Baroness Burt of Solihull (LD):** My Lords, many victims of rape are reluctant to follow through on prosecutions because they need medical and other care, and they want to be believed. A report from over 20 years ago by a policeman whom we may know, one Brian Paddick, and the academic Betsy Stanko, led to the establishment of sexual assault referral centres across England. But this year, an NHS survey found that 72% of victims are unaware that this support is available. If more victims knew about and used these centres, would more successful prosecutions not follow?

**Lord Bellamy (Con):** My Lords, the Government are making every effort to increase support for victims of rape and sexual assault. We now have a 24/7 helpline, as I said, have increased recruitment of ISVAs—*independent sexual violence advisers*—and the rape support fund is £21 million this year. So I hope we will be able to address the point the noble Baroness raised, of which I take good note.

**Baroness Verma (Con):** My Lords, can the Minister assure me that the number of women who are not able to communicate, as English is not their first language, is also collected in the data that my noble friend mentioned? How are we monitoring whether women from communities that cannot communicate fully in English are fully supported by the systems?

**Lord Bellamy (Con):** I take good note of my noble friend's question and will do my best to assure her that those pressing needs are dealt with.

**Baroness Gohir (CB):** My Lords, some police officers spend more time considering the credibility of the victim than the rape allegation made. They unreasonably snoop through women's mobile phone messages and emails, downloading their entire history. Perhaps they think they can get away with it. Will the Government implement the recommendation made by Vera Baird, the former Victims' Commissioner, to provide legal aid solicitors to rape victims, who can challenge unreasonable demands made by the police?

**Lord Bellamy (Con):** A legal aid solicitor ought to be able to challenge unreasonable demands by the police under the existing regime. However, I refer this House to Operation Soteria, which is directed to the very point that the noble Baroness makes about the focus on the victim rather than the suspect. It started as a pilot with Avon and Somerset Police, is gradually being rolled out nationally to 19 police forces, and should turn the approach around so that it focuses on the suspect, not the victim.

**Baroness Thornton (Lab):** My Lords, many noble Lords have mentioned victims. When might we find the long-promised victims Bill coming forward? What is the Minister's view on the Labour Party's policy to make violence against women and girls a serious crime in legislation?

**Lord Bellamy (Con):** The Government hope to bring forward the victims Bill as soon as possible but have no present plans to change the legislation on violence against women or, indeed, anybody else.

**Baroness Chakrabarti (Lab):** My Lords, many women are facing a crisis of trust and confidence in the criminal justice system at the moment. I appreciate that the Minister is relatively new to this arena. However, there are people who believe that rape has effectively been decriminalised in our jurisdiction. That is a very serious matter. Would he consider meeting me, perhaps the noble Baroness, Lady Newlove—who is not in her place—other interested Members of your Lordships' House and victims' groups, including the Centre for Women's Justice, to hear their experience before taking this work further forward?

**Lord Bellamy (Con):** I would certainly be prepared to meet the noble Baroness and others and, on that occasion, take everyone through the steps that we are taking to combat this problem.

**Lord Pannick (CB):** My Lords, in January this year, the Ministry of Justice said in answer to a Parliamentary Question from the shadow Attorney-General, Emily Thornberry, that the typical delay between an offence of alleged rape occurring and the completion of the resulting criminal trial was 1,000 days. That is a shocking statistic. What is the Ministry of Justice doing about this?

**Lord Bellamy (Con):** There are several steps. There is the reference from the police to the CPS, the CPS charging decision, the CPS bringing a case, the delay in the court and so forth. Delays in the court are still a problem and have unfortunately been made worse by the barristers' strike. Other delays have been reduced. All I can say to the noble Lord is that we are working as hard as we can to address this problem.

**Baroness Armstrong of Hill Top (Lab):** My Lords, I am concerned that the Minister's ambition seems to be to get back to the figures from 2016. Those who work with children, young women and women who have been abused, sexually and in other ways, know that the numbers misrepresented the problem that was out there even in 2016. A recent report from Agenda looks particularly at young women. It is searing about the experiences across the board, particularly in ethnic minorities. Unless support is there earlier, those young women and other women will not get near justice. The Government really need to take that into account.

**Lord Bellamy (Con):** The Government are working as hard as they can. This is a top priority, and I take good note of the noble Baroness's remarks.

## Humanist Marriages Question

2.58 pm

Tabled by **Baroness Bakewell**

To ask His Majesty's Government when they intend to give legal recognition to humanist marriages.

**Baroness Blackstone (Lab):** My Lords, I beg leave to ask the Question standing in the name of my noble friend Lady Bakewell on the Order Paper.

**The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bellamy) (Con):** My Lords, the Law Commission recently published its report on reforming wedding law in England and Wales. We must consider the 57 recommendations in full. It is important that we balance the needs and interests of all groups, religious and non-religious, and very carefully consider the implications of changing the law. I hope to be able to publish our initial response in the first part of next year.

**Baroness Blackstone (Lab):** My Lords, I thank the Minister for his reply but I must say that I am a little disappointed by it. The Law Commission, to which he referred, took no position on this question. It did not

make a recommendation one way or the other. That is because this is a political decision. What is preventing the Government from going ahead and laying an order under the 2013 Act, getting it done now, and stopping once and for all the discrimination against humanists in this area?

**Lord Bellamy (Con):** My Lords, in a nutshell, the Government's position is that to lay an order under the 2013 Act solely in favour of humanists would discriminate against other groups—Muslims, Sikhs, Hindus and so forth—in permitting them to have a particular form of marriage not available to other groups. The Government's position is that we must go forward together and solve the whole problem. I will elaborate in a moment on what the problem is.

**Lord Cormack (Con):** My Lords, we need to get a move on here. As one who believes very fervently in Christian marriage but even more in the institution of marriage, I ask: how can it be sensible to allow a wedding to take place in a registry office but not to allow humanists, who have their own ethics, to have a proper marriage ceremony? We need to get a move on. We had an almost identical Answer last time. Let us have a better one next time.

**Lord Bellamy (Con):** The Law Commission, in a very detailed and well-argued report, took the view that we should proceed as a country to solve the whole problem across all faiths at the same time and not favour a particular group. That is the Government's position, and we will publish our position shortly.

**Baroness Meacher (CB):** My Lords, it will be 10 years next year since I tabled an amendment to the 2013 Marriage (Same Sex Couples) Bill about humanist marriages. In response to it, the Government tabled their own amendment enabling Ministers to make this tiny change—we are talking about two words—adding "and humanists" to Quakers and Jews. It seems highly unlikely that any legislation will pass following the Law Commission's report before the next election. Therefore, will the Minister meet me to discuss how, 10 years on, this tiny adjustment can be made to the law through a ministerial order to end this discrimination once and for all?

**Lord Bellamy (Con):** My Lords, I am happy to meet the noble Baroness, but I doubt whether I shall be able to give her the assurance that she asks for. This is a quite difficult problem. We have to solve it across the board without discrimination either in favour of or against any faith group or non-faith group. We have to deal with the civil preliminaries for marriage, who is to be authorised, what is the regime for authorisation and, in particular, the problems raised by the All-Party Parliamentary Humanist Group itself in relation to the Law Commission's report.

**Baroness Thornton (Lab):** My Lords, why is it that Scotland and Wales have managed to have humanist weddings in their law? If I sound frustrated it is because I was part of the move in which, with enormous

cross-party support, this House agreed an amendment to the equal marriage Bill which would allow humanist weddings. That has not been implemented by successive Conservative Governments. There must be a reason why that is the case, because it is not complicated or discriminatory. It is actually very straightforward. If and when my son wants to get married and wants a humanist wedding, he has to go to Scotland or Wales. That seems very unfair indeed.

**Lord Bellamy (Con):** My Lords, the Law Commission recommended reform. That has already taken place in other jurisdictions. We are working on exactly how the reform should take place in this country as fast as we can.

**The Lord Bishop of St Albans:** My Lords, those of us on this Bench in principle have no problem at all with humanist weddings. Does the Minister agree that the best way forward is the one that has been alluded to already, which is that it could be achieved most easily by following the historical precedent established with Jewish and Quaker weddings rather than adopting the overtly complex recommendations of the Law Commission's report?

**Lord Bellamy (Con):** The Government have to consider in detail the Law Commission report, its undoubted strengths and the various points that have been made about it, not least by humanists. We will publish our position as soon as we can in the new year.

**Lord Desai (Non-Afl):** My Lords, is the problem that the humanists are not religious? Every other religion has been treated kindly and LGBTQ marriages can take place. Just the humanists in England are discriminated against. Is the Church of England so upset about humanists that it will not let humanists get married?

**Lord Bellamy (Con):** My Lords, as far as I know, this problem is not a matter for the Church of England. The Government's view is that as a country we should proceed across the board to solve and update our law of marriage all at the same time.

**Baroness Burt of Solihull (LD):** My Lords, in Scotland, where humanist marriage is legal, as has been mentioned, there are more humanist marriages than Christian ones and marriage is more popular than ever. David Cameron supported gay marriage because he believed that marriage is a good thing and that everyone should be able to marry. Do this Government believe that marriage is a good thing? If so, why will they not allow humanists to legally marry?

**Lord Bellamy (Con):** This Government strongly support the institution of marriage. I am probably boring your Lordships by repeating myself: the Government think the whole problem should be solved across the board at the same time, not just with one group—the humanists.

**Lord Griffiths of Burry Port (Lab):** My Lords, I declare an interest as a Methodist minister nearing 50 years since I was ordained and someone who enjoys the fellowship of humanist celebrants in funeral services in crematoria across the city. I declare to the Minister my total bewilderment at the nature of this discussion. It would enrich us all if people, according to conscience and practice, could marry in the way asked for in this Question. Can he understand the predicament of those of us of religious persuasion—the right reverend Prelate the Bishop of St Albans and the noble Lord, Lord Cormack, have also spoken from faith positions—in that it would be an addition to the richness and value of the ceremonies we produce? Can the Government explain why they cannot understand this?

**Lord Bellamy (Con):** With respect, I very much hope that the Government understand what the problem is. As the Government see it, we should have a regime for marriage in this country in which the civil preliminaries are common to all marriages, the persons who conduct marriages are authorised under one regime, we define what belief systems we will accept as people capable of authorising marriages, and we exclude extremists, cults and so forth. These are not straightforward questions. It is a very simple and, if I may say so, not complete answer to say that it is easy to do it for the humanists. We want to make sure that, for example, a marriage of a Muslim at home—which might not be a lawful marriage at the moment—is now taken forward and that we create a situation in which that becomes a lawful marriage and we have proper officiants, rules and regulations that regulate it all. That is the Government's position.

**Baroness Brinton (LD):** My Lords, I supported the amendment from the noble Baroness, Lady Meacher, to the same-sex marriage Bill of 2013. The Minister probably feels rather beaten up by Members from all sides of your Lordships' House, but we remember what Ministers said then. The provision that was arranged was deliberately simple to enable this to happen. I am sure the House would welcome other faiths being drawn into it, but this is long overdue. Please can he go away and look back at the history of the passage of that Act?

**Lord Bellamy (Con):** I will of course go back and look at the history. I am equipped with elderly but serviceable shin-pads and am quite used to having my shins thoroughly kicked when necessary, but in this case the Government feel that the country as a whole must go forward together and not favour a particular group.

## Net Migration Question

3.09 pm

Asked by **Lord Green of Deddington**

To ask His Majesty's Government how they intend to meet their commitment to reduce net migration, given the estimate by the Office for

[LORD GREEN OF DEDDINGTON]

National Statistics, published on 24 November, that net international migration to the United Kingdom was 504,000 for the year ending June 2022.

**The Parliamentary Under-Secretary of State, Home Office (Lord Murray of Blidworth) (Con):** The Government are committed to controlling immigration and ensuring that it works in the UK's best interests. Our immediate priority is continuing to tackle abuse in the system and prevent dangerous and illegal crossings. In the medium to long term, we will continue to strike a balance between reducing overall net migration and ensuring that businesses have access to the skills that they need.

**Lord Green of Deddington (CB):** My Lords, half a million immigrants in one year is truly extraordinary: more than the population of Manchester or Edinburgh. Admittedly, that includes 200,000 refugees from Ukraine, Hong Kong and Afghanistan. Even if you allow for that, it is now clear that the Government's points-based system has opened up nearly half of all full-time jobs to immigrant workers. Will the Government now retighten the requirements for work visas for students and dependants so as to get a grip on the huge wave of immigration that they have so foolishly sparked off and which, rightly, is a very serious concern to many members of the public?

**Lord Murray of Blidworth (Con):** As the noble Lord rightly observes, the net migration figures estimated by the ONS this year reflect the very unusual international circumstances in which we find ourselves. Home Office statistics show that we have helped over 144,000 people from Hong Kong, 144,600 people fleeing the war in Ukraine and nearly 23,000 people from Afghanistan to find safety in the UK. This means that the current set of figures is an outlier. The level of immigration for study visas reflects government policy, in that we are encouraging students from other parts of the world to study at British universities, with the great benefit that brings both to Britain and to those people who have the benefit of a British education.

**Lord Blunkett (Lab):** My Lords, overnight briefings on the issue of "safe country" take me back 20 years. Last week's briefings in relation to overseas students would take us back 60 years. Will the Minister make absolutely clear that those briefings were incorrect—because they were economically illiterate, intellectually unsustainable and incredibly damaging to our education system?

**Lord Murray of Blidworth (Con):** I note what the noble Lord says.

**Lord Lilley (Con):** My Lords, will my noble friend bear in mind that, over the last decade, total immigration—which ran at half the level of the last 12 months—was equal to the combined populations of Southampton, Portsmouth, Oxford, Nottingham, Middlesbrough, Leicester, Exeter, Derby and Carlisle? We wonder why we have a housing shortage. Has my noble friend the Minister ever heard those who oppose any tightening

of immigration restrictions recognise that they are condemning a whole generation of British-born young people to living at home or in cramped bed-sits until they are middle-aged?

**Lord Murray of Blidworth (Con):** It may assist my noble friend if I remind the Chamber that work visas are 82% higher than they were in 2019 and that this is in part driven by an increase in health and care visas, which make up 50% of all skilled worker visas issued. Family-related visas are 31% lower than in 2019. It is clear that there is a need for more people in the health and care sector, and visas are awarded in relation to that. That is the reason for these exceptional figures. Again, I point to the fact that the figures this year reflect the problems of coming out of the pandemic and the international conflict that we have had to deal with.

**Baroness Ludford (LD):** My Lords, have I got this right? The Government insist on including students in the immigration statistics. Students form one-third of people coming into the country, thereby artificially inflating the migration numbers. The Government's reaction is to seek to ban students, harming the higher education sector and the economy. Can they really not think of a better way to manage this, starting by excluding students from the immigration statistics?

**Lord Murray of Blidworth (Con):** I reassure the noble Baroness that the Government have no plans to ban students.

**Lord Hodgson of Astley Abbotts (Con):** Could my noble friend explain why the Government have limited the number of medical school places to 7,500? This deprives several hundreds and maybe thousands of our young people the chance to pursue a medical career. In the last five years, we have recruited 50,000 doctors from overseas, some of whom have come from less-developed countries, which I at least regard as a shameful practice.

**Lord Murray of Blidworth (Con):** I note what my noble friend says, but the level of provision of medical training is a matter for the Department of Health and the Department for Education.

**Lord Brooke of Alverthorpe (Lab):** My Lords, is it not true that one of the great attractions of this country is that people can come in and get employment without any real problem whatsoever, and that the major error that we have had is the abandonment of the policy we had in 2010 to have a form of identity for every individual in the country? This has now been exposed as a major failing of the then Tory and Lib Dem Government, and something needs to be done to address it.

**Lord Murray of Blidworth (Con):** The Government do not agree that the answer is identity cards.

**Lord Desai (Non-Aff):** My Lords, should we not recognise that the people who pay thousands of pounds to people to carry them across the channel actually want to come here? They find coming here beneficial,



and the economy finds it beneficial when they come. Why do we not have a system in which we distinguish between refugees and economic migrants and welcome economic migrants as a very good thing?

**Lord Murray of Blidworth (Con):** I thank the noble Lord for that question. We have indeed such a system. The points-based immigration system is designed to entice to the UK those workers who wish to come who are qualified by reason of the scheme. The asylum system exists to assist those who are claiming asylum or other protection.

**Lord Coaker (Lab):** I put it simply to the Minister, following the questions he has had from around the House: would it not be helpful for a Minister of the Crown to stand up at that Dispatch Box and say, “Of course we need rules about migration, but this country benefits enormously from migration, and we should welcome that fact”?

**Lord Murray of Blidworth (Con):** I entirely agree with the noble Lord that the country benefits vastly from legal migration. Indeed, that is why we have arrangements to achieve that objective.

**Lord Baker of Dorking (Con):** My Lords, the Minister will be aware that there are about a quarter of a million overseas students whom we welcome to this country, but is he also aware that many of those also ask for dependent relatives to be brought in? Surely dependent relatives should not be allowed in. It is the students who require access, not their families.

**Lord Murray of Blidworth (Con):** I thank my noble friend for that question. The position is that the types of students who are now availing themselves of British educational opportunities tend to be older, and there are restrictions around the provision of visas for family members. They are restricted to those on a postgraduate course—broadly, not undergraduate courses—and to a course of nine months or longer, if the course of study is with an accredited institution with a track record of compliance with immigration requirements. It appears to be the case that, of the visas issued to students and dependants, about one in five go to dependants and there is no reason in the Government’s view to change that position at this time.

**Baroness McIntosh of Hudnall (Lab):** My Lords, the Minister has been asked several times a question that, with great respect, he has not answered: why are international students, who bring significant income to our universities and are an ornament to them in many other ways, included in migration statistics, with or without dependants? They distort those statistics, which, frankly, does not serve the Government’s purposes very much. Why are they still part of the immigration statistics? He has not given us an answer to that.

**Lord Murray of Blidworth (Con):** I thank the noble Baroness for the opportunity to clarify the position. The ONS prepares these estimates in its own way, and it is utilising on this occasion a new methodology

derived from various sources to estimate, effectively, emigration as well as immigration. The choice is taken to include students, for reasons of transparency, and that seems to me entirely sensible. The number of visas issued to students is available to the Home Office as a figure. That is only a part of the picture when considering the figures that the noble Lord, Lord Green, was referring to in his Question, which are of course the estimates provided by the ONS.

## **Air Quality (Designation of Relevant Public Authorities) (England) Regulations 2022**

### **Persistent Organic Pollutants (Amendment) (EU Exit) Regulations 2022** *Motions to Approve*

3.20 pm

*Moved by Lord Benyon*

That the draft Regulations laid before the House on 19 and 27 October be approved. Considered in Grand Committee on 24 November.

*Motions agreed.*

## **Manston Update** *Statement*

*The following Statement was made in the House of Commons on Monday 28 November.*

“As the House will know, sadly, on the morning of 19 November an individual who had arrived in the United Kingdom on 12 November, and who had been staying at the Manston processing site, died in hospital. Initial test results for an infectious disease were negative, but a follow-up PCR test was positive. We must now await the post-mortem results to determine the cause of death, and our thoughts are with the individual’s family.

There has been speculation about the wider health implications across the asylum accommodation system, so I wanted to come to the House to set out the facts, to outline the steps that have already been taken to protect migrants and the general public, and to reassure the public about the additional precautionary measures that we are now taking.

The control and testing of infectious diseases is led by the UK Health Security Agency and the Department of Health and Social Care. The Home Office continues to work closely with both, taking their advice on all these matters and following it. As part of our ongoing dialogue, the Home Secretary and I were updated over the weekend on the situation by Dame Jenny Harries of UKHSA, who confirmed to us that 50 cases of diphtheria had been reported in asylum accommodation. It is important to emphasise that UKHSA has made it clear that the risk to the wider UK population from onward transmission of diphtheria is very low, thanks in no small part to our excellent childhood immunisation programme, and also because the infection is typically passed on through close prolonged contact with a

[LORD BENYON]  
case. UKHSA confirmed that it considers it likely that these cases developed before the individuals entered the UK.

The Home Office has worked closely with the NHS and UKHSA to identify and isolate anyone with a diphtheria infection. That includes providing diphtheria vaccinations and moving confirmed cases into isolation. While these robust processes and plans for a situation of this type are already in train, it is absolutely right for us now to be vigilant: that is what the public would expect, and that is what we are doing. There are, for instance, robust screening processes on the arrival of individuals at Western Jet Foil in Dover to identify proactively those with symptoms of diphtheria; round-the-clock health facilities at Manston, including emergency department consultants and paramedics; guidance in multiple languages on spotting the symptoms of diphtheria; and an enhanced diphtheria vaccination programme, offered to all those arriving at Manston. I can confirm that of those who arrived at the facility this weekend, 100% took up that vaccine offer. There is testing for those presenting with symptoms and for close contacts, and those testing positive are being isolated in a designated place.

Today we are going above and beyond the UKHSA baseline by instituting new guidance on the transportation and accommodation of individuals displaying diphtheria symptoms. From today, no one presenting with symptoms will progress into the asylum accommodation system. They will either remain at Manston, isolating for a short period, or they will travel to a designated isolation centre in secure transport, where they will be treated until deemed medically fit. This is a well-practised protocol from Covid times.

We will also continue to ensure that all asylum accommodation providers are given access to the very latest public health advice from UKHSA, and we will ensure that they are aware of their responsibilities for testing and isolating cases of infectious disease. We will continue working with UKHSA to ensure that arrangements are of the highest standard and that UKHSA has everything it needs from the Home Office. We are engaging with French counterparts to assess the state of infectious disease in the camps in northern France.

I fully understand and appreciate the concerns that have been raised, and I assure the House that the Home Office is acutely aware of our responsibility both to those in care and to the British public. For me, the Home Secretary and the Government as a whole, public health is paramount. We will take all steps necessary to ensure that the public are protected. I commend this Statement to the House.”

3.21 pm

**Lord Coaker (Lab):** My Lords, we know that the Government’s asylum system is in chaos. Just 2% of last year’s small boat cases have been decided, creating a backlog of nearly 100,000 people waiting more than six months for a decision. Such is the chaos that we have seen, and are seeing, that we have the completely inappropriate last-minute use of hotels, with no proper information for local councils or public health officials. Then, of course, there is the disgrace that has been and is Manston.

We are all aware of revelation after revelation of overcrowding at Manston, of people being kept long after legal limits were passed and of poor health and hygiene. What is the latest revelation that we have from Manston? It is of 50 diphtheria cases—compared with just three last year. Was the Home Office warned four months ago, as reported in today’s media, that measures to prevent the spread of infectious diseases such as diphtheria at Manston were poor and that staff were ill prepared to deal with them? When were Ministers first told that there were diphtheria cases at Manston?

By mid-October, the Home Office had admitted that there were cases at Manston, but its officials told the Home Affairs Committee on 26 October that they had sufficient health measures in place to address diphtheria. Why, when they clearly did not? The Government kept thousands of people in overcrowded conditions at Manston, described by one as thousands of people “huddled around fan heaters” to stay warm. I am no expert but those seem like perfect conditions for infections to spread, so why on earth was it only on 11 November, weeks later, that diphtheria screening and vaccinations were recommended for everyone passing through Manston? How was it possible that, despite this, the Home Office continued to move people from Manston into hotels across the country, even as potential carriers of diphtheria? Why was this done in some cases with local public health councils or local authorities not being told or given proper information?

The Health Secretary tells us that 500 people have now been screened and vaccinated, but what about the thousands of others who have passed through Manston? Wherever they are in this country, have they been screened and vaccinated for diphtheria, or have they just been left? Have all those with possible symptoms been given antibiotics? Given that this was the recommendation of public health officials some three weeks ago, if it has not been done, why not? What liaison is taking place between the health department and the Home Office? What is the plan?

Across the country, residents and migrants from Manston have been dispersed. We were told by the Immigration Minister yesterday that asylum seekers with symptoms of diphtheria are to be isolated for a short period at Manston or in designated isolation hotels. Can the Minister say any more about the numbers of cases across the country and where they are? What is the current situation?

Of course, the Government, the Minister and the Home Office will now do all they can to protect public health, prevent infection and give healthcare to those who need it—but it should never have come to this, should it? It is time for the Government to listen, advise, act on advice and get a grip. Manston and now this associated health issue of diphtheria have been a public policy disgrace, alongside asylum backlogs and chaos in the channel. Frankly, it is shocking, and the Government need to get a grip.

**Baroness Brinton (LD):** My Lords, it is a pleasure to follow the noble Lord, Lord Coaker. I am afraid I will repeat not only some of his questions but the many that I have asked the Minister on this issue over the last month.

On 31 October, the Home Secretary said:

“Manston ... has very good medical facilities and all protocols have been followed.”—[*Official Report*, Commons, 31/10/22; col. 649.]

On 27 October, Robert Jenrick, the Immigration Minister, said:

“The basic needs of arrivals are provided ... including ... medical care.”—[*Official Report*, Commons, 27/10/22; col. 401.]

When we had the Statement last Thursday, it felt like the Home Office had emptied Manston and dumped unfunded people, unscreened and unvaccinated, without access to their local NHS in their new venues.

It is good that things are starting to change, and that is why I thank the Minister. If he had anything to do with the message that came out on Friday afternoon that the spot accommodation arrangements that prevented people moving from Manston to hotels from accessing GPs have now been changed. It is a shame that it has taken repeated questions to make that happen.

On Saturday morning we heard that the man who died after staying at Manston had died from diphtheria, which was clarified by a PCR test, despite some earlier negative tests. One of the problems with diphtheria is that the symptoms are not always obvious. On 1 November, I asked the Minister whether people were being routinely screened and tested, but it appears that they are still not, let alone being vaccinated.

The spread of infectious diseases was highlighted by Charlie Taylor, Chief Inspector of Prisons, in his unannounced inspection of Manston and Jet Foil at the end of July. The report was published on 1 November, but I am sure that it is still the convention for Ministers to see a draft beforehand. It says:

“Facilities for the management of detainees with COVID or other infectious diseases were poor. Detainees were placed in a claustrophobic portacabin with no clear responsibility assigned for managing their care. Paramedic staff were unsure of any guidance, policy or procedure for the management of infectious diseases.”

What happened after the draft of this advice was seen by Ministers, prior to assurances given by Ministers, from the end of October onwards, that good healthcare and protocols were being followed?

Diphtheria is a notifiable disease because, in unvaccinated people and untreated cases, it has a fatality rate of 5% to 10%. It spreads in overcrowded communities whose health may be compromised for other reasons, which is absolutely typical for asylum seekers. What data is there for how many of the people held at Manston since the middle of October have now been screened, tested and offered vaccinations? The UNHCR, UNICEF and the American CDC all vaccinate refugees and migrant communities, and it is now compulsory if you come into America through the border with Mexico.

On Sunday, the Home Office said that infectious migrants will now be told to isolate in hotel rooms but, prior to this, the only advice about those in hotels was given to hotel staff, not local doctors and certainly not directors of public health. It is good that this is beginning to change.

Yesterday morning, the government webpage entitled “Protecting yourself against diphtheria” was updated—and that too is good. It is important to say that the

wider public are not at risk; only people coming into contact with someone with diphtheria are at risk. The guidance now says:

“Everyone arriving to claim asylum in the UK is currently being offered a dose of a diphtheria containing vaccine and a course of antibiotics ... to reduce the risk of diphtheria and some other infections.”

This should have been normal practice the moment the first case emerged, so why is it only starting to happen now?

The Statement says that an “enhanced diphtheria vaccination programme” will be “offered to all”. So I ask the Minister what the definition is of “those arriving”: does it cover everyone who has been at or through Manston since the numbers bloomed after Suella Braverman was appointed as Home Secretary, rising from 1,500 to 4,000 in the space of three weeks? Or is it only those currently at Manston? Or will it now be every asylum seeker in the country, as is the case with CDC in America?

I also ask whether those who come through Manston have also been screened for infectious diseases, including diphtheria and scabies? Who will be managing this; will the Home Office be funding screening and vaccinations? I hope so, because local health services should not have to pick up the tab.

The Statement says that “robust screening processes” on arrival will “identify proactively” those with symptoms. However, we know that diphtheria is asymptomatic. Two are currently hospitalised, one person is dead and there are at least 50 confirmed cases. We have had only about 50 cases in the last 10 years in the UK, but the directors of public health in local areas are still struggling to get access to information and resources, from either the Home Office or the UKHSA. When will that happen? If the Minister cannot answer all these questions, please can he write to me with some answers?

**The Parliamentary Under-Secretary of State, Home Office (Lord Murray of Blidworth) (Con):** I thank both the noble Lord and the noble Baroness for their speeches. The Home Secretary and the Minister for Immigration were updated over the weekend by Dame Jenny Harries of the UK Health Security Agency, who confirmed that 50 cases of diphtheria had been reported in asylum accommodation. This had the unfortunate effect of being a consequence of the speed with which Manston had been emptied in response to the earlier concerns about the conditions at Manston. While robust processes and plans have now been put in place, it is right that we remain vigilant. As the noble Baroness observed,

“robust screening processes on ... arrival ... at Western Jet Foil ... to identify proactively those with symptoms of diphtheria”

are in place, and the

“‘round-the-clock’ health facilities at Manston”,

which I previously referred to in this House,

“including emergency department consultants and paramedics”, remain available to those at Manston and will readily identify conditions that those people may have.

Guidance is also available

“in multiple languages on spotting the symptoms of diphtheria”, and I am grateful to the noble Baroness for noting that changes have made on the website in an effort to enhance the spread of that message. In addition,

[LORD MURRAY OF BLIDWORTH]

“an enhanced diphtheria vaccination programme, offered to all those arriving at Manston”

is now in place, and

“of those who arrived at the facility this weekend, 100% took up that ... offer”.

Further,

“testing for those presenting with symptoms and for close contacts” of confirmed cases was also available,

“and those testing positive are being isolated in a designated place.”—[*Official Report*, Commons, 28/11/22; col. 676.]

As the noble Baroness has observed, certain “isolation hotels” have been set up to provide facilities to make that isolation possible and easier for those who need it. Equally, special transport is provided to ensure that they can travel to their place of isolation until the symptoms of the condition have resolved.

On the question asked by both the noble Lord and the noble Baroness in relation to liaison with local health departments, the Home Office’s contracted accommodation providers are contracted to provide a liaison with health services, to provide those residents with health services, and to signpost them to local GPs and other health providers. Local authorities, too, are provided with £3,500 per person to provide their services to those in Home Office accommodation. That, of course, includes public health obligations on local authorities. As the Minister in the other place made clear, the department is going above and beyond the UKHSA baseline by instituting new guidance on the transportation of individuals displaying diphtheria symptoms.

It is clear that this is a very unfortunate consequence of the speed with which Manston was emptied in the run-up to the previous weekend, and steps are now being taken to ensure that all those in accommodation are offered a vaccination for diphtheria. Clearly, there is widespread awareness of the issue now.

On the final point raised by the noble Baroness, Lady Brinton, in relation to the medical facilities at Manston, the comments in July bear no relation to the present position. As I said, I have visited those medical facilities and found them to be very impressive. They are not accommodated in the temporary accommodation to which the noble Baroness referred. Those working in that sphere do a fantastic job, and I thank them for it.

3.36 pm

**Baroness Chakrabarti (Lab):** My Lords, I am grateful to the Minister for his answer. I appreciate that he has been a Member of your Lordships’ House and therefore, I assume, in his ministerial post for only just over a month, so this is not intended as a personal criticism in any sense. However, I do not understand the logic of saying that this is a consequence of the speed with which Manston was emptied. How did the disease get into Manston in the first place? The Minister may say that people brought the disease from other countries and that it has been spreading within Manston, but we have been living for two years inside a global health emergency. Why has it taken this death and this scandal to now introduce health screening for people arriving at our shores?

**Lord Murray of Blidworth (Con):** The answer is clear from Dame Jenny Harries that those with diphtheria contracted it prior to entering the UK. It seems that the conditions through which they travelled in other countries were such that clearly they were able to contract the condition—and that is most unfortunate.

As to the reason why it has taken us so long to take steps in relation to it, I remind the noble Baroness that comprehensive health screening has been available at Western Jet Foil and Manston. As recently as late October, only five cases of diphtheria were found to be present in the population at Manston, and those were not sent onwards to accommodation without being treated. As the noble Baroness, Lady Brinton, pointed out, diphtheria is one of those conditions which can present without symptoms, so it is difficult to screen for. Further steps are being taken to preclude that occurring, as I have outlined.

**Baroness Jones of Moulsecoomb (GP):** My Lords, the Minister said that the speed at which Manston was emptied was unfortunate—but of course that was not the problem, was it? The problem was the speed at which Manston was crowded, and for how long those people were held like that. Has the Minister in his department seen any embarrassment or even shame at these events?

**Lord Murray of Blidworth (Con):** I agree with the noble Baroness that the reason these problems arose was the speed with which people were crossing the Channel illegally: that gave rise to the condition. The noble Baroness may shake her head, but the reality is that, if these people were not crossing the Channel illegally, the situation would not have occurred.

**Baroness Ludford (LD):** My Lords, I share the surprise of the noble Baronesses, Lady Chakrabarti and Lady Jones of Moulsecoomb, that the Government are trying somehow to claim credit for rapidly emptying Manston. The fact is that it has been a story of incompetence and chaos, followed by panic. However, I particularly want to ask about staff in the hotels that the asylum seekers are living in. I have seen assurances from the Government in the press that it is not a problem for the wider community because most British residents are vaccinated. But I have also seen a concern expressed about eastern European staff in some of those hotels who apparently—I am relying on press reports—were not routinely vaccinated in their home countries against diphtheria. Is this something that the Government are paying attention to, because although we talk about “isolation hotels”, there will be some staff contact and, if it is an airborne disease, those staff could be at risk?

**Lord Murray of Blidworth (Con):** I entirely get the sense of the noble Baroness’s question. The accommodation, as I say, is run by three contractors on behalf of the Home Office and I would sincerely hope that they are aware of their obligations to their staff to ensure that this is the case. I do not know the precise figures, and I can write to the noble Baroness about that.

**Baroness Wheatcroft (CB):** My Lords, Napier barracks in Kent is still being used to house asylum seekers, despite an inspector's report that said it was not fit for that purpose. Last year, an epidemic of Covid took hold there because of the unsatisfactory accommodation, with up to 24 people in dormitories. Can the Minister assure us that nobody went directly from Manston to Napier; that everybody at Napier is being screened for a disease which he says does not always exhibit symptoms; and that the conditions there are now suitable for people to be held?

**Lord Murray of Blidworth (Con):** Taking that question in reverse order, yes, the conditions are now suitable for those held there. I do not have the answer as to whether people were transferred directly from Manston to Napier barracks: I can make inquiries about that and write to the noble Baroness. As for her final point, on the provision of healthcare at Napier barracks, similarly, those operating that accommodation facility will provide healthcare and signpost healthcare facilities to those who are resident there.

**Lord Paddick (LD):** My Lords, why will the Government not consider humanitarian visas, where people's initial application for asylum could be considered in situ and they could be vaccinated against serious diseases before they arrived in the UK?

**Lord Murray of Blidworth (Con):** It is because the Government believe in encouraging migration via safe and legal routes, and not by those who choose simply to cross the channel in a small boat.

**The Lord Bishop of Durham:** I do not think the Minister answered the last question, because the whole point is that a humanitarian visa would be a new safe and legal route and it is one for which many of us have argued for quite some time. It would discourage people from travelling by boat. They could apply for a visa before they came and, as the noble Lord, Lord Paddick, said, they could also be vaccinated before travelling.

**Lord Murray of Blidworth (Con):** I understood the noble Lord, Lord Paddick, to ask me whether those who had arrived at Manston should be given a humanitarian visa and be inoculated. That is not the case. On the method that the right reverend Prelate asked about, there are safe and legal routes from the countries that were discussed in the earlier topical Oral Question. Those are the routes that are to be utilised.

**Lord Paddick (LD):** If the House will indulge me, I shall clarify my question. The Home Secretary was asked at the Home Affairs Select Committee last week what would happen to a genuine refugee, say from sub-Saharan Africa, where there are no safe and legal routes. Why could someone in that situation not make an initial application in country for a humanitarian visa and be vaccinated in country before they arrive in the UK? The clue in the question I asked previously was "before they arrive in the UK".

**Lord Murray of Blidworth (Con):** The short answer is that that is not the Government's policy. We have safe and legal routes from the countries that I have already identified, and we do not propose to open any others.

**Baroness Hamwee (LD):** My Lords, the Minister said in reply to my noble friend Lady Ludford that he hoped that the private sector companies which fulfil the contracts would have a care for their staff. Is that not something that the Government should urgently check into? Do the Government themselves not have an obligation in the quite unusual circumstances we are talking about? Secondly, what arrangements are there for the families of patients—I call them patients quite deliberately, because that is how we should treat them—who are put into isolation? Are the families kept together? The Minister will understand that there is a whole ream of questions like this which the House would like to know the answers to.

**Lord Murray of Blidworth (Con):** As the noble Baroness is aware, the vast majority of those crossing the channel are single young men, so the issue has arisen in relation to single men. I do not know the answer about accommodation for any potential family members, but I will certainly ask the department and inform the noble Baroness of the outcome.

**Baroness Jones of Moulsecoomb (GP):** May I have an answer to my question about shame or embarrassment?

**Lord Murray of Blidworth (Con):** I am not sure that that is in order.

## Independent Cultural Review of London Fire Brigade

*Commons Urgent Question*

*The following Answer to an Urgent Question was given in the House of Commons on Monday 28 November.*

"Let me start by thanking the honourable Member for Brent Central, Dawn Butler, for her Question. The report written by Nazir Afzal OBE makes for deeply troubling reading. The behaviour uncovered is totally unacceptable. The London fire commissioner, Andy Roe, commissioned this review due to his significant concerns about the culture in his own service. The review also followed the tragic suicide of Jaden Matthew Francois-Esprit, a trainee firefighter. I know that colleagues will share my sadness and shock at the testimony of those who shared their experiences, as outlined in the review. I pay tribute to them for their courage.

I wish to assure the House that the Government have taken, and continue to drive, action in this area. Through the introduction of the independent inspection of fire and rescue services, we have highlighted issues with the culture in the fire service, and it is clear that these are not confined to the London Fire Brigade. That is why we published the fire reform White Paper

[LORD MURRAY OF BLIDWORTH] in May, which set out proposals to reform the way that fire services support and value their people. At the heart of the White Paper are plans to improve culture and professionalism, and put ethics at the heart of the service.

Furthermore, the Government have funded a number of important change programmes in the fire sector. We have supported the creation of a new code of ethics for fire and rescue services, setting out clear national expectations for standards of behaviour. The Fire Standards Board, which the Home Office funds, has produced a fire standards code to support the code of ethics, as well as a specific safeguarding standard, supported by guidance from the National Fire Chiefs Council. It will shortly publish new fire standards on leadership, addressing issues such as those raised by this deeply disturbing report.

I welcome the fact that the London fire commissioner has committed to addressing and implementing all 23 recommendations in full and note that the National Fire Chiefs Council has also committed to considering the report carefully. Through the White Paper and otherwise, the Government will continue to press to eliminate the appalling behaviour that this shocking report uncovered.”

3.45 pm

**Lord Coaker (Lab):** My Lords, female firefighters groped and beaten, a black firefighter having a noose put on his locker, and a Muslim firefighter having sausage and bacon sandwiches stuffed in his pocket—these are all awful examples, among many more, from the appalling report on the culture of the London Fire Brigade published yesterday. The report says that such abuse was shockingly often dismissed as being just banter. Do the Government agree that this has to be a watershed moment? How are the Government going to work with the London Fire Brigade commissioner, Andy Roe, to deliver the much-needed cultural change quickly? What evidence is there that this is a much wider problem than just London, and what are the Government going to do about that? Being shocked is one thing, but what is needed is action.

**The Parliamentary Under-Secretary of State, Home Office (Lord Sharpe of Epsom) (Con):** I agree with the noble Lord; the report written by Nazir Afzal makes for deeply troubling reading indeed. The London fire commissioner, Andy Roe, commissioned this review due to his significant concerns about the culture in his own service. The review also followed the tragic suicide of Jaden Matthew Francois-Espirit, a trainee firefighter; my thoughts and sympathies are obviously with his family. I know that all noble Lords will share our sadness and shock at the testimony of those who shared their experiences for this review, to whom I pay tribute for their courage. I assure the House that the Government have taken and continue to drive action in this area. The London fire commissioner has accepted all 23 recommendations in the report, also stating that he will be fully accountable for improving culture. We will take a very close interest in how he intends to implement this.

**Baroness Pinnock (LD):** My Lords, this is indeed a deeply troubling report. A life-saving emergency public service is being laid low by corrosively damaging behaviour by a minority of firefighters, despite the obvious dedication of the majority. As the Minister has said, there are 23 recommendations in the Nazir Afzal report. I have a couple of questions. First, will the Minister commit to providing a review of these recommendations within 12 months so that progress can be made and be seen to be made? Secondly, the report exposed the failure of the model of governance. Good governance would have exposed the failings and demanded action well before this horrific bullying, harassment, misogyny, homophobia and racial discrimination was brought to light. What action will the Government take—maybe the Minister can tell us—to remedy this absolute system failure of governance?

**Lord Sharpe of Epsom (Con):** I thank the noble Baroness for her questions. I think it is useful to remind the House that the report confirmed that the disadvantage and discrimination that affects brigade staff does not translate into its operations and does not impact on the way the brigade prevents and responds to incidents. It is important to note that and to note our admiration for firefighters, who walk into trouble as opposed to walking away from it.

As for the Government’s response, we should bear in mind that responsibility for London Fire Brigade rests with the Mayor of London, but the Government published a fire reform White Paper in May. That set out proposals to reform the way the fire service supports and values its people. At its heart are plans to improve culture and professionalism and to put ethics at the heart of the service. The Government have also funded a number of important change programmes in the fire sector. We have supported the creation of a new code of ethics for fire and rescue services, setting out clear national expectations for standards of behaviour. The Fire Standards Board, which is funded by the Home Office, has produced fire standards to support the core code of ethics as well as a specific safeguarding standard, supported by guidance from the National Fire Chiefs Council. It will shortly be publishing new fire standards on leadership.

**Lord Udny-Lister (Con):** My Lords, could the Minister please advise, first, that responsibility for the London Fire Brigade rests with the Mayor of London, who has a deputy mayor responsible specifically for the London Fire Brigade? So my first point is on governance—what is being done on that? Secondly, what will then be done about removing the individuals who have been clearly identified in this process? We only recently had the report of the Commissioner of the Metropolitan Police on how we could not get rid of large numbers of policemen who need to leave the service quickly. Thirdly, national training has always been an issue for the fire brigade. The central Fire Service College in Moreton-in-Marsh was closed many years ago. It still has not been replaced and there are all sorts of training and governance issues around the fire brigade.

**Lord Sharpe of Epsom (Con):** That is very clear; there is fairly evidently a failure of leadership. However, as I mentioned, I commend the leadership of Andy

Roe, who commissioned a report into his own brigade. That was courageous and, as I say, he has committed to acting on all the recommendations.

There were two recommendations on getting rid of people. One is for a historical review of complaints, which will obviously investigate potential historical injustices. I imagine that will have some sort of component to do with removing people.

I am happy to confirm that the Mayor of London has operational responsibility for this, along with his deputy. That is on the website, and he claims it for himself. This is not blaming; it is merely stating a fact.

**Baroness Chakrabarti (Lab):** My Lords, I am grateful to the Minister for his answer. He knows that I am always happy to examine issues of governance and new legislation where that is required, be it for the fire brigade or the police, which we will discuss in the debate of the noble Lord, Lord Lexden, on Thursday. But what is happening in our country? What is happening to the culture of kindness, decency and mutual respect among our fellow citizens and, it seems, I am sorry to say, particularly some men in our country? We now have these allegations—more than allegations; we have case after case in the Metropolitan Police, these new revelations about our much-needed and respected fire service and allegations of bullying in the Palace of Westminster, even at senior Cabinet level. The Deputy Prime Minister is now being investigated for bullying. Will we hear from the Minister for Equalities or from the Prime Minister—the first non-white Prime Minister—who has small daughters for whom he no doubt cares and is concerned? Will we hear some leadership on the culture of dignity and decency in our country?

**Lord Sharpe of Epsom (Con):** I cannot speculate about what the Prime Minister might say so I shall speak for myself. I agree with the noble Baroness: I am disturbed by many of these reports that I have to stand here and talk about.

**Lord Paddick (LD):** My Lords, rather than concentrating on who is to blame, should the Government not be focused on solutions? What have they done to look at parallels between this report and that of the noble Baroness, Lady Casey of Blackstock, into the Metropolitan Police? What are the common lessons and what, therefore, are the urgent steps that need to be taken in both the police service and the fire brigade?

**Lord Sharpe of Epsom (Con):** I think I made it abundantly clear that I was blaming no one; I was stating a fact. I also made it very clear that we published a fire reform White Paper in May and that Andy Roe has committed to acting on all 23 recommendations.

**Baroness Warsi (Con):** My Lords, if the Minister is open to suggestions for solutions, may I ask him to take one away? Many years ago, the Government committed to finding a definition of Islamophobia. There is an agreed definition which has been adopted by all political parties in Parliament, including the Conservative Party in Scotland. The Government, however, have not adopted that definition. There was

a report recently of a private meeting at which it was suggested that the Government had dropped their work on the definition of Islamophobia, but a No. 10 spokesman subsequently confirmed that that is not correct. Can my noble friend please investigate whether this work is continuing, and, if so, can he say when we can find an agreed definition and when that is likely to be published?

**Lord Sharpe of Epsom (Con):** The simple answer to my noble friend is that I am afraid I do not know but I will endeavour to find out.

**Baroness Falkner of Margravine (CB):** My Lords, I start briefly by saying to the Whips that when we have an Urgent Question, we cannot entertain speeches, because several of us would like to contribute—I say that very respectfully. I declare that I am chair of the Equality and Human Rights Commission, and I just have a simple point that I would like the Minister to emphasise. The noble Baroness, Lady Chakrabarti, rightly spoke of a spread of incidents across different public sector organisations where things have gone appallingly wrong. Will the noble Lord consider that all the organisations that have been mentioned today are covered by the public sector equality duty, which they are required in law to have due regard to? What is his assessment of why they have disregarded that duty?

**Lord Sharpe of Epsom (Con):** I am not sure that it is the organisations that have disregarded the duty, but clearly, individuals within them have. Obviously, that is part of a larger discussion, and I will take that suggestion back.

## Export Control (Amendment) (EU Exit) Regulations 2022

*Motion to Approve*

3.56 pm

*Moved by Viscount Younger of Leckie*

That the draft Regulations laid before the House on 20 October be approved.

**Viscount Younger of Leckie (Con):** My Lords, I am pleased to open this debate. The aims of this statutory instrument are threefold: first, to make technical amendments to the Export Control Order 2008 to implement the EU dual-use regulation, which applies in Northern Ireland by virtue of the Northern Ireland protocol; secondly, to correct an error introduced in an earlier instrument; and thirdly, to remove the Russian Federation as a permitted destination from the scope of certain general export authorisations.

I will start by giving some background. This instrument amends legislation relating to the export controls of the United Kingdom. This is a technically complex area of law. The export controls to which this instrument relates are specifically “strategic” exports; these include goods, software and technology capable of having a military use. In particular, the exports to which this instrument relates are “dual-use” exports: that is, exports that are capable of both civilian and military uses. The

[VISCOUNT YOUNGER OF LECKIE]

restrictions applying to strategic goods, software and technology are known as “controls” and can take different forms. There may, for instance, be controls relating to dual-use items and to end uses relating to weapons of mass destruction. Controlled items may be licensed for export; exporting controlled items without a licence constitutes an offence.

While the United Kingdom was a member of the European Union it was subject to the EU law on export controls. The EU set out a number of controls relating to strategic exports, as well as extensive lists of goods, software and technology subject to control. As noble Lords will be aware, since the UK’s withdrawal from the EU, certain EU rules have continued to apply in Northern Ireland in accordance with the terms of the Northern Ireland protocol. When the United Kingdom left the European Union in 2020, many of the detailed rules describing which strategic goods could not be exported without a licence were set out in European Union law.

I will pause here to say that I will use three distinct descriptions of relevant legislation, which are as follows. First, there is the old EU dual-use regulation which applied to the United Kingdom before our withdrawal from the EU. It continued to apply throughout the EU, and in Northern Ireland in accordance with the Northern Ireland protocol, until 9 September 2021. Secondly, there is the retained dual-use regulation. This is the version of the old EU dual-use regulation that was retained in UK law when we left the European Union. It applies in Great Britain. Thirdly, there is a new—I will use the EU word, “recast”—EU dual-use regulation, which came into force on 9 September 2021. Recast essentially means, in this instance, to revoke and replace. The recast dual-use regulation replaced the old dual-use regulation in the EU. Since 9 September 2021, the recast dual-use regulation has applied automatically in Northern Ireland in accordance with the rules of the Northern Ireland protocol.

The recast dual-use regulation sets out the rules that govern the export of dual-use goods, software and technology from the EU and Northern Ireland. This includes new controls on cyber surveillance items and technical assistance, which provide for additional controls relating to EU member states’ national control lists. For regulatory purposes, the recast dual-use regulation is incomplete. It sets out controls on dual-use items but does not provide the necessary legislative detail on how to license exports of those items, the offences applicable for breaching controls or the applicable customs enforcement powers. These matters have been left for domestic implementation.

In this case, the regulation that we are seeking to ensure functions properly controls the export of dual-use goods—that is, goods that have both a military and a civilian use. The statutory instrument before us aims to make the necessary changes to the Export Control Order 2008 to ensure that the recast dual-use regulation is properly connected to the existing domestic law provisions on licensing, offences and customs enforcement. To that extent, it provides for the technical implementation of the United Kingdom’s obligations under the Northern Ireland protocol, rather than representing a change in export control policy.

I will briefly give some further detail. I would like to clarify that these regulations are subject to the draft affirmative procedure because they modify criminal offences to make the new European Union controls on cyber surveillance items, technical assistance and national control lists operable in Northern Ireland. Paragraph 8F(1) of Schedule 7 to the European Union (Withdrawal) Act 2018 specifies that instruments that make provision falling within paragraph 8F(2) must be made using the draft affirmative procedure.

I will now explain what these regulations do, first with respect to the changes made to the Export Control Order, then with respect to the changes to the retained dual-use regulation. First, with respect to the order, Regulation 3 updates and clarifies definitions relating to the recast dual-use regulation as it applies in Northern Ireland and the retained dual-use regulation as it applies in Great Britain. Secondly, Regulations 4 to 8 and 15 and 16 update various cross-references to refer to the recast dual-use regulation. References to Article 20(1) of the old dual-use regulation, for instance, have been updated to refer to the equivalent provision in Article 27(1) of the recast dual-use regulation.

Thirdly, Regulations 9, 13 and 17 modify the offences provisions in the Export Control Order 2008 to cover the new controls in the recast dual-use regulation—that is, they make it an offence to contravene the prohibitions and restrictions in the recast dual-use regulation, and specify applicable penalties. They also distinguish more clearly between the offences applicable in Northern Ireland and those that are applicable in England, Wales and Scotland. Specifically, Regulation 9 limits the application of Article 35 of the Export Control Order 2008 to offences relating to the retained dual-use regulation as it applies in England, Wales and Scotland, while Regulations 13 and 17 create new offences in Northern Ireland in respect of the new controls in the recast dual-use regulation.

Fourthly, Regulation 10 both updates certain cross-references to the recast dual-use regulation and extends HMRC’s customs powers in Northern Ireland in respect of the new controls.

Fifthly, Regulation 12 updates a cross-reference to a Council directive of 18 June 1991 on control of the acquisition and possession of weapons, also known as the EU firearms directive. This too was replaced by an updated directive on the same subject matter, EU directive 2021/555, which came into force on 26 April 2021. The new directive now also applies in Northern Ireland, in accordance with the Northern Ireland protocol, and it is appropriate that we update this cross-reference accordingly.

I turn to the amendments made by this instrument to the retained dual-use regulation. First, Regulation 19 corrects an error in an earlier instrument made during the withdrawal of the United Kingdom from the European Union. It reinstates the Secretary of State’s power to refuse, annul, suspend, modify or revoke brokering services authorisation in the retained dual-use regulation. Secondly, Regulations 20 to 22 amend the retained dual-use regulation to remove the Russian Federation as a permitted destination in certain general export licences which apply in Great Britain.



I am sure your Lordships will recognise that this is a necessary step in light of Russia's illegal invasion and annexation of Ukraine's sovereign territory. If that was not enough, I add that the remaining regulations are genuinely minor and technical, and made in consequence of the amendments set out above. I beg to move.

**Lord Lennie (Lab):** My Lords, I thank the Minister for that extraordinarily thorough and historic briefing on the substance of these regulations. It is very welcome.

As we have heard, these regulations do three things. They make the necessary changes to ensure that the new regulations of the European Parliament operate effectively in Northern Ireland. They amend the Council regulation to correct a deficiency arising from the UK's withdrawal from the EU, and they remove the Russian Federation as a permitted destination from the scope of certain export authorisations. Consequently, Northern Ireland can continue to operate dual-use regulations effectively. As we have heard, dual-use items are those that can be used for both civilian and military purposes.

The Secretary of State's powers that were mistakenly taken away during the transition from the EU have been reinstated. These are powers to refuse, annul, suspend, modify or revoke brokering authorisations, and the Russian Federation is rightly removed as a permitted destination for certain general export authorisations. These changes became necessary, as the Minister said, after the EU modernised its export control system and in May 2021 adopted the recast EU dual-use regulation. This statutory instrument makes it operational in Northern Ireland.

The mistake of removing the Secretary of State's powers is corrected, but did its removal have any effects in the period before it was reinstated? Were they forced to act without the cover of the law? The removal of Russia as a permitted destination for exports follows on from a broader policy of measures taken following its continuing aggression towards Ukraine. On this side of the House, we support this necessary updating of policy.

**Viscount Younger of Leckie (Con):** My Lords, that was quite a short debate. I thank the noble Lord, Lord Lennie, for his equally short speech. There was a little bit of detail in it, though certainly not as much as in mine. I will look at *Hansard* and write to him answering his questions.

I conclude this extremely short debate by saying that the United Kingdom operates one of the most robust export control regimes in the world. We keep our export controls under careful and continual review. The United Kingdom also works with like-minded countries through international control regimes to decide what and how strategic goods should be controlled.

An answer has just been given to me. The drafting error was a simple mistake, which officials have identified and will now correct. The correction reinstates the Secretary of State's power to refuse, annul, suspend, modify or revoke licences granted to brokers. The power is infrequently required, and the Secretary of State has had no need of it since the mistake was made, but essentially it was a simple mistake.

*Motion agreed.*

## Internal Market Information System Regulations (Amendment etc.) Regulations 2021

*Motion to Approve*

4.10 pm

*Moved by Lord Callanan*

That the draft Regulations laid before the House on 20 July 2021 be approved.

### **The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Callanan)**

**(Con):** Noble Lords will understand the importance of protecting citizens and businesses through the effective and efficient operation of the Northern Ireland protocol. This instrument will form part of the UK's delivery of the protocol. It also serves to tidy up the statute book by removing provisions relating to access to the EU's internal market information system database that are redundant or inoperable as a result of the UK's departure from the EU. I hope noble Lords agree that it is important that our statute book provides a clear and up-to-date picture of UK law for the benefit of UK public authorities, businesses and citizens.

The internal market information system, which I will refer to as the IMI, is a secure online tool used to facilitate the EU single market. It was created to address problems of ineffective, insecure and inefficient communication between EU member states and between EU member states and the European Commission. The IMI is hosted and maintained by the European Commission.

At the end of the implementation period, the EU blocked the UK's access to the European Union's networks, information systems and databases. Under the Northern Ireland protocol, however, the EU can grant the UK access to the systems it considers necessary to enable the UK to comply with its obligations under the protocol.

The European Commission, in its decision of 16 October 2020, granted the UK limited access to the IMI to allow the UK to fulfil certain obligations under EU legislation which continue to apply in respect of Northern Ireland under the Northern Ireland protocol and which I will set out in more detail shortly. The UK's access to the IMI has otherwise been removed.

EU regulation 1024/2012 on administrative co-operation through the IMI sets out the legal framework for the use of the IMI. This regulation remains in force in the UK as retained EU law under the European Union (Withdrawal) Act 2018 and applies in areas where access to the IMI is retained.

This instrument does not make any policy changes, impose any new obligations or create any new powers. It removes redundant provisions that are inoperable, where UK access has already been removed by the European Commission on the grounds that it is no longer required. In particular, it removes references concerning legislative areas in respect of which the UK does not have access to the IMI, including the services directive, the recognition of professional

[LORD CALLANAN]

qualifications, patients' rights relating to cross-border healthcare, posted workers, public documents and non-road mobile machinery.

It also clarifies that the regulation applies in respect of Northern Ireland only in order to facilitate communications and the exchange of information for three general purposes, as I will explain. The first is to facilitate mutual recognition of goods lawfully marketed in another member state. EU regulation 2019/515 sets out a framework for ensuring that goods lawfully marketed in one EEA state can be sold in any other EEA state, as long as they are safe and respect the public interest.

The regulation provides that economic operators who consider that their rights under this regulation have been breached by a public authority of another EEA state can use the single market problem-solving network, SOLVIT, to try to find solutions without the need to resort to action in court. SOLVIT is hosted on the IMI. If a decision was made by a UK public authority to deny entry to the Northern Ireland marketplace goods sold in an EEA state, and the EEA economic operator considered this was incompatible with this regulation, he could lodge a case through SOLVIT. The IMI SOLVIT co-ordinator for the UK, based in my department, would then review the case and engage with the responsible authority in the UK to agree a response to the case to be submitted through the IMI.

4.15 pm

The second purpose relates to the return of cultural objects unlawfully removed from the territory of a member state. EU directive 2014/60/EC sets out the procedures for the return to an EU state of objects that are national treasures possessing artistic, historic or archaeological value which have been unlawfully removed from that EU state to another EU state.

An EU state can enter a case on the IMI to send a notification of the EU state to which it is believed that the object has been taken. All reasonable steps would then be taken on receipt of the case to locate the object, to protect it until such time as it can be retrieved, or otherwise, if it cannot be located or has been found to have been legally imported. All action taken would then be recorded on the IMI. The UK Department for Digital, Culture, Media and Sport is responsible for cases that arrive through the IMI on the return of cultural objects.

The third and final purpose relates to control of the acquisition and possession of weapons. The relevant EU directive sets out the minimum standards for civilian firearm acquisition and possession in EEA states for the purpose of controlling the movement of weapons between EEA states. The IMI is used by EEA states to notify other EEA states where it has granted authorisation to a business or an individual to acquire a firearm from, or transfer a firearm to, another EEA state. The UK Department for International Trade is responsible for all such communications through the IMI on the control of firearms.

In conclusion, this instrument makes a series of essentially technical amendments to reflect the current position regarding the UK's access to the IMI. It removes

provisions that are no longer operable following the end of the implementation period and retains only those provisions necessary in respect of Northern Ireland to ensure that the UK can comply with certain obligations placed under the Northern Ireland protocol. In doing so, this instrument ensures that UK public authorities can continue to access the IMI where necessary to allow them securely, effectively and efficiently to deliver those obligations. On that basis, I commend these draft regulations to the House.

**Lord Stevenson of Balmacara (Lab):** My Lords, I am sorry that the very interesting and, to me, quite new explanation for the IMI, and its rather interesting resonances for cultural goods and other material that needs to be notified from country to country, has not attracted a wide number of speakers. However, I will do my very best to enliven the House for a few seconds while we get to the point at which we make a decision about these important regulations.

My first question is very simple, and I was surprised that the Minister did not mention this in his introduction. Why the delay? This instrument was originally laid on 20 July 2021. It is still referred to as a 2021 regulation, although it seems to me that we are in 2022, almost 2023. There must be an explanation. It might be eluding the Minister at the moment, but I am sure that inspiration will arrive very shortly from the Box. We will wait for that to occur. It may or may not be important, but it links to what I want to say at the end. I therefore make the point now and look forward to the response.

It is very unusual for this House to have the leisure of so much time to consider regulations in any detail. Those of us who have struggled under many years of Conservative government legislation will know that we are often under pressure to read and respond to material at short notice. The idea that one has nearly 24 months to respond is one I could get used to very quickly.

Secondly, why is this being done at all? The main purpose here is to eliminate from the UK statute book things that are no longer relevant or which resonate with material relating to those who work or operate in parts of the United Kingdom other than Northern Ireland, so that the statute book is not cluttered up with that. However, as I understand it, but perhaps I am out of date, there is to be an EU Bill shortly which will do exactly the same thing. Perhaps I am reading something incorrect into these regulations, and if so, perhaps the Minister will correct me when he responds. However, this seems to be ahead of the plans of the former Secretary of State and his department. Of course, given that change, perhaps that Bill is no longer happening, but as I understand it the intention was to go through all the legislation retained after we left the EU to make sure that the statute book was uncluttered by it, yet here we have a statutory instrument doing that very job. Why is that?

Thirdly—I mention this because it raises issues relating to some of the affected material—we have not had an impact assessment and no consultation has taken place, as I understand it, on this statutory instrument. That is unusual, but not in relation to material carried forward from the exit from the EU. However, it would be helpful to those of us who have

to consider these matters if we knew who precisely was affected. When he responds, can the Minister name any company or organisation that would be more profitable or even affected by the passing of this legislation? I look forward to his response.

**Lord Callanan (Con):** My Lords, I join the noble Lord in expressing my regret that this major piece of legislation has not attracted more speakers. Nevertheless, it is quality that counts, not quantity, and I thank the noble Lord for his intervention. As I previously set out, this instrument makes a series of technical amendments to reflect the current position regarding the UK's access to the IMI. By updating the statute book, this instrument provides clarity for public authorities, businesses and citizens about how and when data previously shared between UK, EU member states and the European Commission is now treated following the UK's departure from the EU. As I said in my opening speech, it introduces no new obligations, costs or powers and will not change the service provided by public authorities to UK businesses and citizens under the Northern Ireland protocol.

In response to the noble Lord's question about what businesses would be affected, the answer is none. This instrument removes references to legislation which previously facilitated IMI access. Access was necessary to enable the UK to comply with its obligations under single market legislation while we were a member state. Now that we have left the EU, this instrument updates the statute book to reflect the areas where access has already been terminated by the European Commission on the grounds that UK access is no longer required. In other words, access is no longer necessary to support compliance under the Northern Ireland protocol. Therefore, this instrument removes references containing legislative areas in respect of which the UK does not have access to the IMI, including the services directive, recognition of professional qualifications, patients' rights relating to cross-border healthcare, posted workers, public documents and non-road mobile machinery.

Public authorities will nevertheless continue to have access to the IMI modules relating to disputes concerning mutual recognition of goods, the return of cultural goods and firearms transfers, as I outlined earlier. This will support continued communication, administrative co-operation and data-sharing between regulators in those areas. As required by the specific legislation, it continues to apply in Northern Ireland. The instrument facilitates such co-operation where required without the need to establish new secure channels of information and communication with individual EU member states and the European Commission.

In response to the noble Lord's question about why this instrument is so late, the answer is that the UK was given a right of access to the IMI under the withdrawal agreement for a period of nine months in order to finalise any outstanding applications for professional qualification recognition under the European professional card route from general system nurses, pharmacists and physiotherapists. The UK agreed to the EU's decision to extend the UK's right of access to the IMI beyond the deadline, as applications were still outstanding beyond that period. The making of this

instrument therefore had to be delayed so as not to remove the UK's ability lawfully to access the IMI for this purpose. The need for temporary access has now been resolved, and we are in a position to progress the instrument. I hope that resolves the noble Lord's query.

As I have set out, this instrument ensures that UK public authorities can continue to access the IMI where necessary to allow them securely, effectively and efficiently to deliver their obligations under the protocol, while ensuring that the UK statute book accurately reflects the changes in access to the IMI following the UK's departure from the EU.

I hope I have resolved the noble Lord's query, and I commend these regulations to the House.

*Motion agreed.*

### **Food and Feed (Miscellaneous Amendments) Regulations 2022**

*Motion to Approve*

4.25 pm

*Moved by Lord Markham*

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

**The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Markham) (Con):** This instrument is made under powers in the European Union (Withdrawal) Act 2018. It follows on from the previous EU exit instruments in the field of food and feed safety made since 2019. The Government's priority is to ensure that we continue to maintain the high standards of food and feed safety and consumer protection we have established. The principal changes introduced by this instrument will ensure that national and GB-wide legislation continues to operate effectively following the UK's exit from the EU.

The purpose of this instrument is to: amend England regulations in the fields of articles in contact with food, extraction solvents and animal feed to remove cross-references to EU directives and correct other EU exit-related inoperabilities; address a range of remaining deficiencies in retained direct EU legislation in the field of food and feed safety and hygiene to ensure the continued operability of this legislation after exiting the EU; address inoperabilities that have arisen as a consequence of previous deficiency amendments made pursuant to EUWA 2018; extend the tolerance period of three withdrawn genetically modified organisms, GMOs, for a further three years, until 31 December 2025, to align with the correction of a deficiency in retained EC regulation 619/2011; and provide for a time-limited transitional period for edible insects, specific to Great Britain. This will permit qualifying edible insects to remain on the market in GB after 31 December 2023 while applications for novel food authorisation are considered by the appropriate authority.

Let me be clear that this instrument does not introduce any changes that will impact the day-to-day operation of food and feed businesses, nor does it introduce any new regulatory burden. The essence of existing legislation is unchanged.

[LORD MARKHAM]

It is important to note that the devolved Governments have some shared and devolved legislative responsibilities in relation to food law. Both Scotland and Wales have provided their consent for the instrument. Amendments brought forward by the instrument do not apply to Northern Ireland. In accordance with the Northern Ireland protocol, EU regulations will continue to apply. However, the Northern Ireland Department of Health has been briefed. We have engaged positively with the devolved Governments throughout the development of the instrument, and I take this opportunity to note that their ongoing engagement has been warmly welcomed.

I take the opportunity to assure noble Lords that the overarching aim of these regulations is to provide continuity for business and to ensure that high standards of safety and quality for food and feed regulation will continue across the UK. The changes do not affect the essence of existing legislation. They address a range of deficiencies in retained direct EU legislation on food contact materials, extraction solvents and animal feed arising from EU exit. They will ensure that appropriate legislative provision is in place to extend the transitional period for the trace presence of withdrawn GMOs in food and feed. Finally, they will provide a time-limited transitional period for edible insects to remain on the market in GB.

Having effective and functional law in this area is key to ensuring that the high standards of food safety and consumer protection we enjoy in this country are maintained in the immediate and long term. I ask noble Lords to support the amendments proposed in this instrument to ensure the continuation of effective food and feed safety and public health controls. I commend the regulations to the House.

4.30 pm

**Baroness McIntosh of Pickering (Con):** My Lords, I thank my noble friend the Minister for bringing forward the statutory instrument this afternoon. While I am, overall, in support of the regulations contained in the instrument, I have two brief questions.

The Government seem to have a certain resistance to the labelling of food—whether it contains GMO, gene-edited or other ingredients. I note with some interest that the Explanatory Memorandum at paragraph 7.6 says that, until we adopt the regulations before us this afternoon, there has been a requirement to use a “Do not eat” pictograph on the products referred to in that paragraph. I would be interested to know the differences between a pictograph and a label. As we move towards adopting our own regulations—as I understand is the Government’s intention going forward—will the Government look favourably on clearly labelling food-stuffs of interest to the consumer where they contain ingredients made from GMO, gene-editing or any similar method, such as in novel foods, which are also referred to here?

It would be interesting to know what purposes are intended for the edible insects—they sound most appetising, or perhaps not—which are referred to throughout the regulations. Are they for human, animal or pet consumption? For what purposes are they used?

My last question is: which authorities will implement the regulations before us this afternoon? Will it be the environmental health officers of local authorities? Does my noble friend share my concern that the way that such regulations are being implemented across England, in particular, is patchy owing to the fact that budgets are, obviously, under extreme pressure at the moment? I would be interested to know which will be the implementing authority.

I said that was the final question; I lied. I would like to ask one more question if I may. What will happen to this regulation—and, presumably, one to come for Northern Ireland should this one not apply to Northern Ireland—under the provisions of the retained EU law Bill?

**Baroness Bakewell of Hardington Mandeville (LD):** My Lords, I thank the Minister for his introduction to this very interesting statutory instrument, which does, as its title indicates, cover a real bag of miscellaneous items.

The SI provides for the first time for edible insects specific to Great Britain to remain on the market until December 2023. I could not think of an insect specific to Great Britain that I would wish to eat. Having searched the internet, I found that I could buy crunchy crickets and other delicacies, but these did not appear to be indigenous to Great Britain. Can the Minister tell the House to which edible insects this regulation actually relates?

Further on in the Explanatory Memorandum, there is reference to

“regenerated cellulose film intended to come into contact with foodstuffs”.

Having had discussions in the past with the then Minister for Defra, the noble Lord, Lord Goldsmith, about the possibility of recycling this film, I was interested to see it popping up here with conditions for how it was to be used but, sadly, no mention of how it might be recycled.

In Part 3 of the regulations, Regulation 8 covers the use of

“additives for use in animal nutrition”,

which should be fairly straightforward, one would think. A definition of “veterinary medicinal product” used in this context covers

“any substance ... having properties for treating or preventing disease in animals”.

However, the definition of “substance” is:

“any matter, irrespective of origin, which may be ... human, including human blood and human blood products”,

or “

“animal, including micro-organisms, whole animals, parts of organs, animal secretions, toxins, extracts and blood products”.

Are these really to be used to treat animals that are sick?

Schedule 3 to the regulations lists feed materials that may be included for animals. These include:

“All the fleshy parts of slaughtered warm-blooded land animals ... and ... all products and derivatives of the processing of the carcase or parts of the carcase of warm-blooded land animals”.

I can see the benefit of this for a safari park or a zoo but, perhaps, not so for farm animals or companion animals. Is the Minister satisfied with the rigorous

testing of these products and that no further incident such as occurred with the outbreak of BSE, when sheep brains were fed to cattle, could occur in the future?

New paragraph 1A(i) in Regulation 9 refers to the health hazard of parasites in fishing grounds but makes no mention of whether the discharge of sewage into fishing grounds could be a hazard. I will not ask the Minister to comment on that.

Lastly, Regulation 19 deals with the authorisation of genetically modified materials and appears to extend that to 30 December 2025. Why could that extension not have been included in the precision engineering Bill, which is currently making its passage through the Lords? Are such products to be labelled as genetically modified? The noble Baroness, Lady McIntosh, has already referred to labelling.

As I have said, this SI covers a large number of issues, too numerous to mention today, and contains some corrections of previous errors. While I find some of the SI extraordinary, I do not oppose its passage.

**Baroness Merron (Lab):** My Lords, I thank the Minister for introducing the regulations and the thinking behind them. I accept the assurances that he has given. We on these Benches welcome the regulations, which are about trying to correct the drafting errors and inconsistencies that have inevitably emerged. I say that with no criticism; this is a complex area, and there is a need to tidy up regulations following exit from the European Union.

It is perhaps timely to take this opportunity to praise the work of the Food Standards Agency, and to note that it is one of the strange things about the changes introduced by the Government that Health Ministers now find themselves talking about animal feed. I am sure the Minister is delighted to do so, and I myself have certainly learned a lot today in preparation.

I turn to the regulations. The instrument generally maintains existing regulations and does not introduce new requirements, exactly as the Minister has said. I note that no concerns were raised by the Joint Committee on Statutory Instruments or the Secondary Legislation Scrutiny Committee, so I am sure that is cause for celebration on the Government Benches.

We in this country have a good food safety system, and this SI, as others may do, simply tries to ensure that that continues. The problem is of course that the world did not stop when it came to the implementation period completion day. As paragraph 7.13 of the Explanatory Memorandum tactfully puts it, “certain difficulties” emerge,

“especially in relation to the approval of new, or amendment of currently authorised, substances.”

Could the Minister help by elaborating on the difficulties that are posed and any potential costs? What happens with regard to trade when we operate to different standards from those of our near neighbours? The SI addresses the administrative challenge but does not seek to solve the problem.

Similarly, where the review process is described in paragraph 7.15, it would be helpful if the Minister could clarify the circumstances in which the Food Standards Agency will be required to review the operation and effect of the regulations. If, for example, a new

extraction solvent is approved in the EU, does that automatically trigger a review? Will the Food Standards Agency be required to undertake additional processes to deliver on that? If so, has an assessment been done of whether the FSA has the capacity to undertake such duties, or can the Minister advise whether the FSA will be getting additional resources?

There is the issue of the “Do Not Eat” pictograph, which is referenced in paragraph 7.22. This states that we cannot use it because of “uncertainty” over the intellectual property rights applying to the ownership of the picture, which seems a bit strange because there must be similar cases of artwork where such provenance is uncertain. Was it asked whether we could use it, and was any uncertainty flagged up at the time? How much would a licence have cost? It is probably right to say that it seems a strange way to proceed if we cannot agree on joint use of an existing symbol to promote food safety. That suggests some problems on which the Minister may wish to comment.

I want also to reference the need to reinstate powers to extend the transitional period for the trace presence of withdrawn genetically modified organisms. There is considerable interest in genetic modification, as we know, and some concern that rules on imported products are inconsistent with rules governing domestic production. Can the Minister say a little about the scale of the issue? For example, just how much oilseed rape is there with traces of the withdrawn GM products referenced in this case?

If the Minister is not able to answer the detail of the points that I have raised, I will be pleased to hear from him in writing. We from these Benches certainly welcome the statutory instrument, and thank him and his team for their efforts.

**Lord Markham (Con):** My Lords, it is my duty to close this important debate. Your Lordships perform an essential role in scrutinising the measures we have put forward today, and I thank all noble Lords for their contributions. Let me turn, as best I can, to answering some of the points raised. Where I do not quite succeed, I will gladly follow up in writing.

First, my noble friend Lady McIntosh of Pickering asked for an explanation about the pictograph. My understanding is that it is a picture which does not depend on a specific language to understand it. On what happens regarding the IP rights behind it, my understanding—again, I will confirm this—is that a number of questions were asked as to the ownership of those rights. The IP ownership was unclear, so the process for even trying to license it was not clear. That was the issue at hand, but I will come back with further detail on it.

Turning to the other questions, my noble friend Lady McIntosh asked how the SI will affect the retained EU law Bill. The Food Standards Agency is carefully considering the scope of the powers in the retained EU law Bill and whether they can be used to deliver a better, bespoke British system of food safety. Those will all be part of what we go through in the coming weeks and months.

On the labelling of GM and other foods, there are regulations requiring mandatory measures in the traceability and labelling of GM products. This is seen

[LORD MARKHAM]

as necessary to inform a consumer about their choice whether to buy and eat GM food, so that will take place in all these cases. The noble Baroness, Lady Merron, asked about the level. My understanding is that it is a minor trace level, consistent with what exists today, but, again, I will follow up on the detail of that. We have been working with the FSA in these areas, which feels that it is in a position to answer and regulate in this area.

Perhaps my favourite question related to edible insects; I only wish I had known about this before “I’m a Celebrity... Get Me Out of Here!” They are apparently for human consumption. I can write on this if noble Lords let me know whether they would like the Latin or the English version, but they are apparently: the lesser mealworm, the house cricket, the yellow mealworm, the banded or decorated cricket, the bird grasshopper or desert locust, the migratory locust, and the black soldier fly. I will not try to read the Latin out for each of those, but I will happily put them down in writing.

I was asked why this could not be included in the precision breeding Bill. The wider question of the future of precision breeding and gene editing is not considered by this SI and would be a matter for the Secretary of State for Environment, Food and Rural Affairs. For now, the commercial cultivation of gene-edited plants and any food products derived from them will still need to be authorised in accordance with existing GMO rules.

On the question of the noble Baroness, Lady Bakewell of Hardington Mandeville, on safety going forward, as I said, our approach to food safety is and always will be underpinned by three principles: that UK food remains safe and what it says it is; that the high standard of food safety and consumer protection that we enjoy in this country is maintained; and that, following our exit from the EU, a robust and effective regulatory regime is in place, which means that business can continue as normal.

I hope that I have answered the detailed questions. Like the noble Baroness, Lady Merron, I did not expect to need to understand this as part of my brief, but it is part of the rich variety of my job. I thank noble Lords for their questions and their support, generally, for our proposals. To reiterate: these regulations are critical to ensure that the UK consumer continues to enjoy the high standards of safety and quality provided by UK food and feed regulations. This instrument makes no changes to policy or to how food and feed businesses are regulated, and it is limited to necessary amendments to ensure that.

**Baroness McIntosh of Pickering (Con):** I press my noble friend on what the implementing authority will be.

**Lord Markham (Con):** I apologise; I will definitely need to come back in writing on this, but my understanding is that, at a local level, it will be local authorities. I am grateful for noble Lords’ contributions and the sincerity of their views.

*Motion agreed.*

4.48 pm

*Sitting suspended.*

## Autumn Statement 2022

### *Motion to Take Note*

5.15 pm

*Moved by Baroness Penn*

That this House takes note of the Autumn Statement 2022.

**The Parliamentary Secretary, HM Treasury (Baroness Penn) (Con):** My Lords, it is a privilege to open this debate on behalf of the Government and to set out today our plan to tackle the cost of living and to rebuild our economy. I start by welcoming the noble Baroness, Lady Lea of Lymm, to the House, and I look forward to hearing her maiden speech. I congratulate all noble Lords on their dedication to this debate over other, footballing matters that may be happening this evening.

The Government’s priorities in this Autumn Statement are

“stability, growth and public services”.

We have been honest about the challenges we face and fair in our solutions. We have taken difficult decisions to tackle inflation and to keep mortgage increases down but, in doing so, we have protected the most vulnerable. Our plan will lead to a shallower downturn, lower energy bills, lower interest rates, higher long-term growth and a stronger NHS and education system.

I turn to the first priority in the Autumn Statement: stability. High inflation is the enemy of stability. The Office for Budget Responsibility confirms that “global factors” are the primary cause of current inflation. The world is still dealing with the fallout from the Covid pandemic: furlough, vaccines and the response of our NHS protected us from the worst of the pandemic, but they all need to be paid for, and the lasting impact on the supply chains has made goods more expensive. This has been made worse by an energy crisis made in Russia. Since Putin’s invasion of Ukraine, wholesale gas and electricity prices have risen to eight times their historical average. The OBR forecast the UK’s inflation rate to be 9.1% this year and 7.4% next year. However, inflation is higher in Germany, the Netherlands and Europe, and the OBR has confirmed that our actions in the Autumn Statement will help inflation to fall sharply from the middle of next year.

Higher energy prices have fed through to forecasts for growth. Overall, this year, the economy is still forecast to grow by 4.2%. GDP is then forecast to fall by 1.4% in 2023, before rising to 1.3% in 2024, and 2.6% and 2.7% in the following years. This has also impacted our public finances, so we need a clear plan to support our economy and to restore our public finances.

The decisions that the Chancellor made in the Autumn Statement mean that, over the next five years, borrowing will be more than halved. This year, we are forecast to borrow 7.1% of GDP; next year, it will be 5.5% of GDP; and, by 2027-28, it will fall to 2.4% of GDP.

The Chancellor also confirmed two new fiscal rules: first, that underlying debt must fall as a percentage of GDP by the fifth year of a rolling five-year period, and, secondly, that public sector borrowing over the same period must be below 3% of GDP. In short, as growth slows, we will use fiscal policy to support the economy; then, once growth returns, we will increase the pace of consolidation to get debt falling. With just under half the £55 billion of consolidation coming from tax, and just over half coming from spending, this is a balanced plan for stability.

I turn now to our plans for tax. Our decisions on tax have been guided by two broad principles: we are asking those who have more to contribute more, and we will avoid the tax rises that most damage growth. On personal taxes, we are reducing the threshold at which the 45p rate becomes payable from £150,000 to £125,140. At the same time, we are maintaining at current levels the income tax personal allowance, the higher rate threshold, the main national insurance thresholds and the inheritance tax thresholds for a further two years, until April 2028.

We are also reforming allowances on unearned income, something that we have discussed many times in this House. The dividend allowance will be cut from £2,000 to £1,000 next year and then to £500 from April 2024. The annual exempt amount for capital gains tax will be cut from £12,300 to £6,000 next year, then to £3,000 from April 2024. Those changes still leave us with more general core personal allowances overall than countries such as Germany, Ireland, France and Canada.

On business taxes, we have decided to freeze employers' NICs thresholds until April 2028, but we will retain the employment allowance at its new, higher level of £5,000. That means that the smallest 40% of businesses will still pay no NICs at all. On VAT, we already have a registration threshold more than twice as high as the EU and OECD averages, but we will maintain it at its current level until March 2026. We will implement the internationally agreed OECD pillar II global corporation minimum tax rate and take further steps to tackle tax avoidance and evasion. Together those measures will raise an additional £2.3 billion by 2027-28.

We will also increase the energy profits levy from 25% to 35% from 1 January until March 2028, and we will introduce a new temporary 45% levy on electricity generators, reflecting the fact that the structure of our energy market creates windfall profits for low-carbon electricity generation too. Together those taxes will raise more than £14 billion for the public purse next year.

Finally, on business rates, we believe that bills should accurately reflect market values and so will proceed with the revaluation of business properties from April 2023. However, we will soften the impact on businesses, with nearly £14 billion of support over the next five years. Nearly two-thirds of properties will not pay a penny more next year.

Just as we want to support businesses, we need to provide a shelter for those most at risk from the economic storm. To do so, we are uprating pensions and benefits by 10.1% next year, and we are accepting the recommendation of the Low Pay Commission to increase the national living wage by 9.7% next year,

which is worth more than £1,600 to a full-time worker. We are also providing £55 billion in help for households and businesses with their energy bills, one of the largest support plans in Europe. This includes continuing the energy price guarantee for a further 12 months from April at a higher level of £3,000 for the average household.

Despite some difficult decisions, we are protecting our public services, with funding rising in real terms over the next five years. Overall departmental spending will grow at an average of 3.7% per year over the spending review 2021 period, but departments will be required to find efficiency savings to manage pressures from inflation. After the spending review period, day-to-day spending will continue to grow in real terms at 1% a year until 2027-28.

This does not mean that there will not be difficult decisions. For example, while we remain committed to the 0.7% ODA target in the longer term, the OBR forecasts show the fiscal situation means that ODA will remain at around 0.5% for the forecast period. In the current global context, we recognise the need to increase defence spending, but we must first review and update the integrated review, written as it was before the Ukraine invasion. Until then, we will continue to maintain the defence budget at least 2% of GDP, consistent with our NATO commitment.

We must promote our security abroad, but we also need to invest in priorities at home. Our first priority is investment in our health and care system. To recruit and retain our dedicated NHS workforce, the Department of Health and Social Care and the NHS will publish an independently verified plan for the number of doctors, nurses and other professionals we will need in five, 10 and 15 years' time—something that I know this House has called for.

I turn to social care. The 1.6 million employees in the sector are working extremely hard. Local authorities have rightly raised concerns about their capacity to deliver the Dilnot reforms immediately, so we will delay their implementation for two years, allocating the funding to allow local authorities to provide more care packages. We also know that we must expand the capacity of the social care system to free up some of the 13,500 hospital beds that are occupied by those who should be at home.

To expand the capacity of the social care system in England, we will make available up to £2.8 billion of extra funding, increasing to £4.7 billion in 2024-25. To deliver ever greater care, the NHS will also need to look at efficiency savings, but we will still need to invest more to meet our aims. Because of the difficult decisions taken elsewhere, we will increase the NHS budget in each of the next two years by an extra £3.3 billion. Taken together, these actions will ensure that up to £8 billion of additional funding is made available for health and social care in 2024-25.

However, a healthy country is not sufficient; we need a skilled one too, so we are not just going to protect the education and schools budget, we are going to increase it. The core schools budget will rise by £2.3 billion in both 2023-24 and 2024-25, restoring 2010 levels of per-pupil funding in real terms, and the Barnett consequentials mean an extra £1.5 billion for

[BARONESS PENN]

the Scottish Government, £1.2 billion for the Welsh Government and £650 million for the Northern Ireland Executive.

I turn to the third priority in the Autumn Statement: growth. As my right honourable friend the Prime Minister set out in his Mais lecture last year, to grow the economy we need to invest in three things: people, capital and ideas. On people, alongside our investment in schools and the health service, Sir Michael Barber will advise the Government on the implementation of our ambitious skills programme. Just as we look to improve opportunities for those in education, we are determined to help people already in work to raise their incomes, progress in work and become financially independent. That is why we will ask more than 600,000 more people on universal credit to meet a work coach so that they can get the support they need to increase their hours or earnings.

On capital, we remain committed to building the roads, rail, broadband and 5G infrastructure we need. To do so, we will maintain our capital budgets at the same level in cash terms for the next three years. We will proceed with Sizewell C and deliver the key Northern Powerhouse Rail, HS2 to Manchester and east-west rail. We are building new hospitals and rolling out gigabit broadband.

Finally, on ideas, we will continue to support innovation in our economy and remain committed to increasing public funding for R&D to £20 billion by 2024-25. We will also continue our work to support the transformation of scientific breakthroughs into breakout businesses. By the end of this year we will decide and announce changes to EU regulations in five key growth industries: digital technology, life sciences, green industries, financial services and advanced manufacturing. The Chief Scientific Adviser, Sir Patrick Vallance, will also lead new work on how we should change regulations to better support the safe and fast introduction of emerging new technologies.

It has been impossible to condense the full range of action in the Autumn Statement into my opening speech, and I look forward to responding to all noble Lords' contributions at the end of the debate, but I hope I have been able to demonstrate that in the midst of a global economic challenge, this Government will respond in the way this country does best. United, we will use our resourcefulness and resilience to get through the storm. We will shelter the most vulnerable as we do so. We are taking difficult decisions but, in doing so, we are bringing about stability and security and setting our country up for growth in the days ahead. I beg to move.

5.28 pm

**Lord Eatwell (Lab):** My Lords, over the past three months, the Government have subjected the British economy to two episodes of extreme foolishness. First came the Truss-Kwarteng episode, going for growth without a coherent strategy and throwing money at the wealthy. Unfortunately for Britain, the ideology and economic reality did not mix. As a result, all Britain is worse off and the poorest suffer most. Then came this Sunak-Hunt episode, described by financial market experts as a "massive overreaction". This time,

political intent was dressed up as technical economics. Again, there was no coherent growth strategy as taxes were raised to an all-time high and massive expenditure cuts in 2024 and 2025 were announced. Why would anyone invest in a Britain that the Chancellor tells us is heading for a recession, not just now but with massive cuts in 2024 and 2025 too? The result is that all Britain is worse off. The two episodes share these common characteristics: no coherent plan for growth and severe damage to the British economy for years to come—a continuation of 12 years of Tory economic incompetence.

In the first half of 2010, with Alistair Darling as Chancellor of the Exchequer, the economy was growing at an annual rate in excess of 3%. Following the May election, with George Osborne as Chancellor, growth came to a shuddering halt. Austerity was the new, destructive policy. Education and local authority support for economic development were severely cut, and the NHS was underfunded. School spending per pupil in England fell by an average of 9% in real terms between 2009 and 2019—before the pandemic—which, according to the Institute for Fiscal Studies, was "without precedent in post-war UK history."

The result? England today is one of only a few OECD countries where the young have worse literacy and numeracy skills than 55 to 65 year-olds. Perhaps the Government were trying to balance things up, as they also halved spending on adult education. Is it any wonder there is a skills shortage?

As we know, there are currently major labour shortages in many sectors of the economy. Well over a million British workers are "missing" from the labour force. A significant contribution to the shortage of labour arises from those untreated or waiting for treatment in an overstretched NHS.

Let us add to these "headwinds", as the Chancellor calls them, the cost of Brexit—another Conservative policy. We do not need to argue over the OBR's estimate of a permanent 4% loss of GDP, and hence 4% loss of tax revenue: the negative impact of Brexit can be seen all around us, whether in migrant labour shortages, markets lost, SMEs withdrawing from European markets, or the Paris stock exchange overtaking London. The Conservative mayor of Birmingham has now commented on the damage to the economy in his area.

It was not the war in Ukraine that caused the current economic crisis: the war revealed the underlying long-term weakness of the UK economy. That is why the OECD ranks only Russia as a worse economic performer than the UK.

Now, to bookend the Conservative years, austerity is back. Twelve years of policies which have been consistently damaging to the economy raise an important question: why are Conservative Chancellors so incompetent? I think the answer is clear in their rhetoric: the private sector is portrayed as the "wealth creator" that has to carry the burden of funding the public sector. In a speech in 2014, George Osborne referred to "government as the enemy of business and wealth creation".

Similarly, in his 2021 Budget speech, Mr Sunak declared:

"Government should have limits"

and that

"my goal is to reduce taxes."—[*Official Report, Commons, 27/10/21; col. 286.*]



In the Autumn Statement, Jeremy Hunt maintained the anti-state rhetoric by asserting that “high-tax economies damage enterprise and erode freedom.” Tell that to the Scandinavians. The point about these statements is not that reducing the burden of taxation is a bad idea—we all want lower taxes. In appropriate circumstances, cutting taxes may be a very good idea, but underfunding the public sector sources of growth is a very bad one.

However, in the Conservative mindset, the public and private sectors are seen as separate entities competing for resources—what economic nonsense. The private sector depends on top-class research conducted in publicly funded universities, on efficient infrastructure, and on a well-educated, adaptable, healthy labour force. Austerity that cuts spending on schools, libraries, skill centres and Sure Start, and underfunds the NHS, damages the very core of British private enterprise.

The lessons of economic history are clear. When in the latter half of the 19th century Germany sought to compete with the industrial strength of Britain, it created industrial banks to ensure the flow of long-term funding to nascent German industry, and it created the Technische Hochschulen to provide the scientific and engineering expertise to drive German industrial competitiveness. In more recent times, all the important technological innovations in the iPhone were made in public sector institutions; it was the public sector that took the extreme risks associated with experimental new technologies. It was the genius of Steve Jobs to take those public sector ideas and mould them into the most commercially successful product of modern times.

In today’s fast-changing competitive world of artificial intelligence and bioengineering, high risk and high reward go hand in hand. That is why the rest of this century must be the era of an entrepreneurial state. We need new institutions to channel funds to the development of new high-tech products and to link our outstanding research with commercial innovation; a pro-business state that complements private industry; and a well thought through medium-term growth strategy.

In vain, I searched the Autumn Statement for such a strategy. The Chancellor’s speech ends with what I can only interpret as a joke. He said that

“you do not need to choose either a strong economy or good public services. With the Conservatives, and only with the Conservatives, you get both.”—[*Official Report*, Commons, 17/11/22; cols. 845-56.]

When the Resolution Foundation reports that:

“Almost three-in-five households in the most deprived areas are already cutting back on essentials such as food and fuel”, and the Institute for Government declares that the Autumn Statement’s impact on public services will be a “poisoned inheritance”, the joke is on the British people.

5.36 pm

**Lord Fox (LD):** My Lords, this is my first chance to welcome the noble Baroness, Lady Penn, back to her position at the Dispatch Box, and obviously my first chance to welcome the noble Baroness, Lady Lea, to her position on the Conservative Benches. I draw attention to the fact that I am on the executive of both the All-Party Parliamentary Motor Group and the Chemical Industry All-Party Parliamentary Group.

For this debate to be so long after the Statement has given time for perspective to develop—that is perhaps putting a gloss on it. Reports have been published and analysis probing the implications of the numbers and projections is available, and I am sure that your Lordships will draw on that research in various ways. For example, the Institute for Fiscal Studies concluded that the Chancellor was

“hemmed in by rising interest payments and poor growth prospects” and in this position

“decided to allow borrowing to rise, and to put off properly tough decisions”

until after the next election. For example, I note that the vast bulk of the projected cuts in the benefits budget are scheduled to start in 2024.

That means that borrowing will take the strain in the near term, with the great majority of the planned consolidation due only after the next election. Decisions like this indicate that the Financial Statement was informed not just by a lack of headroom but by fairly cynical politics. I would judge that Chancellor Hunt has adopted either a Micawber strategy—“Something might turn up”—or what I would call the advance Liam Byrne strategy: he has already left a note for the next incoming Chancellor that says, “There’s no money left”.

However, the serious side is what this is doing to people, and how hard it is hitting and will hit families. Paul Johnson of the IFS was very clear when he said:

“The truth is we just got a lot poorer. We are in for a long, hard, unpleasant journey; a journey that has been made more arduous than it might have been by a series of economic own goals.”

The Office for Budget Responsibility—the OBR—reports that living standards will be down by 7% over this year and the next. This is the biggest fall in living memory and off the back of very poor income growth for many years prior. The effects of this will be felt across the country. To quote Paul Johnson of the IFS again, he said:

“This will hit everyone. But perhaps it will be those on middling sorts of incomes who feel the biggest hit ... Middle England is set for a shock.”

What is clear is that Chancellor Hunt, and whoever is in that role after the next election, will reap the costs of Conservative chaos and a long-term failure to grow the economy. Combined with this are the effects of an ageing population, hundreds of thousands—if not millions—of people unexpectedly stepping out of the economy, QE and high levels of past borrowing. On this latter point, we face simply huge levels of expected spend on debt interest. Interest is more or less double what had been forecast and will hit around £100 billion a year by the end of the forecast period.

Without growth, however, the situation will be even worse and the Chancellor’s projections rely on growth built into the OBR projections. Yet it is very hard to see how this Statement helps that growth. Indeed, it is very likely that it will contract the economy rather than grow it. This is not helped by at least one change that actually undermines future growth. I shall use the rest of my speech to explain.

The Chancellor used his Statement to make changes in the R&D tax credit scheme. The scheme currently provides tax incentives for companies to invest in

[LORD FOX]

innovation, which is considered key to growing the technology base of the country. Indeed, we should take no word other than the Government's, who trumpeted it as such a measure. In his Autumn Statement, however, the Chancellor made the incentives much less generous for small and medium-sized businesses. This is a very misplaced change, which some people have described as disastrous. For example, Make UK points out that about two-thirds of private sector expenditure on R&D is made by manufacturing companies and a large number of those will be hit by this change.

Elsewhere, the BioIndustry Association, which represents life science companies, warned that the changes would result in promising innovations, ranging from vaccines to cancer treatments, moving overseas. In taking from smaller companies, the Chancellor seems to be giving back to the country's bigger businesses via changes in the R&D expenditure credit—RDEC—scheme. But it is in SMEs that key innovations often start, and to hit them is not sensible. I am not decrying the RDEC system, which has been shown to yield very positive returns. Increasing the generosity of RDEC, however, should not come at the expense of support for SMEs.

The Chancellor's justification for this very detrimental change is that, in the view of the Treasury, the "generosity"—its word—of the scheme had made it a target for fraud. First, we should point out that the Treasury's record on fraud is not glorious, given the billions of pounds shelled out during Covid that will never be repaid. Secondly, if there is an acknowledged problem in the administration of the scheme, surely the sensible thing to do is to administer it better. Yet reducing the value of the scheme means that genuine claimants are being punished for a failure properly to police the scheme. It is a very blunt instrument. If the Treasury was concerned about fraud, perhaps it could have instigated a system that properly checked the validity of the claims. If it wanted to drive growth, it should look at other systems of support and take the CBI's advice, such as to look more carefully at the definition of R&D and to improve complicated HMRC and BEIS tax credit guidance.

It is clear that the Chancellor had a tough job, especially given the wreckage created by his immediate predecessor. However, while we are all agreed that growth is the key to digging the nation out of this hole, the Chancellor is introducing measures that will reduce growth. This is not only practically damaging but a very clear indication that this Government do not understand innovation—and that is very worrying.

5.44 pm

**Baroness Hayman (CB):** My Lords, I declare my interests as co-chair of Peers for the Planet.

The Prime Minister recently reaffirmed that, far from action on climate change and action on economic growth being in conflict, in fact there

"There is no long-term prosperity without action on climate change."

I therefore want to look at the elements in the Budget Statement that bring those two issues together. The Chancellor pointed out that, this year, the UK will spend an extra £150 billion on energy compared

to pre-pandemic levels, equivalent to paying for an entire second NHS through our energy bills. He went on to say that

"there is only one way to stop ourselves being at the mercy of international gas prices: energy independence combined with energy efficiency".—[*Official Report*, Commons, 17/11/22; col. 851.] He then signalled an acceleration of homegrown renewable energy sources, including offshore wind, carbon capture and storage and nuclear. Investment in this area, he rightly said, would not only help to address the current energy price crisis but deliver new jobs, industries and export opportunities. That is all very welcome, but there was one elephant in the room: onshore wind. It is one of the quickest and cheapest forms of energy generation, and rolling it out more quickly would help us move away from expensive fossil gas and reduce energy bills, but it was not mentioned.

It would, of course, be completely wrong to give carte blanche, without any processes or consultation, to every wind farm application made, but it is equally wrong to have the current de facto ban created by the 2015 ministerial Statement. The UK has installed 14.2 gigawatts of onshore wind capacity to date, but this has slowed dramatically to almost nothing since that ministerial Statement. We urgently need to restore balance to decision-making on applications for onshore wind.

Two years ago, I introduced a Bill to this House that did no more than put onshore wind applications on the same footing as other infrastructure projects that may be equally locally controversial to onshore wind developments—or even more so—and to deal with what to do when existing wind farms come to the end of their lives or require repowering. Polls consistently show the vast majority of the public support new onshore wind development. We do not need to overcomplicate this. We do not need new legislation. All that has to be done could be done by the very simple step of amending or removing the 2015 ministerial Statement which caused all these problems in the first place. I offer this as a simple path out of the troubles that the Government are currently having in another place. I could even offer my services as a mediator if necessary.

Turning to the new electricity generator levy, I agree with the Chancellor that there is

"no objection to windfall taxes ... if they are genuinely about windfall profits caused by unexpected increases in energy prices."—[*Official Report*, Commons, 17/11/22; col. 847.]

I understand the rationale behind bringing electricity generators into the scope of such taxation. But the Chancellor also said that any such tax should "not deter investment", yet while the windfall tax on oil and gas has a generous investment allowance, no equivalent is proposed for the electricity generator levy. Considerable concern has been expressed within the industry that the disparity between the respective taxes on the oil and gas industry and renewable generators will, effectively, penalise low-carbon generators over polluting fossil fuel extractors and deter investment. As RenewableUK has said:

"Ministers now need to work with the industry to ensure that the implementation of these plans ensures a level playing-field, rather than imposing unfair burdens on renewables."

I would be grateful if the Minister, when she winds up, could comment on how the levy will be constructed to ensure that it does not deter the investment we so desperately need in renewable energy.

Lastly, I turn to the issue of energy efficiency, where I am afraid the Statement is all about jam tomorrow and there is a sad lack of ambition. It is often said that the cheapest form of energy is the energy we never use. We have some of the worst housing stock in Europe, and the people who live in it pay not only in inflated energy costs—and every taxpayer is now doing that as well—but also in the sometimes catastrophic effects on their health. Since its peak in 2012, insulation installation rates in the UK have plummeted, and energy efficiency programmes have been bedevilled by short-termism, stop-go policies and a lack of co-ordination. We desperately need to get away from the piecemeal approach of the past and bring in a combination of policy levers. We need grants, of course, but also setting minimum energy efficiency requirements, stamp duty rebates, incentives for employers to skill up their workers, and a long-term approach that will provide consistency and certainty to the private sector, which is absolutely crucial if this is to work. It should start with social housing as a catalyst to unlock the private investment needed and scale up the market.

As a first step, the Government need to bring forward the entirety of the £3.8 billion that they committed in their 2019 manifesto via the social housing decarbonisation fund and end the burdensome and bureaucratic competitive bidding process we have at the moment. I also hope that the Minister can reassure me that the Government will not seek to reverse the measures on energy efficiency in social housing that your Lordships' House placed in the Social Housing (Regulation) Bill when that legislation is considered in the other place.

5.51 pm

**The Lord Bishop of Gloucester:** My Lords, growth is good and necessary, and it is clear that money does not grow on those proverbial trees. We find ourselves in extremely challenging times, and it seems to me that some of the measures that are set out in the Autumn Statement are prudent and necessary to rebalance the budget. I thank the Government for their desire to focus on supporting the poorest households, which is right and just, including their decision to increase benefits in line with inflation. Yet I have a number of concerns. I want to use my time to focus on just two key issues: first, food and feeding people, and, secondly, the criminal justice system. I declare an interest both as a trustee of Feeding Britain and as Anglican Bishop for prisons in England and Wales.

As I have seen first-hand in the diocese of Gloucester, food clubs and food banks are reporting record demands, with larger numbers of people seeking help for the first time and with much greater frequency. For reasons we know, food prices have soared well above inflation, and it would also seem that food supplies are getting more difficult to acquire in sufficient quantities. In order for people to safely navigate their way to next April without being hungry and to lessen the need for food aid, it would be helpful if there could be a further reduction in the rate of deductions from universal credit, as well as the introduction of something akin to a yellow card warning system in place of the current sanctions policy.

In the meantime, churches and different faith groups are playing their part, not only regarding food banks and food provision but in working with local community organisations and borough and county councils to run warm spaces, often with food provision, in our urban and rural communities. In Gloucestershire, we have an imaginative initiative called The Long Table, which not only aims to tackle hunger and loneliness and build community but is also investing in people and working to build food resilience and food sustainability, working in relationship with local farmers and food producers.

If food provision is to be sustainable, we need British farming to be viable in order to feed Britain and to grow the economy. It is not just high costs for fuel and feed which are a threat but the fact that, following the removal of the basic payment scheme, there is still a lack of clarity around the environmental land management scheme. The farming sector needs a properly funded agricultural transition plan if it is to plan effectively for the future, grow its business and ensure food sustainability for us all.

In the big picture of the Budget, what do we need to fund and where do we need yet more radical thinking regarding existing expenditure? That brings me to my second area: that of the criminal justice system. I observe a criminal justice system under great pressure, not least financially, and there is a desperate need for a robust and courageous review of our criminal justice system which will then inform when and how money is spent. A wise move would be to spend less on expanding the prison population and more on rehabilitation and reducing reoffending and indeed offending in the first place. For example, where is the join-up between money spent on prisons and money spent on addiction prevention and rehabilitation? Where is the join-up between investing in adequate housing for those leaving prison, and thus reducing reoffending, and the high cost of repeatedly sending someone to prison?

When it comes to women's centres, I am aware that I am like a squeaky wheel, but I repeat that it costs about £5,000 a year for a woman to engage with a woman's centre, with the outcome of significantly reduced rates of reoffending, while a place in prison costs nearer £60,000 per year. If the Government want to save money, here is a way forward which is good for all—although the starting place is not the balance sheet but a radical and courageous review of our criminal justice system. Let us not add 18,000 people to the numbers locked up in cells and let the taxpayer pay the £4 billion bill but properly invest in rehabilitation, appropriate education and skills, and prevent reoffending and seriously reduce the prison population. If the Government want to save money and redistribute expenditure, then look at the data, listen to those working in prisons and rehabilitation in the community, listen to offenders and those at risk of offending, and indeed, listen to victims of crime, and do not build more prisons and send more and more people to prison for longer as a short-term response to populist headlines regarding crime. The evidence does not support that.

To draw to a close, I am aware that I have touched briefly on only two areas. Only time will tell whether the Chancellor of the Exchequer's balancing act is successful for the long-term growth of our economy and the good of the most vulnerable. However, I believe

[THE LORD BISHOP OF GLOUCESTER]

there is some further rebalancing and joined-up thinking to do, which will not only serve us better financially but will help to shape the kind of country we want and need to be.

5.57 pm

**Lord Lamont of Lerwick (Con):** My Lords, it is difficult to imagine a more difficult set of circumstances in which any Chancellor has had to frame a financial Statement to Parliament. Whatever the decisions, inevitably there will be predictable criticism from all sides: taxes are too high, borrowing could be a bit more, spending greater or less, according to taste. The Chancellor could not escape the shadow of the mini-Budget. It meant that, above all, he had to satisfy the markets that the national finances were sustainable.

Much public reaction to the Statement concentrated on the fall in living standards, which is indeed alarming and unprecedented, but it has been obvious, alas, for some time that a fall in living standards was absolutely inevitable because of the rise in imported energy relative to the price of exports. Sadly, no Government can protect all their citizens in circumstances such as these. I would argue that the Government have done a huge amount, spending over £100 billion supporting families and raising disposable income above where it would otherwise have been, but, alas, there is still a drop in living standards.

The Chancellor had to choose how much consolidation came from taxation and how much from cuts and expenditure, and he chose a balanced approach of 50:50. Given that many departmental budgets are under pressure because of inflation at this time, it seems improbable that he could have gone further, like cutting spending more. With inflation at 11%, protecting programmes in money terms, which the Chancellor has said he will do, means real cuts for certain departments.

The Chancellor was advised from many sources that you cannot raise taxes going into a recession. That, one might point out, flies in the face of historical evidence, such as the Budget of 1981, but leave that aside—that is in fact not what the Chancellor is doing. We are not tightening fiscal policy going into a recession. Most of the fiscal tightening falls in the latter part of the survey period, by which time, I hope, the recession will be over.

In the short term, borrowing actually increases, up by more than £64 billion this year and more than £40 billion the following year. The Chancellor raised taxes as a percentage of GDP by just over 1% during the survey period to their highest level since the war. Understandably, this leaves many of my noble friends very unhappy but the reason that tax as a proportion of GDP is at its highest level since the war is that spending as a proportion of GDP is at its highest level since the Second World War. Borrowing as a proportion of GDP is also approaching the same level, its highest since the war. All three are because of Covid, the secondary consequences of the Covid and the war in Ukraine.

Much of the increase in expenditure as a percentage of GDP—the measure of the so-called size of the state—over the survey period has come from indexation. The increases in both benefits and the triple lock increase spending-to-GDP ratios as indexation itself outstrips nominal GDP growth. Those who argued

that we should take advantage of our second-lowest debt-to-GDP ratio in the G7 should look at what has happened to debt interest and why our previous financial position was, in many people's opinion, an accident waiting to happen.

The noble Lord, Lord Fox, referred to debt interest but rather understated the problem. Debt interest has doubled from £56.4 billion last year to £120 billion this year, just slightly less than what we spend on the NHS. Much of this surge in debt was caused by indexed debt, which has nearly quadrupled from 6% of the stock of debt in 2001 to 22% this year. That process is part of the reason why, earlier this year, we saw some alarming predictions of how, in a few years' time, debt in this country might begin to approach the levels in Italy or Japan.

Some people argue that the answer to all these problems is to go all out for growth through tax cuts, and that growth will float all these problems away. Unfortunately, however, we have another problem: severe inflation threatening to become embedded. At this moment, going for growth at all costs is likely to exacerbate inflation and probably end up exactly as the Barber boom did.

We use the phrase “cost of living” and realise the huge problems that there are for people, but we do not talk enough about the process of inflation itself. We need not just to protect people now but to prevent the situation becoming embedded and getting worse year after year. We need not just to stun the snake of inflation but to kill it. There is a real danger, as gas prices may come down, that we will end up living permanently—or for a long time—with a relatively high rate of inflation that does not go back to the 2% target where it ought to be.

Getting inflation down must be a top priority. We are in danger of forgetting, because it has been so long, the poison that inflation can inject. Getting on top of inflation is a job primarily for the Bank of England, which has not distinguished itself in recent years, but Governments also have a role to play. It is important that fiscal policy and monetary policy point in the same direction. Of course we also need growth, but we will not have growth if we do not get inflation down first. As Jim Callaghan reminded us, “inflation is the mother and father of unemployment.”

Growth is not something that happens abracadabra because Governments will it or snap their fingers. Governments do not create growth but they can prevent it. What we need is a strategy to remove the obstacles to growth—a battery of non-inflationary supply-side measures, including training, infrastructure, deregulation and, most importantly, planning reform in the field of housing.

This Autumn Statement, against the background of a massive world crisis, makes some unavoidably tough decisions that are bound to be unpopular. However, in a very difficult situation, I believe that the Chancellor's decisions are realistic and sensible. I commend them to the House.

6.04 pm

**Lord Hain (Lab):** My Lords, in both cheering on Wales tonight and praising everything that my noble friend Lord Eatwell said, I remind the House of some

famous first words from the Prime Minister and some lesser-spotted last words from one of his predecessors as Chancellor—words that clarify both the ruinous fiscal policy the Tories have pursued since 2010 and the dreadful prospects set out in this year's Autumn Statement, and which expose the true source and full extent of the real, gaping hole at the heart of Britain's public finances.

Rishi Sunak concluded his first Budget speech in March 2020 with the breathtaking claim that

“the Conservatives are the party of public services.”—[*Official Report*, Commons, 11/3/20; col. 292.]

Their record since 2010 and their plans in the Autumn Statement tell a totally different story. Rishi Sunak and Jeremy Hunt are said to be the “numbers men”, so let us look at the numbers, courtesy of the Office for Budget Responsibility.

Last October, the OBR confirmed that nearly a decade of Tory austerity from Chancellors George Osborne and Philip Hammond had seen cuts in public spending amounting to more than 7% of GDP—savage cuts equivalent to £180 billion in today's terms, which is almost as much as we spend each year on health and social care in England. Those public spending cuts made up 82% of the total Tory fiscal consolidation; tax increases made up 18%. Here lies the origin of the chronic and mounting staff shortages, industrial unrest, deteriorating standards and lengthening response times that are now only too typical of Britain's struggling public services, especially in health.

This is why even Tory councils are warning that they face possible bankruptcy after enduring funding cuts for over a decade. George Osborne, once again welcome at Downing Street in advising the Chancellor and the Prime Minister, boasted of having squeezed the UK economy tighter than any of the advanced economies. He was more reticent about the plans in his final Budget in March 2016 for a further five-year fiscal squeeze—plans that would have added another £60 billion of public spending cuts to those actually made by Philip Hammond. David Cameron has confirmed that, had he stayed in office after 2016, he would have gone for even more spending cuts. The Government have now embarked on the kinds of cuts that Cameron and Osborne were exploring when they left office. They may differ in detail but it is a familiar formula, with the biggest spending cuts put off until three to five years' time, conveniently after the election.

We can usually sum up a year's key events with a simple phrase. In 1992, it was “Black Wednesday”, when the Tories lost whatever reputation they had for sound economic management in one turbulent day. This year, it has been “disastrous mini-Budget”, when they lost it again. Now, they are scrambling to undo the damage, but they are swimming against the tide of events. Their long record of miserably slow growth is well entrenched; their so-called plans for growth have always lacked potency and credibility. Today, Britain is the only G7 economy whose GDP is still below its pre-Covid level, and we are fast heading into recession. Slow growth is why the Government have missed all their targets for balancing the budget and bringing down Britain's debt-to-GDP ratio since 2010. In March 2022, the OBR projected the debt ratio to fall below

80% in 2026-27, but the mini-budget and the energy crisis blew that off course. The OBR now expects it to fall in 2027-28, but to 97% this time. The Tories are going the wrong way: from bad to worse.

It is the same old story. Beyond the blue horizon waits a beautiful day but, like the horizon, Tory success is always out of reach. Fate has cast Rishi Sunak and Jeremy Hunt as the George Osborne understudies, called upon to take centre stage and share the leading role—a double act in a Whitehall revue, but not one that will run and run. This Autumn Statement will prove to be another Tory fiscal flop at the expense of the country. It is going to bomb at the box office, mercifully opening the door to a Labour Government delivering public investment, kick-started growth, business success and sound public finances, because these all go hand in hand.

6.10 pm

**Lord Howarth of Newport (Lab) [V]:** My Lords, the Chancellor who warned of a black hole has indeed consigned us to a dungeon. If the main drivers of inflation—the energy crisis, the pandemic and its effect on supply chains—are global, and we face recession, it is the wrong response to weaken our economy with a planned fiscal tightening of 2% of GDP. Falling real incomes and interest rate increases will amply reduce domestic inflationary pressures. There are pay demands, of course, but no wage-price spiral. We are now on track to 19 years of no real growth in average wages and household income. We know the enormous damage that excessive austerity in Britain did to investment and productivity, public services and living standards following the global financial crisis. Once we have brought inflation down, do we then need austerity 2.0 to satisfy newly contrived fiscal rules on the ratio of debt to GDP? While markets will not tolerate unfunded tax cuts, they might well take a benign view of investment in public services that will strengthen our economy.

If there is a black hole in the British economic cosmos, it is that which sucks resources away from low-income families and public services and piles them up in the bank accounts of the wealthy. The Chancellor's reductions in capital gains tax and dividend allowances twinkle only faintly in that murk. With his decision to allow the average energy bills faced by households to rise in the spring, we shall see how far his measures to support people on low incomes will go. The prognostications are worrying. An indexing of benefits that have previously been severely cut and capped, with disregards and capital limits frozen, hardly justifies his claims that this is a compassionate Government. His reliance on dragging low earners into the tax net through freezing the income tax and national insurance thresholds equally belies that claim.

Important for people struggling in poverty is the maintenance of law and order and the good functioning of the justice system—but once again, and scandalously, these have been neglected. The plight of renters in the private sector was unaddressed. If he sincerely wants to help more disadvantaged communities, why has he made a real-terms cut in the Budget for levelling up? How much control of resources will the Treasury really allow for mayors and local authorities?

[LORD HOWARTH OF NEWPORT]

The Chancellor offered no vision of how we are to meet certain great economic challenges. On climate change, infinitely the most important, he reaffirmed the 2030 target for emissions reduction, but gave no indication of what the Government will invest overall, with numbers and waymarks, along the journey to net zero. What are the Government's projections for overall spending on averting climate change, adapting to climate change and repairing the damage of climate change? Confirmation that Sizewell C is to go ahead, plans to build some small modular nuclear reactors, and the investment announced in energy efficiency, welcome and significant as they are, do not amount to a full strategy. The Prime Minister is being blown hither and thither by onshore wind and his own MPs.

The Chancellor said nothing about the Treasury's view on biodiversity loss. Nor did he tell us how our country will be enabled to support an ageing population or to develop the resilience to protect itself against another pandemic. The additional money that he announced for the NHS will not be sufficient to fund the pay increases needed to prevent the system buckling, tackle the backlog, and meet rising demand for healthcare in the recession. He offered no vision for a model of healthcare that will be economically sustainable for the future. The Autumn Statement had nothing to say about resources for preventive strategies to lessen demands on the NHS and enable us to become a healthier society. A long-term workforce plan, rightly, is being commissioned, but he said nothing about its funding.

Equally, the additional funds for social care will not stabilise the system, enable the release of enough hospital beds, and provide decently for the vulnerable and frail in the community. By putting the onus on local authorities to fund much of the increase in care funding through council tax—a regressive tax—the Chancellor ensured that the cost and benefit will not fall equitably. He did not foreshadow any plan to integrate the health and social care systems in order to get rid of the vast inefficiencies of their separation.

The root cause of the threadbare state of our public services is our poor productivity. The Chancellor announced constructive policies on regulation, competition, tariffs, clusters, and R&D spend. I hope that his policy on Solvency II is prudent. More is needed to forge a comprehensive strategy covering availability of labour and capital, childcare, skills, taxation, regulation, planning, infrastructure, housing, personal and business mobility, and obstacles to trade. Plans for infrastructure investment were cut back. He said not a word about immigration. Why did he not have the candour to say that immigration is good for the economy? Will he make sure that the Home Secretary does not wreck our universities? The additional funding for schools will do no more than restore the level in 2010. The Barber review is still to come, but there was no indication of an uplift in funding for post-16 education and apprenticeships. The Chancellor should challenge convention and classify spending on education and training, which is investment in human capital, as capital expenditure.

By reducing R&D reliefs for small and medium enterprises, which the noble Lord, Lord Fox, spoke about, instead of improving the policing of abuse, the Chancellor removed incentives for enterprise and innovation

in science-based industries. The tax changes that he announced, on stamp duty and business rates, were not part of a programme of tax reform to drive improved productivity. Corporation tax will rise from April, and the super-deduction capital allowance will expire. We are going to live with higher taxes under any Government. That need not impair economic performance, but it makes it all the more urgent that we have a rational tax system. The Chancellor has shown no interest in this crucial part of his responsibilities.

The Chancellor has appeased the markets for now. On the tests of strategic vision, investment, growth, the future of our public services, and fairness, his Autumn Statement is wanting.

6.17 pm

**Lord Flight (Con):** My Lords, I declare my interests as chairman of the EIS and SEIS associations. Since these bodies were set up, they have channelled some £30 billion to SMEs.

I congratulate the Chancellor and his team on their sensible Budget. To some extent it is a repeat of the Osborne Budget, but rather better organised. It cannot address adequately the problem of excessive property prices, now accompanied by materially higher mortgage rates. We will also see unemployment rise and more businesses failing. However, my judgment is that the economy will withstand the worst of the inflationary problems of this era.

The Autumn Budget proposals set out to reduce total outlays by some £55 billion, roughly half to be achieved from cutting public spending and half by increasing taxes. The Chancellor also organised to spend up to an extra £150 billion on energy, if this is necessary to restrain energy price rises. The UK has performed relatively well over the last year in increasing onshore and offshore wind and solar energy supplies. A new nuclear plant is also to be built at Sizewell B. We need secure, clean and affordable energy. The Government are mistaken in not supporting fracking, where the UK is estimated to have 100 years of fracking gas supplies.

The most important immediate objective of the Budget was to stabilise our financial position and sterling. We need our fiscal and monetary policies to work together to give the world confidence in our currency and the Government, and particularly in our ability to repay our debts. Sadly, Liz Truss's policies frightened the world as to whether we would be able to repay our debts from her tax cuts and higher spending. Confidence was restored just in time with Liz's resignation. Since then, sterling has strengthened against the dollar and interest rates have reduced. The Government can also give primary attention to reducing inflation.

The Government have made it clear that their priority will be to look after the most vulnerable, who will need some increase in wages and some help with rents. It is a principle of Conservative policy to protect the most vulnerable. The main cause of UK inflation is energy costs—Russia and Putin driving up gas and electricity prices. The IMF estimates that, as a result, approximately a third of the world economy is now in recession.

Next comes tax policy. I hope that the Government are committed to avoiding tax increases that damage economic growth. The Government expect tax as a

percentage of GDP to rise by 1% over the coming five years. I hope that a better performance of the UK economy than is forecast will provide the needed funding. It is unfortunate that the Government have reduced the income level at which the 45p tax rate will apply. After the costs of mortgages and children, there is little left over from income levels of £125,000, especially if there are more children involved. It will be interesting to note how much revenue the higher tax on unearned income delivers.

My reaction is to invest in venture capital funds, which deliver tax-free dividends. The biggest source of extra tax revenues will come from the new 45% levy on electricity generators, which is expected to raise £14 billion in tax next year.

The Government's policy is for public spending to rise by 1% less than the economy. Schools are set to receive an increase in spending of £2.5 billion per annum. The big issue is to sort out the NHS, which is scheduled to receive £2.7 billion extra per annum for the next two years for social care funding.

For the UK Government, the key ingredients for economic growth are energy, infrastructure and innovation. This will entail changing our use of EU regulations where required. Also of importance are increasing digital technology and life sciences, an increase in green investment and financial services. Solvency II should be capable of unlocking £600 billion of industrial growth funds over the next decades.

The key remaining requirement is to get those who have withdrawn from the workforce following the pandemic back to work. The increase in pension credits should deliver around £1,470 per couple. What is needed in tax to make it attractive to return to work? The increase in working-age adults is 630,000; there is a case for continuing to pay at least part of universal credit to those in part-time work. Its removal if a recipient takes on part-time employment has proved a major disincentive to taking up part-time employment.

6.24 pm

**Lord Shipley (LD):** My Lords, I remind the House that I am a vice-president of the Local Government Association. I look forward shortly to hearing the maiden speech of the noble Baroness, Lady Lea of Lymm.

The disastrous mini-Budget in September, with its unfunded tax cuts, led to inflation at 11%—its highest since 1981—and high and rising interest rates. We face the worst fall in living standards since records started with a 7% drop in household incomes over the next two years, as forecast by the Office for Budget Responsibility. Homelessness is set to rise further because of the increasing unaffordability of housing. Council tax will rise by up to 5% in April. Yet again the Government are shifting the tax burden for social care to poorer people and areas, which collect lower revenues from their tax bands but face higher demands for social care. Council tax is a regressive tax. Why do the Government continue, year after year, to misuse it in this way?

I understand the need to restrict rises in business rates and I support the action the Government have taken. The introduction of the new valuations is the right decision. I welcome the fact that online distribution centres can face higher business rates in future, which

should help retail centres. But could I ask the Minister about business rate increases for public buildings? What impact assessment has been done on the costs of those to the public sector? Will those increases, which may be significant, be reimbursed?

Chapter 2 of the Autumn Statement, on page 26, relates to “protecting vital public services”, but there is little reference to the housing crisis. There is a lot on health and education but no apparent understanding of the impact of poor housing on the costs of the National Health Service. I have spoken many times in this Chamber on the need to build more homes for social rent. In the last 10 years, house prices have risen by 50% but wages by only 20%. There is a serious shortage of new homes, as the Government fail to deliver their promise of building 300,000 a year.

There is now a huge drop in numbers of home owners under 35. Help to Buy led to increased demand without an increase in supply, and so to higher prices. We must increase supply. A way of finding more money is to share the land value increase more when a planning permission is granted between the owner and the local authority. I suggest to the Government that the time has come to look at that seriously.

Following the mini-Budget, interest rate rises in mortgage costs to 6% have made home ownership too expensive for many aspiring first-time buyers. This is making home ownership unaffordable for too many people who currently own their homes. In both cases, that leads to greater demand for rental properties, with rents inevitably rising, certainly in the private sector.

The rise in interest rates has impacted home owners right across the country, but is more acute in places such as London and the south-east where house prices are higher. Some households face increases in their monthly payments of several hundred pounds, which they have not planned for. Some will not be able to afford it. Some will lose their homes, unless government support is forthcoming. What plans do the Government have to help people in that situation?

There is now a worrying increase in private landlords seeking possession orders under Section 21 of the Housing Act 1988. The practice of no-fault evictions was banned during much of the pandemic, and lifting the ban has seen a big increase in threats of no-fault evictions. As an example, analysis by the *Northern Agenda* shows a 143% rise, compared with the same period a year ago, across the north of England. This is significantly higher than in London and the south-east. When will the renters' reform Bill be considered? When the Government published the White Paper in June, it included a commitment to ban Section 21 evictions. Is that still their intention?

The Secretary of State for Levelling Up, Housing and Communities was in Rochdale last week, after the dreadful tragedy there, to see for himself the unhealthy state of some homes. I welcome his decision to amend the Social Housing (Regulation) Bill to set mandatory requirements for inspections and action. Official advice on removing mould seems to be to open windows to bring in cold air and keep spores from settling, and then to turn up the heating to kill off the spores that do. This is unaffordable when people have to reduce their energy use. It is unacceptable and it is not levelling up.

[LORD SHIPLEY]

We need to build more decent social homes. There is now a very serious problem emerging where a household is not earning enough to meet a private sector rent increase but is earning too much to qualify for social housing. Such households end up having nowhere to live, other than temporary accommodation. That, too, is unacceptable.

Finally, over a million households are already on social housing waiting lists. Those lists will grow as people are forced out of the private rented sector. We have to build more. As the Secretary of State said in Rochdale in an interview with the *i* newspaper last week,

“we do need to make sure that we do have more homes built, and more social and affordable homes built along the way”.

That does not quite amount to a policy, but it does at least sound like a step in the right direction. It is just a matter of regret that the Autumn Statement does not mention housing at all.

6.31 pm

**Baroness Lea of Lymm (Con) (Maiden Speech):** My Lords, it is a great honour and privilege to make my maiden speech in this House today. I would like to thank everybody in the House, from all sides, for their kindness and support. I am deeply grateful for the guidance and advice offered by all the officers and staff I have met. Black Rod and her staff, the Clerk of the Parliaments’ Office, the doorkeepers, the attendants and the police officers have all been incredibly helpful, not least because I keep getting lost.

In particular, I thank my supporters: my noble friend Lady Noakes, who is also my excellent mentor, and my noble friend Lord Blackwell, who was my excellent chairman when I was the director of the Centre for Policy Studies. I am really grateful. Indeed, I cannot thank them enough.

When I was appointed to this House, it struck me how my life had gone almost in a complete circle, because I began my career several decades ago—I am not telling your Lordships how many—on the other side of Parliament Square, in the Treasury. So I think I can find the way. In my 16 years in the Civil Service, I was attached to several government departments. I worked on, among other things, economic forecasting and the compilation of the economic accounts. It was always fascinating, and it was a terrific foundation for the rest of my career. After the Civil Service, I worked at the Mitsubishi Bank, Lehman Brothers—yes, that one—ITN, the Institute of Directors, the aforementioned Centre for Policy Studies and, lately, the Arbuthnot Banking Group.

Unsurprisingly, I have simply lost count of the number of Budgets, Spring Statements and Autumn Statements I have followed throughout my career. That brings me to this year’s Autumn Statement. I will not discuss the policy aspects of the Autumn Statement—that would be far too controversial—but will confine my remarks to some general reflections on the nature, difficulties and uncertainties relating to economic forecasts. There are many, which makes me naturally sympathetic to the OBR when it forecasts the economy and the public finances for these important fiscal statements.

First, there are uncertainties relating to the underlying data which are the basis of any forecast. I remember well being involved in the estimation and compilation

of the balance of payments accounts when I was in the Central Statistical Office, the precursor of the Office for National Statistics. It taught me that, with the best will in the world, there are likely to be significant measurement errors and sampling errors in these accounts, and this applies in equal measure to much of the rest of the ONS’s output. Moreover, the data can be substantially revised as later information becomes available—history gets rewritten. This is not to criticise the ONS or question its integrity, professionalism or competence—far from it. I have the greatest respect for the ONS; I merely emphasise the inherent problems in estimating economic data.

Secondly, there are daunting problems relating to modelling and estimating the interrelationships between the variables in a complex system such as the economy. Moreover, in a changing economy, the interrelationships are not even stable—they change, adding to uncertainty. If you want a bit of light relief, look at the OBR’s website. You will see its macroeconomic model, which provides a useful, if not formidable, rundown of the variables identified within the model and how they interrelate. The model was first put together by the Treasury in the 1970s and is now jointly maintained and developed by the OBR and the Treasury.

Thirdly, any forecast is dependent on some fairly heroic assumptions. In its November *Economic and Fiscal Outlook*, the OBR referred to the intensification of

“the global energy ... supply shocks emanating from Russia’s invasion of Ukraine”

since March’s Spring Statement. It discussed the significant knock-on effects for inflation and interest rates. Crucially, it had to make some fairly heroic assumptions about the future paths of energy prices and interest rates based on market expectations for its latest forecasts. These may or may not be fulfilled; probably not. In some sense, they are always wrong. The issue is whether these assumptions look plausible. To me, the assumptions in the Autumn Statement look perfectly plausible.

So economic forecasts are inevitably subject to great uncertainties, which the OBR and the Bank are at pains to point out. Indeed, the Bank has been using so-called fan charts around its central projections since the 1990s. These fan charts provide a useful indication of forecast uncertainties of the main economic variables: GDP, unemployment and inflation. I notice that the OBR has recently started to use fan charts for its projections of the key fiscal variables relating to the Government’s fiscal targets. This is a useful development.

Digressing for a moment, I feel I should add that it is not just economic models and forecasts that are inherently subject to uncertainties. So are epidemiological models and forecasts, and so are climate change models and forecasts. But that is for another day.

Finally, given the uncertainties surrounding the OBR’s forecasts—and, indeed, the Bank’s—some commentators have been rather dismissive, questioning the purpose of them. I would defend them. Crucially, they provide a valuable, if not invaluable, framework for analysing the economic and fiscal implications of government policy, and they offer a thought-through and informed assessment of where they think the economy is going. Moreover, I understand that the OBR’s record has



been perfectly respectable when compared with other forecasts. On that upbeat note, I shall end. I thank noble Lords for their patience in listening to me today.

6.38 pm

**Baroness Fox of Buckley (Non-Afl):** My Lords, it gives me great pleasure to follow and warmly welcome the noble Baroness, Lady Lea of Lymm. Too often, professional economists are dull technocrats who have disavowed the political drivers and implications of budgetary or fiscal policy. But, as we have heard from her maiden speech, and her prolific writings over the years if noble Lords have followed them, the noble Baroness's undoubted expertise is never devoid of an awareness of the democratic context and consequences of economic decisions.

I first met the noble Baroness, Lady Lea of Lymm, when she was head of the policy unit at the Institute of Directors, when she invited me for lunch over 20 years ago. I had never been inside the IoD. It was very grand and a tad intimidating, but the noble Baroness made me feel totally at ease. She was not overly formal: she was down to earth, frank and great fun. Despite coming at politics from completely different sides of the political spectrum—a long time before we were on the same side on Brexit—that lively and intellectually stimulating conversation over lunch showed me that the noble Baroness has a generosity of political spirit that, in 2022, is an underrated virtue, but one that will be valuable in this House.

What we had in common, and which has kept us in touch ever since, was the noble Baroness's passion for freedom, free speech and enhancing accessible public debate. If you look at her eye-wateringly impressive CV, you will see that she has committed her whole adult life to public service. I am glad to see her continue the tradition by taking her place here. If I might say so, it is long overdue.

I am not usually one to focus on representation or role models, but that the noble Baroness was more than equal to making her presence matter in a man's world was and is inspiring. I am sure that many noble Baronesses across the House will welcome this fearless, clever woman, and independent thinker, as a great asset to the Chamber.

The noble Baroness was very insightful in her comments on the Office for Budget Responsibility, and I shall follow her remarks about the Autumn Statement by disagreeing with her—she will understand that. In the aftermath of the Truss-Kwarteng mini-Budget, many critics suggested that if only Downing Street had allowed the OBR to publish its forecast, financial turmoil could have been avoided. Surely this credits the OBR with some all-knowing, ever-present, god-like qualities when, in reality, it is an unelected watchdog established only in 2010. Rather than treating it as representing unchallengeable truth, its outlook should be open to scrutiny and debate. For example, the OBR's model assumes that higher interest rates are a negative for economic growth, whereas I agree with those who argue that artificially low rates and cheap credit over the past few decades have disguised serious underlying problems of productivity while facilitating unproductive sectors at the expense of investment in new innovative enterprises.

Regardless of opinions on this, my broad concern is that over recent months politicians have done too much deferring to third-party bodies. The extraordinary intervention by the IMF, with its demands that an elected UK Government should change their economic policies because it did not approve, was cheered on and cited by far too many politicians as proof of the need to halt the growth plan. It was as though everyone forgot that the IMF has been a brutal enforcer of failed austerity policies internationally. I remind the House of the 2010s euro crisis, when the troika imposed such harsh measures on Greece that its public sector employment was slashed by 30% and youth unemployment peaked at 86%, consolidating me as a Brexiteer.

Beyond the OBR and the IMF, there was the narrative that there was no alternative but to bring in the drastic measures of the Autumn Statement because we need to satiate unhappy financial markets. What the self-described grown-ups in the room need to understand is that financial markets do not have emotions, are not unhappy and do not have a purpose. They are simply places where people and institutions sell and trade. By mystifying them as some omnipotent power, markets are given the authority or are provided with an excuse for blocking democratic choices. There is little doubt that Liz Truss's shallow, tax-cuts-equal-growth intervention was a debacle, but I fear the Autumn Statement throws the growth baby out with the bathwater. Shadow Chancellor Rachel Reeves is right. We need to escape the doom loop of low growth. We need the economy to grow, produce, make and manufacture more in less time in order to crack the long-standing and deeply entrenched productivity crisis that long predates Brexit, but which politicians of all parties have avoided, often preferring to claim credit for superficial gains of cheap credit and state subsidies. Breaking the productivity deadlock requires supply side reforms, such as cheap childcare and business investment in training and skills, not cynically cheating by treating migrants as cheap labour. Of course, we need to free up planning and infrastructure from smothering hyperregulation, so how dispiriting to see so many MPs supporting anti-growth amendments to the levelling-up Bill that threaten to institutionalise nimbyism, block desperately need housing and cost thousands of job in construction.

Meanwhile, the Autumn Statement trots out the same old net-zero priorities that put restraints on production and the use of energy, putting the majority of eggs in the renewables basket that limits options. We need maximum access to all energy sources. Yes, wind farms, but that crucially means also fossil fuels, shale gas and lots more nuclear. That kind of reliable energy is needed as the lifeblood of modern industrialisation, investment in technology and innovation, and lots of R&D. We need to fuel productivity increases as the main guarantor of improved living standards by creating skilled jobs on decent wages. Eco-austerity hurts millions however much it drapes itself in green self-righteousness. Perhaps the only positive of the chaos of the past few months is that we are now facing up to the reality of Britain's economic stagnation, a refreshing change from decades of smoke-and-mirror claims that our economy was fundamentally sound, shamefully illustrated by all parties gaslighting the public with reassurances that locking down business, halting production and

[BARONESS FOX OF BUCKLEY]

paying furlough for months on end would be cost free. What an illusion. At least now we are going to have an honest debate, and I am sure that the no-nonsense voice of the noble Baroness, Lady Lea, will be an invaluable asset in it.

6.45 pm

**Lord Bridges of Headley (Con):** My Lords, I start by drawing your Lordships' attention to my entry in the register. I welcome my noble friend Lady Penn back to the Front Bench. It is excellent to see her there. I absolutely echo the words we have just heard. I warmly welcome my noble friend Lady Lea. It gives me great pleasure to be able to call her "my noble friend". I congratulate her on her excellent speech, which I am sure all noble Lords agree shows the great wealth of talent she will bring to our deliberations. I thought it was a wonderfully uncontroversial speech, and next time I very much hope that the gloves will come off.

In that spirit, the season of good will is about to be upon us, so I will try to start with some words of praise about the Autumn Statement. I think that the Prime Minister and the Chancellor are quite right to be honest with us all about the dire economic situation we are in. I agree with a lot of what my noble friend Lord Lamont said. The oncoming recession would be worse. My reading of it is that inflation would have been higher if the Government had not taken some of the measures they have announced. As my noble friend Lord Lamont said, those measures were tough.

From where I sit, the worrying reality is that although we have avoided falling into the economic abyss, we are still very close to the edge of the precipice. Why are we there? There was the mini-Budget—there is no doubt about that—and there has obviously been the economic shock of the two undeclared wars this country has fought, first against Covid and now against Putin, the impact of which my noble friend also eloquently referred to, so I will not repeat those points. I will also point to something else where I think that the noble Lord, Lord Eatwell, who is sadly no longer in his place, and the noble Lord, Lord Hain, will profoundly disagree, so I am testing the spirit of good will. I see Conservative-led Governments bit by bit defaulting to a mentality that higher spending and higher taxes are the solution to all the problems we face. My concern is that that mentality has been nurtured and watered by quantitative easing, which has become the magic money tree. Our QE addiction, as the House of Lords Economic Affairs Committee warned 18 months ago, has left us perilously exposed to what might happen when the era of cheap money ended, and that era is now over. Interest rates, as we all know, are up, belatedly, to grip the tiger of inflation, and that tiger is already gnawing into household incomes, pushing up welfare costs and creating havoc with government finances.

The noble Lord, Lord Fox, is absolutely right that the Autumn Statement lays out the gruesome cost of debt servicing. It is at its highest level in a generation. In the seven minutes of my speech, if I am right in my calculations, we will spend roughly £1.5 million on debt interest. That is quite an expensive speech—I

think it is six times even what Boris Johnson gets paid. More than this, our public finances are more sensitive to movements in interest rates than they have been for decades. Every one percentage point rise in short-term interest rates now adds £13 billion to debt interest costs the following year. As to the debt stock itself, despite the £60 billion of tax rises and spending cuts in the Statement, debt will be £400 billion higher in five years than forecast just back in March. Added to all this are other uncertainties. The volatility of the gas prices is one. If prices go back to their late August peak, that could add £42 billion to borrowing next year.

So, given all this, taking a step back, I think the question the Autumn Statement begs is this: as we look ahead—and when I say "look ahead", I mean look ahead several years out—are we really addressing the enormity of the situation we are in and the need to bring spending and, with it, taxation back under control?

I fully accept the pressures we are under, as my noble friend Lord Lamont and others have said, but let us just consider spending. The cuts are not being implemented until after the next election. Even then, by 2027-28, total departmental spending will be more than £90 billion higher in real terms than at the start of this Parliament.

Consequently, in the meantime—the next couple of years—we are tackling borrowing by raising taxes. As has been said, the tax burden will be at its highest sustained level since just after World War II. Millions more people will be dragged into a higher rate of tax. Worse still, our workforce appears to be becoming sicker and more people are becoming inactive. Thanks to all this, we are destined to become poorer, which to me is the most startling fact of the Autumn Statement. Real household disposable income per person is set to see its largest fall since Suez.

Having said all this, I do not question the need for the Government to act to stabilise the economic situation—but we must beware stability becoming the stability of the graveyard, where ever-higher taxes and spending snuff out enterprise and growth. If we are to wrest control of tax and spending, we need to answer the really difficult questions and topics that I believe we—and I take full responsibility for this, as a Conservative—have failed to tackle: our appalling productivity, our planning system, and how we are going to pay for an ageing population in a sustainable way. Above all, we have to ask ourselves how we are really going to encourage enterprise, innovation and investment—the essential ingredients of growth—if we keep taxing and spending at this level.

That begs a very difficult question: what do we want the state to do? Here I sense a creeping consensus that we must somehow accept that we are in a new era of higher taxation, higher spending and a bigger state. We are told that this is the solution to the challenges we face and the way to grasp the opportunities of the future. Others will profoundly disagree, but I reject that thesis outright. It is not what I believe in, not just for reasons of principle but because this approach, I contend, will furl up the arteries of our economy. That will hinder growth, and our children's and their children's ability to pay for the services their generations will need.

6.52 pm

**Lord Bilimoria (CB):** My Lords, the Chancellor said the Autumn Statement on 17 November 2022 will lead to a shallower recession and higher long-term growth. He promised

“stability, growth and public services”,

£55 billion of increased taxes and spending cuts. Yet during the pandemic we spent £400 billion to save the economy, debt to GDP went up to nearly 100% and the OBR has predicted that in 2027-28 we will still have 97.3% debt to GDP. Here is the caveat: the OBR forecasts are forecasts, and invariably they do not actually transpire.

We have the highest tax burden in 70 years. The OBR has predicted that the tax burden will hit a record 37.5% as a share of GDP in 2024-25. Income tax thresholds are frozen. The fiscal drag will bring millions of people to either start paying tax or be dragged into higher bands. There is also the windfall tax on energy companies and corporation tax going up from 19% to 25%. As the noble Lord, Lord Bridges, said, high taxes will stifle the recovery and growth.

When it comes to spending, the good news is that schools are getting £2.3 billion, but that is a drop in the ocean. We have underinvested in schools for decades. As for the guaranteed 2% on defence, we need to go up to 3% because of the Ukraine war and other global threats. Does the Minister agree?

The OBR predicts that inflation will peak at a 40-year high of 11.1%. On growth, the OBR has forecast that we will be in recession—we probably already are—and we expect growth of 1.3% in 2024. Before the financial crisis we were growing at an average of 2.5%. Unemployment is at record lows rate of 3.6%; the OBR forecasts that it will go up to 4.9%. As the noble Lords, Lord Fox and Lord Bridges, said, the OBR has forecast a dramatic decline in real household disposable incomes—the lowest in memory.

What about the Opposition? The shadow Chancellor has said that the Government’s actions

“have forced our economy into a doom loop, where low growth leads to higher taxes, lower investment and squeezed wages”.

She said the UK was

“the only G7 economy that is still poorer than before the pandemic.”—[*Official Report*, Commons, 17/11/22; cols. 844-57.]

We recently had our CBI annual conference—I have just stepped down as president and am currently vice-president—in Birmingham, where I am proud to be chancellor of the university. There, Tony Danker, our director-general, said:

“Britain is in the middle of stagflation—hit with rocketing inflation and negative growth—for the first time”

in many years. He went on:

“Now, we know how to fight inflation. We know how to fight recession.”

But do we

“know how to fight them together”?

What about growth? He said that

“growth is good. It’s a precondition to a stable society. Without growth the NHS gets worse not better. Without growth, people’s lives get worse not better. Without growth, we lack the resources we need to transform ourselves to a zero-carbon world.”

Since the financial crisis, we have had low growth and flatlining, if not declining, productivity.

There is good news about business rates relief—the Government are finally going to address this—and about infrastructure and Sizewell C, but what about small modular reactors? Rolls-Royce has the capability. We can get them up and running in five years. A 500-megawatt SMR can power electricity for 1 million people. Why have we not started yet?

What about private sector investment? The 130% super-deduction was absolutely brilliant. Now that corporation tax is going up from 19% to 25%, we need permanent full allowances, because that will incentivise companies to invest. We at the CBI estimate that that would unlock an extra £50 billion in capital investment per year by the end of the decade. Do the Government agree?

What about trade? Our trade as a percentage of GDP is the lowest in the G7. Our biggest trade agreement is with the EU. That TCA needs to be unlocked, but we cannot unlock it unless we resolve the Northern Ireland protocol. We need to get round the table and resolve that now.

In his speech at the CBI conference, Prime Minister Rishi Sunak said that

“we ... plan to grip inflation and balance the books ... And critical to achieving all this is innovation.”

But we invest 1.7% of GDP in innovation and R&D, compared with 3.1% in America. The Prime Minister also said that

“we will ... deliver our Lifetime Skills Guarantee to help people of any age retrain and acquire new skills.”

This is great news. When will this start? There are 1.3 million job vacancies.

In his speech, my successor as president of the CBI, Brian McBride, spoke about the good news of our tech unicorns. We have one of the highest levels of tech unicorns in the world. On the other hand, he said:

“We also have one of the biggest skills mismatches in the G7.”

We estimate that 90% of the UK workforce will need to retrain by 2030.

Net migration is at 500,000 up to June 2022, yet there are job shortages in every sector, not just in low-skilled jobs. I was addressing the highest tech companies in the country. I asked, “How many of you are experiencing labour shortages?” Every single hand went up. I have said time after time that the Migration Advisory Committee needs to be revamped so that, like the Low Pay Commission and the Monetary Policy Committee, it can independently tell the Government to give one, two or three-year visas sector by sector: so many thousand jobs in this sector, so many thousand in that sector. Why do the Government not do this?

The good news about reskilling is the Help to Grow scheme launched by Rishi Sunak when he was Chancellor; I am on the council. Great—mini-MBAs for SMEs.

In his speech to the CBI, Keir Starmer said his party

“is proud of being pro-business.”

That is great news to hear. He said:

“We won’t ignore the need for workers to come to this country ... Migration is part of our national story”.

Good migration has always been good for this country, yet we have fewer industrial robots than any other comparable country. He also made the point about

[LORD BILIMORIA]

investing in green growth. I believe we should invest in wind, hydrogen, solar, SMRs and, of course, the green industrial revolution, including HydroFLEX, the world's first retrofitted, hydrogen-powered train, developed by the University of Birmingham with government and industry support.

We do not have an industrial strategy. Do the Government have a plan for an industrial strategy? The business department, BEIS, includes "Industrial Strategy" in its name. The apprenticeship levy is not flexible enough; we need to make it more flexible.

Finally, all this talk about reducing international students and restricting them to elite universities is absolutely wrong. As a third-generation international student from India, I know that international students bring in £30 billion to our economy. They enrich the culture of our universities, form lifelong and generation-long bridges and are one of the strongest elements of soft power in our country. Do not damage international students. We should increase their number from 600,000 to 1 million.

I conclude: growth; investment; address the immediate need for skills; address the long-term need for skills; bring in workforce from abroad; innovation; invest in the green industrial revolution; and let us be grateful and celebrate our universities and our international students.

6.59 pm

**Baroness Jones of Moulsecoomb (GP):** My Lords, I too welcome the noble Baroness, Lady Lea. Her speech was indeed uncontroversial; it is quite possible that we need more of that in this House. I certainly do not subscribe to that other view.

I want to condemn the Chancellor's austerity Budget in the strongest possible terms: to excoriate it; to revile it. I will explain why. The spending cuts of £30 billion have left people paying the price for a decade of Conservative economic mismanagement. They will impact the poorest the hardest, while those profiteering from the crisis—we know who they are—have been let off the hook.

The Chancellor announced that he would be sticking to his cash spending plans for the next two years, meaning public sector pay rises of just 2% with inflation at 7% next year, which would result in a 5% real-terms pay cut for public sector workers across the country. Whatever Jeremy Hunt claims, this amounts to taking £30 billion away from people who need it during a cost of living crisis, both directly and through cuts in services. The cuts will force local councils and national public services to deny people vital support.

Yet we know that there is enough wealth in this country for us to avoid the dire economic situation that this Conservative Government are forcing us into. The problem is that wealth is concentrated in too few hands when it should be spread throughout the economy to the benefit of everybody. I can tell you what the Green Party would do: we would introduce a 1% wealth tax on the super-rich—obviously, that is nobody in your Lordships' House—and increase taxes on unearned income to ensure sufficient money to fund the public services that we need and deserve.

That brings me to two questions that I really would like answered by the Minister today. She talked about a stronger NHS. Does that have a privatised element or is it still completely public? If she could tell me that, it would be fantastic. Also, she mentioned new hospitals. I really would like to know where, when and how many. It must be possible to tell us.

The Green Party would also close the loopholes in the windfall tax to enable investment in green solutions to the energy and climate crisis—not schemes like Sizewell C, which will cost a fortune to build, will come onstream far too late to make a difference and will be incredibly polluting during its construction phase. These measures would put an end to the spiral of Conservative chaos and guarantee investment in the green infrastructure and world-class public services that our country hopes for.

Several noble Lords have mentioned how good—how necessary and stabilising—growth is. That is complete nonsense, I am afraid. Growth destabilises the planet. The noble Lord, Lord Howarth, very kindly covered the issue of climate change being completely absent from the Autumn Statement so I do not need to go into that; but I can tell your Lordships that growth is not necessarily good.

Why on earth did the Government cancel the green stuff and leave tens of thousands of people with draughty homes and huge energy bills? Why do we not save everyone money and tighten up the standards for new homes so that they are all net zero? We should not even be going for net zero; we should be going for carbon negative. That can be done; it is more expensive but it saves money in the long term. It saves home owners money, it saves the Government money in terms of health and illness, and it will help to deal with the climate emergency. The only people who will be put out are the developers who quite possibly donate to the Conservative Party.

The Green Party proposals also include taxing the wealth of the richest 1% of households to raise at least £70 billion; and imposing a dirty profits tax, without any loopholes, on the oil and gas companies currently making huge sums from fossil fuels and the energy crisis. That, of course, is extremely damaging to our planet and to our future security on all sorts of fronts. We would provide increased funding for the Environment Agency and Ofwat to ensure proper enforcement of privatised water companies so that they invest in the infrastructure needed to end the scandal of sewage being poured into the rivers and seas. I have been highly amused by the number of MPs who rush to say, "Nothing to do with us," in spite of the fact that they voted it through in the other place.

Money raised from the wealth tax and the dirty profits tax would help fund: a new green skilled workforce; a dash for renewables to bring down bills; a national home insulation programme to keep people warm; free childcare to ease the cost of living burden; reducing the cost of travelling by train and bus to make public transport cheaper than travelling by car; an end to the sewage scandal; a national minimum wage of £15 an hour; and decent pay increases that reflect rising inflation for public sector workers.

More Tory austerity will create fear in communities across the country. Services are already facing extreme pressures, and the country cannot stand billions more

pounds of public spending cuts. While the Government seem belatedly to have acknowledged the importance of driving down our use of gas through energy efficiency, the measures announced in the Statement go nowhere near far enough to help people who need their homes insulated right now.

Our tax-raising alternative would mean that polluting companies and the very richest households contribute more while our investment in a rapid move to a net-zero economy would fund the new skilled, sustainable, well-paid jobs that will be needed to replace those reliant on fossil fuels. Our plans ensure that those most able and most responsible pay, while the vast majority reap the rewards of a rapid move to a green economy.

While I am laying out our measures, I mention also that we ought to have an immediate freeze on rent rises and a ban on evictions by landlords who simply want to increase rents between tenancies. The Scottish Government have done that; I cannot see why we could not do it here. It would be a very quick measure and would make people feel a lot safer.

I do not want—please—to hear any more of Ministers in your Lordships' Chamber saying, "Well, nobody has come up with other ideas." We have; lots of people have better ideas and we need to think about them. Of course they are better ideas, because this Government are themselves washed up and out of ideas.

7.06 pm

**Lord Sikka (Lab):** My Lords, it is a pleasure to follow the noble Baroness, Lady Jones of Moulsecomb.

This Budget offers nothing to women. Over half the workforce in the public sector is female and all the Government are offering them is cuts in real wages, condemning millions of teachers, nurses and others to rely on charity.

Depressions are avoided by improving people's purchasing power but this Government are bent on depleting it; for example, by freezing personal allowances and income tax thresholds. Some 3.2 million additional people will now become liable to pay income tax, and another 2.6 million will pay tax at the higher rates. Even before the pandemic, the poorest 10% of households paid 47.6% of their income in direct and indirect taxes, compared with 33.5% by the richest 10%. Can the Minister explain why the poorest continue to pay the highest proportion of their income in taxes?

After the September Budget, the Government found £19.2 billion to bail out pension funds. They have for years funnelled billions in quantitative easing to City speculators. In the most recent Budget, the Chancellor handed £18 billion of tax cuts to banks but could not hear the cry of 800,000 hungry children. Ministers have taken to the airwaves to claim that they are actually inconveniencing their rich friends, even though the Chancellor failed to introduce a wealth tax or financial transactions tax, end the non-dom tax dodges, or reform trusts to prevent the rich from avoiding inheritance tax.

However, the Government have lowered the 45% income tax band threshold from £150,000 to £125,140. The result is that, from April, a FTSE 100 chief executive earning a £4 million annual salary will pay

£1,243 a year extra in income tax. That is equivalent to £24 a week, which is less than they pay for a glass of wine when they go out on a Saturday night. The Government call this progressive taxation. By taxing capital gains at the same rate as earned income and charging national insurance on the same basis, the Government could have raised £25 billion to redistribute, alleviate poverty and invest in the economy. Instead, they have tinkered with the tax-free allowances for capital gains tax and will now raise only around £1.6 billion over five years.

The Government continue to penalise workers by taxing earned income at rates between 20% and 45%, but capital gains are taxed at rates between 10% and 28%. Recipients of capital gains use the National Health Service and social care but pay nothing in national insurance. That is wrong. There is similar tinkering with domestic dividends, which will raise £940 million by 2027-28. The Government could have raised around £8 billion a year by aligning the tax rate on dividends with earned income. And the Government have done absolutely nothing to check tax avoidance on dividends paid to foreign investors; they continue to be paid tax-free. No other Government do that.

Conservative Chancellors make ritualistic references to tax avoidance, and this Budget is no exception—although the Chancellor failed to mention that, since 2010, HMRC has failed to collect over £400 billion in taxes. Alternative models of the tax gap put that amount at around £1,500 billion.

Additional investment in HMRC is most welcome. Every £1 spent on investigations into the tax affairs of large businesses yields an extra £56 in tax to HMRC, while investigations into wealthy individuals yield £28 for every £1 spent. But what budget have the Government actually allocated to HMRC? Let us look at the small print in the Treasury papers. For 2022-23 the budget for HMRC is £5.9 billion, for 2023-24 it goes down to £5.6 billion and for 2024-25 it is down to £4.6 billion. That does not suggest that the Government are serious about tackling our tax-avoiding friends—and double-digit inflation means that HMRC's budget is in fact totally depleted.

On 13 July, during the passage of the Energy (Oil and Gas) Profits Levy Bill, I drew attention to several fatal flaws in the design of the levy, otherwise known as the windfall tax. It applied only to profits from the North Sea and excluded profits generated through refining, trading and forecourts. It did not apply to untaxed global profits of companies resident in the UK. Several Ministers continued to claim that we cannot tax the global profits of companies, so I shall remind the Minister what the law is: companies resident in the UK are liable to pay UK corporation tax on their global profits. Of course, they get credit for taxes paid in other countries that are subject to double-tax treaties and agreements. That means that if a company has funnelled profits from the UK to a tax haven with zero corporation tax or at least a lower rate, those profits can be taxed here—but the Government choose not to do so.

The result of the failed windfall tax levy is that Shell has not paid any windfall tax while BP might, and neither company has paid any UK corporation tax for the last three years. So my question to the

[LORD SIKKA]

Minister is: how do the Government hope to collect more without redesigning the windfall tax scheme? It needs a complete redesign. I hope the Minister will be able to answer that.

Finally, empirical evidence shows that austerity kills. Some 335,000 people died between 2012 and 2019 from government-imposed austerity. Could the Minister tell us how many more will die from the cuts included in this Budget?

7.14 pm

**Lord Skidelsky (CB):** My Lords, the Chancellor's Autumn Statement is designed to reassure the markets of the sustainability of the public finances. That is, the Chancellor accepts as binding the views of the City of London, whether they are right or wrong. It is what the markets think that matters, not how matters really are—a nice intrusion of post-modernist thinking in what is supposed to be the hard science of economic policy-making.

It is pretty obvious why the Government should pay such attention to the financial markets. For decades, the financial sector has propped up the UK's hollowed-out economy. Financial flows into the City of London allowed the country to neglect production and trade and artificially maintain a higher standard of living than its productive capacity warranted. Now we are paying the price.

Instead of starting to repair this long-term damage, the Autumn Statement is designed to repair the so-called “black hole” in the budget, in the belief that doing so will, by some magical process, produce an automatic surge in output and growth. In other words, it concentrates on shrinking the numerator, the budget, while ignoring the effects of that shrinkage on the denominator, which is GDP growth. Even in terms of maintaining investor confidence, that is misguided, as the noble Lord, Lord Eatwell, pointed out. How does the Chancellor imagine foreign creditors reacting if his spending cuts produce, or deepen, a recession?

Politics should be based on some theory, at any rate, but there is no explicit theory to be found in either the Autumn Statement or the OBR forecast. The Chancellor sets fiscal targets to reassure the markets. The OBR is there to reassure the markets that the Government's targets are consistent with its own forecasts. The Treasury and the watchdog cling to each other for mutual protection behind a barrage of statistics that claim far more than they are entitled to.

If there is an implicit model behind both Treasury targets and OBR forecasts, it is the one known as financial crowding-out. There is assumed to be a fixed supply of capital, so the Government's increased demand for funds puts upward pressure on interest rates. The rise in interest rates will “crowd out” any stimulus afforded by additional borrowing. That is why the less the Government borrow, the more growth you will get. That is simply a restatement of the “Treasury view” of the 1920s, explained by the then Chancellor of the Exchequer, Winston Churchill, who said that

“when the Government borrows in the money market it becomes a new competitor with industry and engrosses to itself resources which would otherwise have been employed by private enterprise, and in the process it raises the rent of money to all who have need of it.”—[*Official Report*, Commons, 15/4/29; col. 53.]

Presumably, Jeremy Hunt would subscribe to that hoary doctrine, though doubtless in less orotund language. It is as though the Keynesian revolution had never happened; we are just back to pre-Keynesian orthodoxy. It is all embellished in various ways and tweaked here and there, but the substance is exactly the same. However, as the economist Rob Calvert Jump wrote in a recent article:

“There is now a consensus amongst economists that austerity does significant damage to an economy's potential, undermining growth, as the experience of the last decade in Britain has shown us. Further austerity will do far more damage than a ‘fiscal hole’ that disappears with tweaks to models or accounting rules. The ‘fiscal hole’ is a dangerous fiction compared to the hard facts of austerity's impact.”

The last point is particularly worth emphasising. How many people realise that the notorious “fiscal black hole” is the product of shifting definitions of net public sector debt?

Theory alone cannot provide us with all the answers; in fact, all the macro models are in more or less of a mess. I will give three examples. The first is the rise in the inactivity rate. There has been a fall of 227,000 in employment since a year ago. So we have a tight labour market with unemployment at 3.6%, a strong demand for labour and a falling labour participation rate. How can that be explained?

Secondly, there is the notorious productivity puzzle. No one has much of a handle on this. What we know is that the forecasts suggest there will be a dramatic fall in living standards, by about 7.1% over the next two years. How will creating a depression stimulate enterprise, innovation or investment, which are the drivers of productivity?

Finally, inflation is expected to peak at 11% in the first quarter and then fall. Again, the discussion really makes no advance on the old discussion about the causes of inflation, whether due to excess demand or cost push—there are, of course, cost-push factors. I think everyone understands that the UK's support of Ukraine has pushed up energy prices. That is why the Government are now explicitly asking the public to save energy to beat Putin, using crude, World War II-style “Dig for Victory” messaging. What is much less understood is that the UK has a special problem: gas is particularly expensive here, due to our chronic lack of gas storage and our inefficient and exploitative energy distributors.

To conclude, I am strongly in favour of balancing the budget, but not by any mixture of cutting spending and raising taxes. The approach I would favour in present circumstances revives the almost forgotten Keynesian idea of a balanced budget multiplier. A contemporary version of this would suggest a windfall tax or excess profits tax on energy producers, the proceeds of which would be spent by the Government on maintaining investment and consumer demand in the face of the economic downturn.

7.21 pm

**Lord Rogan (UUP):** My Lords, I too welcome the noble Baroness, Lady Lea of Lymm, to the House. In the absence of a functioning Executive and Assembly at Stormont, I wish to place some concerns and some positive words on the record about how the Autumn Statement relates to Northern Ireland.

I welcome the £650 million in Barnett consequentials for public services in Northern Ireland over the next two years. However, there is something of a dark irony about this amount, given that it almost precisely mirrors the £660 million black hole in Northern Ireland's budget in the current financial year.

In a Written Ministerial Statement published last week, the Northern Ireland Secretary, Mr Chris Heaton-Harris, chose to adopt a rather aggressive stance towards the Province's political parties, accusing them of failing "to display the necessary political leadership for which they were elected."—[*Official Report*, Commons, 24/11/22; col. 18WS.] He followed this up with a BBC interview, where his tone was similarly blunt. This was disappointing on two levels.

First, by common consent—not a normal occasion in Northern Ireland politics—my Ulster Unionist colleague Robin Swann was an outstanding Health Minister, who, alongside the incredible health workers themselves, played a heroic role in tackling the challenges before him, particularly during the pandemic. The DUP's decision to, in effect, collapse the Executive has robbed the Department of Health of the type of political leadership Mr Heaton-Harris said he wanted.

Secondly, a great many people in Northern Ireland are deeply worried about their personal finances as the cost of living crisis tightens its grip. The last thing they need at this moment is to see Mr Heaton-Harris on their television screens telling them that Northern Ireland-specific spending cuts are on their way. He then also threatened to increase fares on public transport, raise the regional rates and introduce water charges. What he failed to do was to provide an indication of when Northern Ireland consumers can expect to receive the £400 promised to them through the energy bills support scheme and the £200 home heating oil support payment promised by the Chancellor in his Autumn Statement.

I pay tribute to His Majesty's Government for setting aside these much-needed funds at this most difficult time, but it surely cannot be right that while households in Great Britain began receiving their energy bills support scheme payments in October, people in Northern Ireland are yet to receive any payment whatever. Speaking in another place two days before delivering his Autumn Statement, the Chancellor said he was "absolutely determined" to release this money to Northern Ireland households. However, two full weeks have come and gone and still there is no firm indication of how and when these payments will be made. Indeed, the Energy Minister, Graham Stuart, recently admitted that a joint task force set up to deliver the payments had met only twice—I repeat, only twice—between the middle of August and the middle of November. I would be grateful if the Minister, in her concluding remarks, could update me and, most importantly, the people of Northern Ireland on when she expects the first energy payments to be released, and by which mechanism. It is truly a dominant issue in Northern Ireland at present, as I am sure the Minister will fully understand.

One announcement in the Autumn Statement which did not get the attention it merited was the Chancellor's promise to fund a trade and investment event in Northern Ireland next year. As your Lordships will be aware,

next year marks the 25th anniversary of the Belfast agreement, which, counter to the views of naysayers, should be a moment of pride and optimism for Northern Ireland. That landmark should also be used as a catalyst to attract inward investment, which we certainly deeply need. I would be grateful if the Minister could tell me more about the nature of the event the Government have in mind. I would be happy if she writes to me on that.

Finally, I was delighted to hear the Chancellor confirm that he intends to

"proceed with round 2 of the levelling-up fund, at least matching the £1.7 billion value of round 1."—[*Official Report*, Commons, 17/11/22; col. 852.]

When he said, "at least matching," I hope that he meant "increase" because I know many of the bids have been impacted by inflation, with the cost of building materials increasing significantly since the date for final submissions in July. I am delighted that Northern Ireland is very much part of this bidding process, with at least 3% of the £4.8 billion capital fund due to be allocated to bids in the Province, subject, according to the official guideline, to a suitable number of high-quality bids being submitted.

On a day when the minds of many in this House will be at least partially focused on a certain international football match in Qatar, I bring good news for Ministers about a high-quality levelling-up fund bid relating to local football in Northern Ireland. Earlier this month, I was invited to visit Coleraine Football Club, on the stunning Causeway Coast, to hear more about its bid to redevelop its home ground, which is located between two wards within the top 10% most deprived areas of Northern Ireland. The planned works include a vibrant community hub, with meeting rooms for community events and classrooms for educational programmes. There will also be a 3G community training pitch with floodlighting, which will provide a real boost to youth football, both male and female.

I was pleased to see that the club's application has attracted the support of all sides—I stress, all sides—and at every level of community, business, political and sporting life in the north-west of the Province, as well as from several former Northern Ireland Secretaries of State and other distinguished parliamentarians. I urge the Minister to take an active interest in Coleraine Football Club's bid, because it surely represents what the Government's levelling-up agenda is all about.

7.29 pm

**Baroness Noakes (Con):** My Lords, my noble friend Lady Lea of Lymm was kind enough to reference my role as her mentor. I particularly commended the *Companion* to her as she absorbs the way in which we work in your Lordships' House, so today I must live by its paragraph 4.52 and treat the excellent speech by the noble Baroness, Lady Fox of Buckley, as a welcoming of my noble friend and as congratulations on her maiden speech on behalf of the whole House.

I have not always been inspired by the various Budget Statements, Autumn Statements and Spring Statements since we came into government, although I have generally been able to content myself that they were undoubtedly better than anything that a Labour

[BARONESS NOAKES]

Government would have come up with. With this Autumn Statement, even that flimsy source of comfort has disappeared: it could have come from the pen of Gordon Brown. It is deeply, deeply depressing, and it is not a Conservative Budget.

I will start with growth—or, rather, the lack of focus on growth in the Statement. The Chancellor's speech had a few references to growth, but there was no deep commitment to a growth economy. Mouthing platitudes like

“Being pro-education is being pro-growth”—[*Official Report*, Commons, 17/11/22; col. 849.]

is no substitute for an unerring focus on the drivers of growth. Whatever criticisms can be made of the ill-fated fiscal event in September, it was unambiguously focused on growth. I am sorry that, in the kerfuffle that followed in bond markets, amplified by complete regulatory failure in relation to concealed leverage in pension funds, we have lost sight of the imperative of growth.

Instead, this Autumn Statement has gone overboard on financial stability, which is certainly a good thing, but it is nothing like enough. Even worse, the Chancellor has taken financial stability as forecast by others, particularly the OBR and the Bank of England, whose forecasting records are nothing to brag about. More importantly, their forecasts are a largely static view of the economy and generally do not even try to incorporate the dynamic effects of pro-growth policies. The future is bleak if a Government cannot adopt positive pro-growth policies because they score negatively rather than positively in the spreadsheets of the independent forecasters. My noble friend Lady Lea gave us a master class on the issues around economic forecasting. We also need a conversation about the limitations of current approaches to economic forecasting. In my view, the Government should be going full throttle not only for growth itself but also for making the case for dynamic forecasting of the effects of that growth.

I am appalled by the tax burden rising to a post-war high of 37.5%. High taxes blunt incentives to work, invest and innovate. In short, high taxes are anti-growth. I deplore the return to a socialist narrative that singles out savings and investments, with attacks on capital gains and investment income—I never thought that I would see that from a Conservative Government. The high marginal rates of tax associated with the higher tax bands interacting with personal reliefs were already a stain on our tax system, and this has now been magnified by the reduced threshold for the higher rate of tax. We will likely not be forgiven by an electorate that will learn what fiscal drag really is in a time of inflation and what it does to household finances.

I am equally appalled at the lack of focus on controlling expenditure. If ever there were a right time to read the last rites of the expensive white elephant that is HS2, it is now. If ever there were a right time to stop shovelling money into an unreformed and under-performing NHS, it is now. Instead, we are pouring more taxpayers' money into these black holes. There is no plan to rein in expenditure—all of that is left to another day. But the inconvenient truth is that, without a plan for growth, cuts to expenditure will last longer and be more severe.

This Statement has been clear about raising taxes, but that is all. The Chancellor concluded by saying that the Statement was:

“a balanced plan for stability, growth and public services.”—[*Official Report*, Commons, 17/11/22; col. 856.]

Throwing money at some public services while being silent about the consequences for others does not count as a plan for public services. There is nothing in the Statement that any reasonable person would count as a plan for growth. My noble friend Lord Bridges said that we are heading towards the stability of the graveyard, but it could be worse than that. Fiscal tightening, coupled with monetary tightening by the Bank as we move into recession, has the potential to wreck the economy.

I believe that we should strain every sinew to create a low-tax, high-growth and small-state economy, where the people of the UK can feel the benefits. This Autumn Statement delivers the exact opposite.

7.35 pm

**Lord Rooker (Lab):** My Lords, I also welcome the maiden speech of the noble Baroness, Lady Lea. Although I was not in the Chamber, I was listening, and I very much welcome how the noble Baroness, Lady Fox, welcomed her. Also, following the noble Baroness, Lady Noakes, gives me the opportunity to apologise to her for a comment that I made on a speech of hers some 12 months ago, in which I questioned her sincerity. It is a bit late in the day, but my apology is sincerely meant.

I intend to concentrate exclusively on the recent report from Barnardo's, *At What Cost? The Impact of the Cost-of-living Crisis on Children and Young People*. Children are our future—that is what this financial Budget should be all about. But I will kick off with the Ben Jennings cartoon in the *Guardian* last Friday. A father and son are at a kitchen table; the son is eating and the dad has a cup of tea. The son says to the father:

“Dad—when will I be grown up enough not to need dinner any more, like you?”

Table 1.4b in the DWP's households below average income statistics tells us that 3.9 million children in the UK are living in relative poverty after housing costs. That is more than one in four children in the UK, and 75% of them are in a family where at least one person is working. A YouGov poll for Barnardo's found that 54% of parents have been forced to cut back on food spending for their family in the past 12 months, 20% struggled to provide food, 26% said that their children's mental health had worsened, the same number had sold possessions and 16% had left their pets at rescue centres. Time does not permit me to record the statistics from Barnardo's practitioners, but around two-thirds are supporting a child experiencing poverty, providing access to food banks or giving or signposting access to clothing.

The report notes that

“Persistent poverty can affect a child's brain development in ways that are harmful to their physical and mental health”, citing the LSE Centre for Analysis of Social Exclusion. Poverty creates anxiety, and the challenges created by Covid are likely to continue as rising living costs create more anxiety. I picked up such anxiety in two recent Zoom sessions with schools in different parts of the country in the Learn with the Lords programme.



The Barnardo's report is easy to obtain and read. There are 120 citations and five recommendations, which I will summarise. The first is:

"We recommend the extension of free school meals to all primary school pupils in England".

Kids must get at least one hot, healthy meal a day, which would overcome the stigma and red tape in present system. Only 22% of children—1.9 million—are eligible for free school meals, but it is estimated that a further 1 million in poverty remain ineligible. Participation is needed for all on universal credit, most of whom are in work.

Barnardo's second recommendation is:

"Develop and implement a 'full participation plan' to ensure vulnerable children can engage ... in school life, no matter their home circumstances".

The recommendation also mentions:

"school trips, and wraparound care through an 8am-6pm extended schools offer which includes access to breakfast clubs and after school clubs".

On welcome care, the first adult some children see in a day is a teacher, mum or dad having gone early to a cleaning job. Some kids see their younger siblings off to their schools. Uniform grants should also be included for England, as in Wales and Scotland. My view is that we should ban posh, up-market requirements for uniforms—the rules are designed to exclude some children from those schools in the first place.

The third recommendation from Barnardo's is to:

"Strengthen social security to provide a lifeline to families on a low income."

Yes, it needs more than the inflation uprating, but I do not want to be churlish and welcome the Government uprating by inflation. It requires targeted support to get us through this winter. Barnardo's thinks that the Government should reintroduce the £20 universal credit uplift. It says that we are entering a period comparable to that during Covid, and that the Government should also:

"Reverse the two-child limit, which is now the largest single driver of UK child poverty."

The fourth recommendation from Barnardo's is:

"Improve mental health interventions and support to combat isolation for vulnerable children and young people."

The research for the report identified young people saying they felt

"as though they were living in an extended lockdown as rising ... costs"

limit their access to activities in education and training. As I said earlier, I raised this point myself in recent Zoom sessions. Although neither the children nor the staff put it in exactly that way, that was the message that I picked up.

Finally, the fifth recommendation is:

"Extend family hubs to every community."

The report says:

"Family hubs provide a 'local nerve centre' for ... family support within a community, from stay and play groups, to breastfeeding support to help with issues such as finding a job or applying for benefits. In the 2021 report 'It Takes a Village' Barnardo's calculated that for every £1 invested in its Isle of Wight family hub service, £2.60 of savings were generated."

Access to work is not the complete answer, otherwise we would not have the majority of universal credit claimants at work. The taxpayer is subsidising low-paying employers on a grand scale; the Government appear

happy to continue with this. It is costing billions of pounds to subsidise those employers. I suspect that the forthcoming report from the Economic Affairs Committee regarding the missing 600,000 workers will refer to those who cannot now work due to a lack of access to, or the level of, childcare costs. In fact, the willingness and capacity of people to work is our greatest asset—it is the greatest asset of any country—yet we make it so difficult for many people to start work or get back into work. Low incomes are connected to low birth weights, leading to poor physical health and chronic conditions, according to the Office for National Statistics. Infants in the top 10% of most deprived areas are twice as likely to die in infancy as in the top 10% of least deprived areas, which is also according to the ONS. If they had the same mortality risk, this would amount to over 700 fewer children dying per year in the UK. So what is the answer to the son in the Jennings cartoon? It is certainly not the present policies, as the noble Baroness, Lady Noakes, said. The Tory Government have done too much damage to the UK for them to remain; it is time for them to go.

7.42 pm

**Lord Tugendhat (Con):** My Lords, like my noble friend Lord Lamont, and unlike my noble friend Lady Noakes, I welcome the Autumn Statement. In the circumstances, it is a balanced and fair attempt to deal with the country's current problems and to set a course for the future. It has also already done a good deal to restore confidence in the United Kingdom in financial markets, as the fact that the pound is now back to \$1.20 shows—and that is no inconsiderable achievement.

However, I share the regret, expressed by my noble friend Lady Noakes, of many in my party that the Chancellor was unable to do more of a direct nature to encourage growth, and that makes me regret all the more the extent to which some Conservative MPs—ex-Ministers as well as Back-Benchers in the House of Commons—seem determined to hamper growth. Let me give examples. First, a number of them are making efforts to prevent the Government achieving their target of building 300,000 homes a year. Success in achieving exactly that number, in fulfilment of an election pledge, helped to lay the foundations of Conservative political and economic success in the 1950s. It really beggars belief that what Harold Macmillan and Ernest Marples could achieve in the early 1950s appears now to be beyond the capacity of a Government who have been in power for 12 years.

Secondly, there is the obsession of some sections of the party with distancing this country as far as possible from the European Union. I refer particularly to plans, opposed by the whole business community and the trade unions, to rid the statute book of EU-derived legislation, even when it was introduced and supported by the United Kingdom, thereby creating an atmosphere of maximum uncertainty for business across the whole range of the economy.

I also draw attention to the knee-jerk reaction against any suggestion of trying to remove the barriers to trade with the EU which were erected as a result of the particular way in which the Johnson Government negotiated our exit. If ever there was a case of putting of ideology before national interest, it is that.

[LORD TUGENDHAT]

I turn now to criticism of the Autumn Statement for raising taxation. Raising taxes is attacked by some members of my party as being fundamentally un-Conservative. A school of thought has grown up that appears to believe that a Conservative Government must always, and in all circumstances, be in favour of cutting taxes and reducing the size of the state. Of course, there is a strong preference in the Conservative Party for lower taxes and a smaller state, but it is not always possible to pursue policies in that direction. The preference for lower taxes and a smaller state has never been an article of faith; the party has traditionally been pragmatic rather than ideological in framing its economic policies. It has believed in providing good government in accordance with the needs and requirements of the time. Sometimes, that will involve raising taxes and increasing the size of the state. Classically, of course, that is the case in times of war, but by no means only in times of war; we live in such a time now. The challenge of climate change, the consequences of the pandemic, demography and the strains that it puts on the NHS and social care, plus defence and the threat posed by Russia, are all issues that, singly and together, can be tackled only by the state and require heightened public expenditure. In these circumstances, the Government and the whole of the Conservative Party should now recognise this reality, present the country with a set of prioritised policies that respond to the challenges it faces and explain to the people how they intend to spend their money to make their lives better and safer.

7.48 pm

**Lord Davies of Brixton (Lab):** My Lords, in her absence, I congratulate the noble Baroness, Lady Lea of Lymm, on her maiden speech.

In the Chancellor's Autumn Statement, I was struck by the emphasis placed on public services. It merited several references, and it was one of the three "priorities" that were identified, that is, stability, growth and public services. There were mentions of teachers and nurses, and the declaration that what we needed were "high-quality public services". Even the Prime Minister got a mention shoved into the middle of the Statement, that he is also in favour of high-quality public services. My question is: how can we expect to achieve high-quality public services when we are going to cut pay to the people who provide them? Public services are, by and large, about people; people carry out the work that we require to deliver good-quality public services. What does this plan deliver? It delivers cuts to their pay. How can you align those two factors?

In addition to that, cutting the take-home income in real terms of large parts of the workforce in itself creates the austerity that the Government claim they wish to avoid. So I am puzzled—well, I am not puzzled, because it is part and parcel of the Conservative philosophy, but inflicting the pain of the cost of living crisis on public service workers who are receiving pay increases materially less than the pay increases of the equivalent employees in the private sector is totally against what the Government claim they are trying to do.

As well as pay, there are pensions, and I shall say two things. First, I challenge the use, which Ministers have frequently adopted, of the phrase "generous

public service pensions". Public service pensions are not generous; they might be good—I would describe them as "adequate"—but to me they are the pensions that everyone should be receiving. They should not be dragged down to achieve the poor-quality pensions all too prevalent in large parts of the private sector; they are the objective at which all employment should be aimed. Using the term "generous" for such pensions is clearly wrong; it ascribes a motive of generosity. Well, I can assure noble Lords that terms and conditions of employment are never a matter of generosity—they are a matter of the rate for the job, and if the rate for the job includes an adequate pension, that is nothing to do with generosity, it is paying the rate for the job.

Secondly, I come back to the annual allowance for taxation purposes. It is an issue that is not going to go away. Implicit in the Government's plans is that it is going to be frozen at a time when inflation is out of control; there is galloping inflation of 20% or 30% over a relatively short period, which means a significant effective increase in the impact of the annual allowance on people's pay and their employment. It is worth reminding ourselves that the last Prime Minister promised to stem the exodus of doctors from the NHS caused by the annual allowance. The Prime Minister before that promised to fix the pension tax relief rules, and the new Chancellor, no less, has called the situation a national scandal in the report that he chaired for the Commons Health Committee.

Unlike the noble Baroness, Lady Penn, I am in favour of high taxation. I make no secret of the fact that I think that the well-off and the wealthy should be paying high rates of income tax—tax on their earnings. What puzzles me, and what I do not understand, is why they think it is worth taxing income from a pension at a marginal rate of 55%. That is what the system does. We are told that 45% is at the margins of what is considered to be acceptable, yet pensions, where people have sought to provide themselves with a decent income, are being taxed at 55%. Where is the sense in that?

Clearly, pensions taxation is a mess and needs a thorough review, but we still need some short-term measures to address the problems caused by the annual allowance. It is not just a question of doctors, although they have quite rightly fought that campaign. I recall comments made three years ago by the noble and gallant Lord, Lord Craig of Radley, who spoke about the annual effect of the annual allowance on forces personnel. He referred to the

"complex and indefensible treatment of Armed Forces pensions" and pointed out that the annual allowance

"incurs a significant ... tax charge"

that

"must be paid forthwith"

unless you use the

"irrevocable scheme pays"—[*Official Report*, 15/10/19; col. 72.]

approach.

The noble and gallant Lord identified that at that time there were 4,000 members of the Armed Forces who in a single year had breached their annual allowance and had to produce that financial contribution, not out of their current income but out of the income that

they did not prospectively expect to receive for many years in future. So I hope that the Minister will be able to assure us that action will be taken on the annual allowance to relieve the impact that it has had on NHS staff as well as on the military, in schools, and throughout the public service.

7.55 pm

**Lord Livingston of Parkhead (Con):** My Lords, first, I commend fellow Peers of the English and Welsh variety for their sacrifice in being here tonight—speaking as a Scotsman, I can say that it has not been an issue.

As a number of noble Lords have said, the Chancellor was dealt an incredibly difficult hand. We can debate the mix of causes, but I would argue that a mixture of the after-effects of the pandemic, energy price rises, Brexit and its after-effects and the need to restore credibility after a close-to-disastrous mini-Budget dealt the Chancellor a really difficult hand. I think that he has largely stabilised the position. You just have to look at the pound and at gilts and you can see that he has done a reasonable job. However, we still have very high debt, very high borrowing, very high inflation, very high taxes and, as a proportion of the total economy, very high government expenditure—and we have to recognise that the hard yards are ahead of us. Much of the spending and fiscal retrenchment is actually in the future—we have to say that.

One thing on which I also commend the Chancellor is the return of the OBR. I do not agree with the noble Baroness, Lady Fox, that the OBR does not really matter—it matters a lot, and it matters because to the market it did not look like we cared about what the OBR was saying. So I am delighted that it is back, but I raise an issue—that we have Bank of England forecasts on which monetary policy is based, while fiscal policy is based on the OBR forecast. The two are very different: there has been about a 4% gap in GDP in three years' time between the two. That is a huge gap. To put it in context, if the Government were using the Bank of England forecast, they would not have the same fiscal room and would have had to retrench further. If the Bank of England was using the OBR forecast, it would be looking at raising interest rates higher than it is otherwise doing. We are not quite in the situation of handbrake and accelerator that we were in under the previous Prime Minister. However—and perhaps the Minister can comment on this—I will ask: should we be in a situation where we are operating fiscal and monetary policy off two very different sets of forecasts?

As I said, the Chancellor has stabilised things, but we have to look and build on it, and we have to look for growth. Growth is good—growth pays for services, growth means that we can have lower taxation, and growth means that our children will have a better future than we had. That is something that we would all want. However, it has to be built on sound money; it cannot be based on unsustainable tax cuts. There are two elements to what Governments can do to help growth—and I agree that they can do a lot more to stop it. These elements are around taxation on one side and supply-side changes on the other. On taxation, I think we would all agree that we want a taxation system that encourages people to strive to achieve,

promoting social mobility and growth. Yet large parts of our tax system do not do that today; we still tax earnings more than gifts. Why is it that, if a 20-something is lucky enough to be given by his uncle £40,000, he or she pays less or no tax than if he or she worked for 60 hours a week and earned that? There is something wrong—we are not supporting people who are striving to achieve.

Budget after Budget has, regrettably, taken money away from the young, and we have to redress that. The young are our future; they will be supporting us all and providing the growth and we need to support them to do it. We also need a tax system, as the noble Lord, Lord Bilimoria, said, that encourages investment in physical capital, human capital and R&D. The noble Lord, Lord Fox, was quite right in pointing that out. In all these areas, when we look at the major OECD countries, the UK is a laggard, so we need to do something about it. Reform is needed in all these areas before we push up taxes again. As the IFS said:

“Raising badly designed taxes will be more economically damaging than raising sensibly reformed ones.”

Turning to the supply side, I do not have time to go through what we need as a pro-growth trade policy, a pro-growth approach to immigration, a pro-growth approach to skills and a pro-growth recognition that we do not have sufficient numbers of people, particularly in the older workforce, participating in the economy. But there is one area I will dwell on, which is planning. This has been said by many noble Lords already but how can we expect the younger generation to have ambition when they cannot have a home? Of course, existing homeowners have to have a say, but they do not have a veto; nor should they have one. How can we do an affordable green transition when we will not provide the planning support for onshore wind? It is the cheapest way of providing the green transition. How can we have growth in centres of excellence such as Cambridge, when there is nowhere for people to live and new labs cannot set up? Speaking as an ex-Trade Minister who encouraged a lot of investment into the UK, how can we tell people to invest in the UK when we cannot guarantee that they can actually set up their factory, their business or whatever, or have any idea how long it will take? This is a real problem and something we have to address.

In conclusion, the Chancellor has made a start. At least he has formed a vaguely solid base. But now, he has to build on it. The fiscal position was undoubtedly economically difficult. The supply-side and tax changes he needs for growth will be politically very difficult. He has started dealing with the economic problem; he now needs to start dealing with the political problem. In that way, our children can look forward to something a little better than we have.

8.02 pm

**Baroness Blackwood of North Oxford (Con):** My Lords, I declare my interests as set out in the register and, of course, I welcome the Minister back to her place.

Others more expert than I have analysed the geopolitical drivers that underpin our current economic outlook. It is impossible not to hold very strong opinions about these and the domestic response that has played into the enormous economic upheaval we

[BARONESS BLACKWOOD OF NORTH OXFORD] face, but my plea is for a focus on solutions that will restore faith in our economic future, not least because we are exhausted.

We are exhausted by having to keep rising up as a nation to respond yet again to crisis: first the financial crisis, then Brexit, the pandemic, Ukraine and now an energy and inflation-driven economic downturn. We will be judged not by assigning blame in this time of crisis—there will always be plenty of time for that—but rather by how we respond to put things right for the millions facing real hardship up and down the country. For this reason, I welcome the three key principles laid out by the Chancellor: support for public services, the need for fiscal responsibility, and the need for growth. In the time available, I will focus on the critical role that health and innovation have to play in our national recovery.

A healthy economy needs healthy people, but we have seen a spike of 500,000 British workers dropping out of work due to poor health since the pandemic. These figures shed light on why the labour market remains so tight. The Bank of England chief economist described this as a “real shock” that is fanning inflationary pressures. Here, I must disagree with my noble friend Lady Noakes: NHS Confederation analysis shows that investment in health is not a drain on GDP, as often represented, but rather boosts economic activity. The NHS is a net contributor to the UK economy; every £1 spent on health can generate up to £4 of economic growth and improving the health of just 1% of those not in work due to ill-health, a recognised proxy for general morbidity, could help 180,000 get back into work. It is therefore critical that our health system has the capacity to respond to this, so I welcome the further investment for both the NHS and social care that the Chancellor announced, as well as his commitment to an independently verified workforce plan.

On capital, I note that while it was protected in cash terms, the current 11% inflation means that the Government will have to review their plans for buildings, equipment and, critically, IT—94% of trusts admit they still use handwritten records in at least one department. From John Snow, who analysed dot maps to uncover the link between water pumps and cholera, to Florence Nightingale, who pioneered at-scale statistical analysis in patient care, and John Shaw Billings, who worked out how to mechanically analyse medical and demographic data collected during the US Civil War, we have known for some time now that improving health at an individual and population level requires good management of health data. It is no longer an advanced concept that you can predict the future performance of a company according to how effectively it uses its data, and the NHS is no exception.

At Genomics England, we are a living example of next-generation clinical care founded on the use of technology and data. We hold the largest whole-genome dataset in the world, the National Genomic Research Library, and through the NHS Genomic Medicine Service, whole-genome sequencing is now offered as a standard of care to rare disease and cancer patients. Recent research from Great Ormond Street demonstrates that these benefits for patients include providing additional

information for diagnosis in 81% of cases; changed condition management in 24% of cases; and reclassified diagnosis in 14% of cases. Many a Minister has claimed that we are world-leading in all manner of fields, but in genomics, we can be proud that this really is the case.

If we get NHS data right, it will be the cornerstone of a sustainable, high-quality NHS which can respond to the exceptional challenges we face today. It will turbocharge growth and investment in life sciences and health research and it will empower the patient as never before. On that basis, will the Minister assure me that plans for investing in health technology and innovation adoption will be prioritised?

This matters for patient care, but also for life sciences and health research. The life sciences sector is one of, if not the, most productive and high-growth sectors in our economy, contributing almost £37 billion to UK GDP and supporting over 500,000 high-value jobs. It is critical to our national recovery. I am delighted that the Chancellor committed to increasing public R&D as planned, but getting the overall level of R&D investment up requires the right incentives for private investment too. That is why, like the BIA and the noble Lord, Lord Fox, I think that the reforms to R&D tax relief may turn out to be a false economy. They fall hardest on SMEs, as he said. I know the Treasury believes that there is abuse, but life science SMEs are our biotech engine, employing a quarter of the life sciences workforce. They are often loss-leading for years but they have enormous growth and life-saving potential.

As chair of Oxford University Innovation, I am privileged to see many of the UK’s most exciting life sciences spinouts mature to global standing. These include such companies as OMass, RQ Bio, Oxford Nanopore, Autolus, Nightstar and so many more. These are the innovators and innovations that will solve the great global challenges we face, just as they did during the pandemic. It is difficult to see the economic strategy in reducing support for one of our most knowledge-intensive and globally competitive sectors.

This matters now more than ever, because our traditional leadership role in life sciences is at risk. According to the ABPI, our overall share of global R&D spend is falling. If I were to identify one root cause, it would be a serious fall in clinical trials performance. Since 2017-18, the number of patients recruited into industry trials has fallen by 44% and the number of industry trials initiated in the UK has fallen by 41%. This is wholly unacceptable. Thankfully, it is also wholly fixable.

The excellent life sciences vision is critical for sectoral confidence. It also includes action on clinical research and a number of supply-side reforms, but it remains only partially funded. This does not send the right message of long-term certainty and commitment that we need to stimulate inward investment. Will the Minister commit to fully funding the delivery of the life sciences vision, including urgent action on restoring our clinical research capabilities?

In closing, I ask the Minister to remember that we have the power to unlock the full potential of health and innovation for the benefit of all. We know that we have a latent capacity for health and life sciences that is far greater than we ever imagined: we saw it happen

in front of our eyes during the pandemic. This means that as we look to the challenges that we face today, we know we can solve them if we apply the same determination, prioritisation and leadership that we applied to develop and deploy vaccines for Covid in record time. We can lead on this, and we should lead on this.

8.09 pm

**Lord Razzall (LD):** My Lords, nobody could doubt that the British economy is a basket case, and I see nothing in the Autumn Statement that can help what most people regard as the sick man of Europe.

The economic indicators for the next few years are all negative. First, our growth forecast for 2024, 2025 and 2026, as indicated by the OBR, is the worst of all the G20 countries other than Russia. Secondly, government borrowing is at its highest ever level, as noble Lords have indicated, and as a proportion of GDP, it is the highest since the Second World War. Interest costs are helping to cripple the public sector, and as the OBR tells us, the actions of the Bank of England through quantitative easing to get us through the pandemic have involved swapping long-dated gilts for floating rate reserves, thereby giving an early rise in interest rates for government debt as inflation increases. This has made the situation worse. Thirdly, as always, our productivity is the worst of all the G7 countries. The only way to improve productivity is growth and investment, but any policies to help growth have been damaged by the recent antics of the former Prime Minister and Kwasi Kwarteng. Investment possibilities have been reduced; we are no longer the desirable market we once were. Although I disagreed with a lot of Tory policies, I used to believe that at least the economy was safe in their hands—would that were still the case.

Turning to the Autumn Statement itself, first, the freezing of tax allowances to increase tax revenues is a con, if your Lordships will pardon the pun. This is simply designed to enable the Chancellor to stick to the manifesto commitment not to put up income tax rates, but so-called fiscal drag will put up tax for most people. This is clearly an unfair way to proceed.

Secondly, the Government have refused to admit that they have introduced a windfall tax on energy companies despite the fact that they have. Presumably they are saying they have not because the Lib Dems and Labour were calling for it—but they have done it and called it something else. Nevertheless, they have not taken proper advantage of the opportunities given by the huge energy profits. Putting up the rate is not enough. It is ridiculous that the availability of an investment allowance has allowed, for example, Shell to pay no windfall tax despite worldwide profits of nearly £30 billion this year. This tax needs serious reform.

As usual, as my noble friend Lord Shipley said, we have had the clobbering of local authorities. They will be allowed an increase in council tax to fund essential expenditure so that they can be blamed for tax increases to pay for services which should be funded by central government—the same old con trick.

Of course, your Lordships would not expect me to pass on this speech without indicating the elephant in the room: Brexit. The Government say that the major reasons for our disastrous recent economic performance

are the pandemic and the war in Ukraine, but our European neighbours have been affected by those factors, and they are doing better than us. As the previous Governor of the Bank of England indicated recently, before the referendum the UK economy was 90% of the size of Germany's, but that figure is now 60%. As the noble Lord, Lord Eatwell, indicated, despite the fact that the value of the French stock exchange was half of ours in 2015—before the referendum—ours is now smaller than theirs. The OBR let the cat out of the bag over a year ago when calculating that there would be a 4% per annum reduction in our GDP as a result of Brexit, which is significantly greater than the effect of the pandemic. Without Brexit, we would have the growth we need—and, dare I say, maybe Liz Truss might still be Prime Minister.

There are countless examples of the economic damage done by Brexit. I am sorry that the noble Lord, Lord Frost, is not in his place to respond to this, but I will simply mention three. First, we have difficulties exporting our shellfish to Europe; this should have been dealt with in the negotiations. Secondly, our musicians cannot tour Europe because of individual European countries' restrictions, despite the loss of export earnings from this. The noble Lord, Lord Frost, indicates that this was an oversight. Thirdly, many SMEs have stopped exporting to Europe because of increased bureaucracy.

Any improvement in our economic relationship with Europe is frozen while the Northern Ireland protocol issue is not resolved. Even Andrew Neil told us in the *Mail* last week that Brexit has not delivered what people voted for: a reduction in immigration. We can forget the ONS figures from last week of net migration of over 500,000 last year, as there were clearly special factors involved. However, the OBR figures for 2025, 2026 and 2027 are based on over 200,000 net migrants generating economic activity, without whom our growth prospects—already the worst in the G20, other than Russia—will be even worse.

Is this what the Government planned when they won the last election on the slogan, “Get Brexit done”? Is this what their red wall voters voted for? When will the Government recognise that Brexit has not brought the proposed sunlit uplands that we were all promised? Does the reaction to the floating, apparently from Downing Street, of a Swiss-type deal mean that we are frozen for ever in a disastrous economic limbo? When will the Government begin serious talks with the European Union to improve our trading relationships and help our economy?

8.16 pm

**Lord Horam (Con):** One of the good things about the financial Statement was its brevity. The documents accompanying it were about one-third the length of those that normally accompany a Budget Statement. I was profoundly relieved; not only were they brief but they were clear. I actually read them. Usually I skip them or look at the summary in the newspapers, but these were a delight. I say to my noble friend Lady Penn that I hope this point can be repeated for future economic Statements.

As for the content, I had the advantage of no fewer than two briefings from the Chancellor before the Statement. In both, he said that he was aiming for

[LORD HORAM]

stability, growth and compassion. I notice that, in the eventual Statement, “compassion” had been translated to “public services”. Perhaps the Treasury could not quite bring itself to use the word “compassion” and had to say “public services” instead. I can understand the mentality. None the less, whatever it was—compassion or public services—I know what the Chancellor meant. With regard to stability, clearly he achieved a great deal. That was not too difficult after the turmoil of the previous few weeks, but he unquestionably achieved it.

On compassion/public services, the Chancellor also did well. Universal credit was fully inflation-proofed, as was the living wage, and there was the energy price guarantee. I noticed that, in her speech, the right reverend Prelate the Bishop of Gloucester welcomed the emphasis on these factors in the Autumn Statement. I say to her that I am enormously impressed by the work that the Church of England does with food banks. It is a pity that these must be so extensive; none the less, it can be enormously proud of their vital contribution to helping the poorest in our society. Not only that, but there was more spending for the NHS, more social care spending and a continuation and extending of the levelling-up agenda. That is good too, on compassion and public services.

On growth, the Budget is clearly less good. We do not know what is happening and anything could change. In the next few months there could be a resolution of the war in Ukraine and gas prices could come down. We simply do not know, and forecasting in this area is extremely difficult. We will probably have a world recession—almost every country. In particular, the situation in China is very worrying. However, as my noble friend Lord Lamont pointed out, the timing of the Budget was very clever from that point of view because it did not squeeze things now. Things may be squeezed in about two or three years’ time, but for now it kept public spending up, which is vital during this very difficult period.

Overall, then, I agree with those who say that it has been a solid start for a new Government. I notice that even the shadow Chancellor in the other place did not really criticise the Budget measures themselves, apart from one reference to non-dom taxation. Her comments, like those of the noble Lord, Lord Eatwell, today, were about the whole 12 years, of which she was understandably critical. Criticisms of the Budget were much less marked.

I shall say something about tax levels, which were commented on by my noble friend Lord Tugendhat. As he said, it is quite normal for Conservative Governments to increase taxation. George Osborne did it; Geoffrey Howe did it. For heaven’s sake, Benjamin Disraeli did it. When the Liberals were promising to end income tax altogether, he maintained it because it was necessary for important public works. Mind you, Disraeli also said, “They give you the figures, don’t they?” Never mind that—he was rather more cavalier about these things than we would perhaps accept today. It is the case that Conservative Governments, when necessary, increase taxation.

At the moment, tax levels are at about 33% of GDP in the United Kingdom, going up to about 35% as a result of these measures, possibly even more. These

are certainly the highest levels since the 1930s, which is a pity. None the less, to take this as just the UK position is an insular point of view. Looking across Europe, the average level of tax as a percentage of GDP in the European Union is 41%. In Germany it is 40%, in Belgium 46%, in Denmark 47% and in France over 47%. It is argued that if you have high taxes, you diminish growth. But look at the growth of, say, France or Germany compared to the UK. There is not a lot of difference over the past 20 or 30 years, despite their having higher taxes. We should be careful about this argument that the Tories should always be a low-tax party—I am not at all convinced. High taxes are necessary from time to time and we should not fear them.

The advantage of having higher taxes in this case is that we get better public services—and not only that but greater equality. We have been able to help the poor more than we otherwise would have done under the Truss economics. We can also help levelling up. I go to Germany a lot and see what has been done in north Germany, in the old German Democratic Republic. There has been huge improvement in places such as Weimar, Stralsund and Dresden. Why? Because they had a solidarity tax of €35 billion a year for 30 years—levelling up with a vengeance. We can only dream of levelling up on that sort of scale. So that is an advantage.

Finally, the present need is for more investment, and since private investment is so low, the public sector needs to help. I disagree with many of the things that the noble Lord, Lord Eatwell, said, but he was entirely right about that: public sector investment must step in, and it does not crowd out or hinder private investment but helps it. For example, in America at the moment they have a new CHIPS and Science Bill going through to help the semiconductors industry, which is so important to our world. That is an example of the public sector helping the private sector, and we need more.

This is a solid Budget. Undoubtedly, we will have a tough 12 months, but I believe we are heading in the right direction.

8.24 pm

**Viscount Chandos (Lab):** My Lords, what can a Back-Bench speaker this late in the order usefully do other than allow your Lordships to get home as early as possible? It is not to repeat arguments powerfully made by other speakers on every side of the House, nor is it to usurp the role of the Front-Bench spokesman in winding up—although speaking late after my noble friend Lord Eatwell so passionately opened for these Benches prompted happy memories of my winding-up debates which he opened when I was his apprentice in 1995 to 1997. What a time of justified optimism that was.

My noble friend drew comparisons between the austerity inflicted by George Osborne and that now proposed by Sunak and Hunt. As Marx said, history repeats itself,

“the first time as tragedy, the second as farce,”

although in this case, the farce came under Truss and Kwarteng, followed by a repeat of tragedy for millions of people as the Government resort to overkill in a certainly vain attempt to restore confidence in their shattered economic and financial credibility—a sticking

plaster over a deep wound. For the avoidance of doubt, I am more inclined to follow Marx for his one-liners than for his economics.

I propose to use my time to cover a couple of points raised by the Minister which have perhaps not received particular attention. The Minister talked proudly of investing in capital—the noble Lord, Lord Horam, just emphasised how important that is—and then tried to spin a budgeted freeze in nominal terms in public investment at a time of rocketing inflation as confirmation of this, whereas, as the Resolution Foundation has calculated, it represents a £15 billion cut in real terms in capital investment.

Why do these cuts have to take place? A number of noble Lords have highlighted the hugely increased debt service cost that is causing the Government to look for savings elsewhere. The noble Lord, Lord Lamont, highlighted the increase in index-linked debt from 6% in 2001 to 22% now, the vast majority of that coming under Conservative or Conservative-led Governments. However, as important a factor in the increase in the debt service cost are the projected payments by the Treasury to the Bank of England under the indemnity that has been entered into for the operations of quantitative easing.

At the Economic Affairs Committee meeting earlier today, the Governor of the Bank of England said that he did not believe in hindsight and therefore he would not agree with his own chief economist's evidence earlier this month that maybe too much quantitative easing had taken place in the period since the start of the pandemic. Quantitative easing represents a huge interest rate swap or a hedge fund carry trade, so that debt service has been lower than the last 10 years as payments under the indemnity have gone from the Bank to the Treasury. However, this is payback time. Even John Redwood has noticed this.

The Minister also made a point of the tax rises on wealthy individuals—wealthier but not the wealthiest. Growth in inequality over the last 12 years, as the noble Lord, Lord Willetts, has highlighted, has been much more in terms of wealth and capital than in income. I hope my friendship with the noble Baroness, Lady Noakes, who I am glad to say is not in her place, will survive my advocating a much more significant increase in the taxation of wealth than the phased reduction of the capital gains tax tax-free allowance, whose impact anyway is much more relevant to the relatively wealthy but is a rounding error for the very wealthy.

I am not as convinced as my noble friend Lord Sikka by the arguments for equalising the rate of CGT with that of income tax. Evidence from the tax take after that doctrinaire socialist, the noble Lord, Lord Lawson, equalised the rates suggests that it may not be the optimal policy. Equally, the right rate in terms of both tax take and fairness is almost certainly not the 50% of marginal income tax that currently applies.

Finally, inheritance tax is so important. The noble Lord, Lord Livingston, highlighted the question of why gifts should be taxed at a lower rate than income. The great reform of inheritance tax that is needed is the restoration of the taxation of inter vivos gifts as applied in capital transfer tax, introduced by Denis Healey. It is worth saying that this is particularly

relevant for non-doms because, even if a non-dom volunteers to pay income tax on income from assets held overseas, the potential avoidance of UK inheritance tax deprives the Exchequer of substantial revenue, as the Prime Minister and former Chancellor must be aware. Increasing rates of VAT, personal tax and corporate tax is often said to be the only way of raising substantial amounts. However, just as public expenditure is made up of a mix of large items and smaller items, so the raising of tax is a combination of large, cash-generating taxes and smaller ones such as CGT and inheritance tax.

8.31 pm

**Baroness Cumberlege (Con):** My Lords, my interests are in the Lords register. I will be brief.

I wish to focus on the NHS expenditure that was a feature of the Autumn Statement, specifically on one element that requires attention. I am pleased that the Chancellor was able to find additional funding for the NHS in England. His action means that NHS spending will rise in real terms by 2% over the next two years. That may sound modest, but it is billions of pounds, and it has been warmly welcomed by NHS England. It will make a difference in these challenging times.

The one specific part of the NHS that I wish to focus on is community pharmacy. I do so because pharmacies are facing unprecedented problems and the answer lies in sensible funding decisions. I have just three points that I wish to make.

First, community pharmacies are the most accessible part of our health service. Six million people visit a pharmacy every day—not once a week, but every day. No other part of the NHS sees that huge number of people each day. Community pharmacies are a linchpin in the system. They provide billions of prescription medicines every year safely and promptly. They can intervene with advice on good health, diet, exercise, how to stop smoking and so on. They provide millions of flu jabs and Covid vaccinations. They also do much more, but without people having to make an appointment. That is crucial in the NHS. The fact is that we and the NHS would be in real trouble if pharmacies were not there.

That brings me to my second point. There is a real risk that pharmacies will not be there unless action is taken urgently. Community pharmacies have seen a decrease of 25% in the funding that they get from the Department of Health and NHS England since 2016. Many are now running at a loss, forced to cut back on services and opening times—precisely the opposite of what we need them to be doing. That is not sustainable; the situation is getting worse week by week. Many will face permanent closure if we do not act now.

This financial crisis in pharmacy is caused by a funding model that is out of date and not fit for purpose. Pharmacies are providing 65 million consultations to the public every year, and yet the funding model does not pay for that. They are dispensing many medicines at a loss because the funding model does not properly recognise the real costs. Because of staffing shortages, they have had to use locums, but the cost of a locum has increased by 50% since 2019, and the funding model does not pay for that.

[BARONESS CUMBERLEGE]

Can my noble friend ask her DHSC colleagues to intervene before it is too late? In the short term, a modest but fair uplift is urgently needed, so that pharmacies can keep their doors open and continue to serve those millions of people who rely on them day in, day out. In the medium term, we need a new funding model that is realistic and provides stability.

My final point is that, having stabilised the situation through fair funding, we should be making more use of community pharmacies. In Scotland, there is a service called Pharmacy First. It funds pharmacies to be the first port of call to treat health issues such as sore throat, earache and urinary tract infections—conditions with which people would otherwise visit their GP or even A&E. We do not have such a service in England, but we need one. It will free up capacity so that GPs and hospitals can see those patients that they really need to see. The Pharmaceutical Services Negotiating Committee estimates that it will save £640 million a year. In the context of the NHS budget of over £160 billion, the cost of Pharmacy First would be a drop in the ocean. I hope that my noble friend the Minister agrees and that she will encourage DHSC Ministers to move at pace in putting this service in place.

If we do those things, we will ensure that community pharmacies continue to be the wonderful resource that they are and the public's entry point into healthcare. We will be spending a relatively modest amount of money very wisely, improving services to the public and helping the NHS in the process. We cannot afford to ignore them. For many cities, towns and villages, their place is in the heart of the communities that they serve, essential to the health and well-being of the local population.

8.38 pm

**Lord Londesborough (CB):** My Lords, it was only seven weeks ago that I and many other noble Lords here today spoke out against the so-called mini-Budget during the debate on the economy in this place. Well, much has changed since then, but it has left the new Government with little room for manoeuvre and an understandable fear of markets taking fright at any further signs of fiscal lunacy. Therefore, I will give credit where due to the Chancellor for crafting a relatively sensible and balanced Autumn Statement. The reaction from both debt and currency markets has been reassuring. That said, there is very little here for business, enterprise or innovation.

Most of us, if not all, are pro-growth and pro the causes of growth. Yet here we have a Conservative Government that have dropped the baton—scarred, no doubt, by Liz Truss's "Growth, growth, growth" strategy. I apologise for adopting a cheap football analogy at this time in the evening, but a new manager has got rid of our dodgy keeper, stiffened the defence and central midfield but left us with a toothless attack and very little creativity. My focus will be on the attack—what businesses, and especially SMEs, need to help the UK become both productive and competitive. I refer your Lordships to my interests set out in the register, and I speak from my experience of both start-ups and scale-ups.

A quick word on the SME landscape: we keep hearing about the 5.5 million SMEs in the UK, but over 4 million of these employ no staff. We should focus on the 1.3 million businesses that employ between one and 50 staff, and generate £1.3 trillion in annual turnover, and on the equally important 35,000 businesses that employ between 50 and 250 staff, and generate a further £700 billion in revenues. These two groups alone now account for almost 50% of all private sector turnover in this country. They are the businesses that grow at the fastest rate and, crucially, show potential for further growth. We need a bottom-up strategy to support and galvanise these emerging businesses, rather than a top-down macro approach—the very opposite of trickle-down economics.

As we know, economic growth is, in essence, a function of the size of the economically active workforce and the productivity of that workforce. For the last three years, our workforce has been shrinking and demographic data suggests this trend will not be reversed. That leaves us with boosting productivity—the only way we will see a return to real growth.

Since 2010, the UK's productivity as measured by GDP output per hour has grown by a miserly 4%, according to the OECD. To put this in context, France saw an 8% gain, Germany almost 10% and the US more than 10%, and even those are not great numbers. Why we are lagging behind is a complicated question, but the continued very weak levels of business investment are undoubtedly a major factor.

As the noble Lord, Lord Fox, and the noble Baroness, Lady Blackwood, pointed out, it was especially disappointing to see the Chancellor cut the R&D tax credits for SMEs, which will inevitably hit innovation and productivity, especially in loss-making start-ups. The Treasury is apparently concerned about growing taxpayer losses to fraud and spurious claims, but that reflects on poor oversight and execution of the programme rather than the actual impact of R&D on economic growth. I ask the Minister whether the Government have conducted any assessment of the impact on productivity from these R&D tax cuts. I thought the Government were pursuing an ambition to turn Britain into the "world's next Silicon Valley" or "the Singapore of Europe".

There was also very little for exporters in the Autumn Statement. Given weakening domestic demand, an export-led recovery may be the most realistic way of engineering our way out of recession. We still have a very competitive exchange rate: against the US dollar, sterling is close to \$1.20, compared to \$1.70 in 2015. That is a depreciation of some 30%. Remember what happened back in 1992 when we crashed out of the ERM: sterling lost 20% of its value, and our economy grew by an average 3% per annum over the rest of the decade, driven by booming exports. This spells an opportunity for boosting British exports across the Americas, Middle East and Asia, because we are price competitive once again.

What are the new Government's plans to seize this opportunity? It is all the more urgent, as our exports to Europe have fallen by 15%, with thousands of SMEs, consumed by red tape, simply giving up selling to the EU—do not mention to them Boris Johnson's oven-ready deal. I ask this question because, although



Brexit will not be reversed, there is a clear need for closer trading relations with the EU. It makes commercial sense for both sides, whether we look at a new version of the Swiss, Norwegian or any other model. I understand that factions of the Tory party—notably the European Research Group—are resistant. But at a time of recession, can we really afford to play politics with our economy?

8.45 pm

**Lord Leigh of Hurley (Con):** My Lords, I add my congratulations to the noble Baroness, Lady Lea—no relation. She is someone I have admired for many years, in all her writings and output, and she gave a most excellent maiden speech.

I welcome the Autumn Statement, which has helped the UK's position as fiscally prudent, rescued the pound and helped interest rates—some might say that this is a coded message for 3-0—as we fight the damage caused to our economy by Mr Putin and Covid.

As the chairman of the Finance Bill Sub-Committee, I feel it would not be appropriate to talk here about research and development tax credits, much as I would like to, given that, as the Chancellor has mentioned, there is abuse of the current system. But I hope that the noble Lord, Lord Fox, will be pleased when he sees our report, which I hope will be published in January.

As the final Back-Bench speaker, it is a bit of a struggle to come up with something new, so perhaps I can start with something that was not in the Statement: an increase in capital gains tax rates, which had been rumoured and, I understand, is being discussed by the Labour Party—along with abolishing your Lordships' House and private schools. The Chancellor listened to real concerns from British entrepreneurs and investors in both public and private companies, who said that an increase in capital gains tax would have been a disaster for SMEs, which, as has just been described to us, are the engine of growth for our economy.

Let me deal with two new issues. The first is the energy profits levy; the noble Lord, Lord Sikka, touched on this but from a different perspective. This will raise an enormous amount of revenue, putting most other measures in the shade, so I am surprised that it has not had more attention. We are talking about £41.6 billion in revenue, of which £7.2 billion is this year. I welcome the tax but have reservations, and I draw your Lordships' attention to my interests on the register, which include my employment at the finnCap Group, a NomAd advising small oil and gas exploration companies, among many others. It is small independent UK companies that produce 60% of our oil and gas needs, and they may well be driven out of business by this tax as currently proposed.

In a highly competitive UK market, the ability of smaller players to invest in current licences—as well as new licences in the upcoming round—will be severely jeopardised by the formulas in the EPL. Smaller producers are vital to a robust and competitive market, yet lack the resilience and deep pockets of the oil super-majors. As only a teeny fraction of the super-majors' business is based in the UK, they are largely immune to the effects of the EPL, or any further iteration of it. The effect of the EPL may therefore be to concentrate even more power in their hands—that is, if they choose to stay in the North Sea.

One simple amendment which I gather is being considered in the other place, and which would be relatively straightforward to implement and would avoid triggering the above scenarios, is to impose a proper windfall levy; in other words, one triggered at above windfall prices. For example, if we had a floor of \$75 per BBL of oil and 100p per therm of gas, and a windfall tax were applied once prices were above that, that would be a taxation mechanism similar to that offered in other countries in the world, in particular in west Africa, and the industry would understand. Such a mechanism would allow investment to continue flowing into UK energy.

However, the EPL, and any successor iteration, would penalise investment in virtually all price environments. It therefore creates uncertainty about the circumstances in which it could be withdrawn. Indeed, a main driver of capital flight with the EPL is the lack of certainty. Would it be removed if commodity prices suddenly dropped? Can my noble friend the Minister give us some assurances on this? As currently outlined, most UK North Sea players instead believe that the EPL will be imposed as a permanent tax, unrelated to prices, with a deleterious effect on investment, which is of course badly needed in the North Sea.

We know that we need domestic energy security, and there is a risk that the current proposals will lead to a real flight from the UK and a corresponding loss of revenue as decommissioning is brought forward, and it will have a negative environmental impact as gas has to be imported into the country to compensate.

The other area I want to touch on is the taxation of multinational companies, which has also not been mentioned in this debate—and I have listened to every speaker. The Chancellor announced that we will implement the globally agreed G20 OECD inclusive framework pillar 2 in the UK in 2024. The pillar 1 negotiations are still stalled, and it is these which are critical to raising tax from multinationals, particularly those based in the USA. As I have argued in this Chamber before, the digital sales tax is not fit for purpose, but the Government have rejected ideas to tighten it up, and the Autumn Statement specifically said that there will not be an online sales tax. I was pleased to see that pillar 2, which is targeted at UK companies, will include a qualified domestic minimum top-up tax. However, this means that Amazon, Google and so on may pay a tiny bit more tax on their business in the UK, but nothing that will move the dial and, of course, it will mean that the UK groups bear the extra tax and compliance costs of their worldwide income.

We are bringing in the undertaxed profits rule, which is helpful. It is a backstop so will help, and the Government are to be congratulated on confirming that it will be used, but that does not come in until 2025. So we have not really addressed the taxation of, in particular, US groups trading here, and this needs urgent attention and action. I would welcome the opportunity to work with the Government on this. I believe we have turned a corner and that this Autumn Statement is the moment we address our challenges and start to tackle them.

8.52 pm

**Lord Desai (Non-Aff):** My Lords, I shall speak in the gap. In July last, when Boris Johnson was still in power, I said in this House that things are going to get very bad and we will see a repetition of the 1970s and 1980s. The only thing against the Autumn Statement is that it is too optimistic about the future. It more or less says, “Let’s hold on until the election and then we will face up to the reality.” It is not just the UK that is in trouble; I emphasise that this is not local trouble. We had an energy price shock in 1973, and it took us another 16 years before the economy more or less went back to growth. In a situation like this, we have to be ready for a very hard, harsh reality, which we were. We abandoned Keynesianism in the 1970s. We took up monetarism in the 1980s. Governments change, and our philosophies change. We are going to go through a similar crisis now. I am sorry to be the bearer of bad news, but I thought I had better say that.

In a number of ways, we do not realise that our economy has changed fundamentally. In the 1970s and 1980s, we lost manufacturing as a major activity in this country and became more or less a service economy. Manufacturing went to Asia. Part of the story of productivity growth being slow is because we lost manufacturing and gained services. All western countries have similarly lost productivity, partly because productivity is difficult to measure if you are not manufacturing, but partly because we are less productive, and that is the reality. I do not know what the solution is. Yes, history does repeat itself, but there is one difference that I want to mention. During the 1980s, Mrs Thatcher, to her great credit, squeezed the economy dry until inflation went out of the system. She had North Sea oil as a support. She sold social housing, which made some money, and she sold some of the nationalised industries. We do not have that chance any more.

If anything, we are going to face a much worse situation than currently envisaged. We ought to get our thinking out of this current tax and growth nonsense. Forget about all that. Regardless of whatever damage Liz Truss may or may not have done, long before that I had a premonition that this economy was going to go down the drain. That is all I can say. I am not the Chancellor and have no chance of becoming Prime Minister, so I will sit down.

8.55 pm

**Baroness Kramer (LD):** My Lords, if I had not been cheerful before hearing from the noble Lord, Lord Desai, obviously I am in an excellent mood now. It is a dark prospect indeed. I offset it by welcoming the noble Baroness, Lady Lea of Lymm. I look forward to hearing her controversial speeches and, I suspect, some future jousting with the noble Lord, Lord Skidelsky, on economic models.

The noble Lord, Lord Lamont, led the charge, as it were, with support for the Government. He got quite a bit of support from the noble Lord, Lord Leigh, and warm words of support from the noble Lords, Lord Tugendhat, Lord Horam and Lord Livingston. I can accept that the pandemic and Putin’s war in Ukraine have hit our economy hard, but the damage that has driven the harshest Budget in memory—the Autumn

Statement was really a Budget—has been the systemic mistakes of a Conservative Government I see as largely blinded by ideology. This was an Autumn Statement dominated by the need to calm the financial markets, and for that we are now all paying a high price.

The noble Lord, Lord Eatwell, may agree with those last few words, but he might have made a little slip in his speech. The previous recession was in 2008, when we had six quarters of negative growth, the most significant of which was in the first quarter of 2009, under a Labour Government. During the coalition years there was no recession.

Speakers today have raised many concerns that I share. I pay tribute to the extraordinary speeches of both the right reverend Prelate the Bishop of Gloucester and the noble Lord, Lord Rooker, in really exposing the pain that so many vulnerable people are feeling. This is despite government help with inflation-rated increases in benefits and the state pension. They face a dire winter, and over time many will suffer additionally because of the delays in the migration of ESA to universal credit and in the PIP rollout.

I am really shocked to hear from the noble Lord, Lord Rogan, that in Northern Ireland even the energy money has not been paid out. My noble friend Lord Shipley spoke of the absence of housing anywhere in the Autumn Statement when it is so utterly critical to so many people’s well-being. The noble Lord, Lord Tugendhat, added very much to that discussion of housing.

The squeezed middle, thanks to fiscal drag, which the noble Lord, Lord Razzall, talked about, face tax increases of over £2,000, increases in council tax—we have heard that the impact of council tax is so unevenly spread across the country—higher mortgages or rent and £500 more in energy bills. I have not even started to list the increased costs of food, shoes for the kids and the rest of daily living. Wages in the private sector, rising at an average of 6.2%, can take no more than the edge off the pain, and public sector wages, rising at only 2.2% on average, are leaving many public sector workers not only near despair but ready to quit the sector. The noble Lord, Lord Davies of Brixton, very much raised this issue.

Many small businesses, the backbone of our economy, are struggling with costs in every direction. They need to know urgently what happens to energy support after April simply to be able to plan and price their products. The Government provided small businesses with a little relief from the uprating effect of business rates, but freezing the VAT threshold, keeping the lower NICs threshold for employees and cutting the R&D relief scheme will undo much of the benefit.

The loss of the R&D scheme, as we heard from so many today—the noble Lords, Lord Fox, Lord Bilimoria and Lord Londesborough, and the noble Baroness, Lady Blackwood—is having such an impact on small businesses. In the industry conversation I had last week, they said that nearly a quarter of small firms are considering either downsizing, restructuring or closing rather than investing in innovation, and that is driven by that change.

The economic forecasts in the Green Book require not just a soaring tax take but a virtual slash and burn of unprotected public services post 2025. The noble

Lord, Lord Horam, talked about support for public sector investors; that is not in this Autumn Statement. The noble Lords, Lord Fox, Lord Hain and Lord Davies of Brixton, again focused on the impact on public services post the next election. All of us are in favour of efficiency in public services but we know that efficiency requires substantial investment in people, training, systems, physical plant and equipment. It is usually cost up front and savings later. Indeed, that same pattern of slash and burn after 2025 is repeated for infrastructure; I think the noble Lord, Lord Howarth, caught on to that issue.

When the Government used the phrase “a plan for growth”, most of us thought, “If only.” It is extraordinary to me that, as far as I could see, the detriment of the absence of growth drew together the remarks of the noble Baroness, Lady Noakes, and the noble Lord, Lord Bridges, with those of the noble Lords, Lord Skidelsky, Lord Sikka, Lord Bilimoria and Lord Londesborough—an extraordinary gathering who at least agree on what the detriment is. They might disagree on the causes and solutions but they are in the same place on the underlying problem.

Even the CBI, despite its usual caution, has said that there is no meaningful plan for growth. My party, the Liberal Democrats, focuses on growth and, importantly, sustainable growth. I say that to the noble Baroness, Lady Jones, as I know that is her concern. We have done it in the past by working with businesses. Vince Cable’s industrial strategy, the creation of catapults and a huge focus on innovation made such a marked difference, as did Ed Davey’s use of contracts for difference to unleash private investment in renewable energy.

This matters because business investment is now the lowest in living memory. Changing Solvency II—everyone says, “We will do it with regulation”—to allow for more pension money to go into infrastructure and upscaling may help marginally but it does not fix the problem. My goodness, do we need to be careful that our pension funds do not embark on excessive risk as a result of new freedoms to invest in illiquid and risky assets. I note today that the City Minister has just indicated that he will weaken ring-fencing on the retail banks.

Net-zero business offers us a significant opportunity for growth—we heard so much on this from the noble Baroness, Lady Hayman—but we have to be globally competitive and that means a far more effective and targeted collaboration between government and the private sector. It even means an industrial strategy. I refer to the noble Lord, Lord Bilimoria, who raised that issue; it is so absent from any government proposal.

We also have to fix the collapse in our trade. The OBR explains that our trading intensity has declined by 15%. Much-touted new trade deals barely shift the dial; to paraphrase George Eustice, the much-extolled Australian trade deal is a failure for British agriculture. The financial services industry in the UK has lost 6.6% of its services exports to the EU. The Lord Mayor of London said this week that

“businesses, intellectual property and people are leaving our shores.”

Worse is to come when euro clearing moves in 2025. I also understand this week from talking to manufacturing trade organisations that manufacturing has lost 30% of its volume of physical exports to Europe and UK firms have been essentially removed from European supply chains.

The Federation of Small Businesses tells us that most small businesses have now dropped out of exporting. At the very least, the Government should be using the trade and co-operation agreement with the EU to mitigate what they can of this damage, and they need to work out very swiftly—I refer to the noble Lords, Lord Bilimoria and Lord Razzall—how to get back to obstacle-free access to Europe.

Businesses large and small are exercised by workforce shortages. I am on the Economic Affairs Committee, which will come out with a report on this issue, but I wanted to pick up on a point made by the noble Baroness, Lady Blackwood: it is people who are already retired who are falling sick; they are not falling sick and then retiring. That is a real conundrum for us and a very dangerous pattern. Getting inactive people over 50 back into the workforce is not going to happen. I know the committee has not come to its conclusions, so we will see where it goes, but the noble Lord, Lord Londesborough, also pointed to the population demographics that are now working so strongly against us.

The Government control our immigration system, so why do they not use it to support our economy and tackle the labour shortage? The four-year visa system for skilled workers is cited constantly by Ministers, but many businesses cannot cope with the churn of workers who come for just four years; they want workers who stay long-term. We need a far more flexible system before we lose horticulture, undermine construction and shrink hospitality, just to name three sectors facing crisis.

The OECD forecasts that only Russia among the major economies will contract more than the UK next year. As so many have said, we are the only G7 country whose output has not recovered to pre-pandemic levels. I echo the noble Lord, Lord Desai: the Government have constantly neglected the fundamentals of a modern economy. They have undermined our resilience and they offer us a plan for pain, not for growth.

9.06 pm

**Lord Tunnicliffe (Lab):** My Lords, this has been an excellent and very interesting debate. I will refrain from commenting on individual speeches because I realise that everyone wants to listen to the Minister at this time of night, not to me.

I welcome the noble Baroness, Lady Lea of Lymm, to your Lordships’ House. She made an excellent maiden speech.

I also welcome the Chancellor managing to deliver his Autumn Statement without sending the markets into freefall. That may be a very low bar, but it is one that his predecessor spectacularly failed to clear. September’s mini-Budget had disastrous consequences for families across the country, leading to higher mortgages and rents and dwindling consumer confidence.

[LORD TUNNICLIFFE]

The economic vandalism of the last Prime Minister and Chancellor has led to the current occupant of Downing Street piling further pressure on the public. Having promised tax cuts during this summer's Conservative leadership contest, Mr Sunak has now reverted to form. He hiked taxes to the highest level in 70 years as Chancellor, and Jeremy Hunt has ratcheted up taxes still further.

There were two tests for the Government ahead of this Autumn Statement: would they make fair choices, and would they deliver the growth that our economy so badly needs? All the analysis we have seen since 17 November suggests that the Government have failed on both counts. As more and more people find themselves paying tax, some others were spared an increase to their bills: banks will see their surcharge fall from 8% to 3%; energy producers that exploit fossil fuels will continue to benefit from an investment allowance that allows them to minimise their exposure to the windfall tax; and non-dom status remains, as does the VAT exemption for private schools. All the while, living standards are projected to fall by a whopping 7% over the next two years.

The impact is that real household disposable income will be lower at the end of this Parliament than at the beginning. Yes, we have been through the pandemic and felt the consequences of war in Ukraine, but so have other countries. If this is truly a global phenomenon, how can it be that the UK is consistently outperformed by comparable economies? Could it be that our current economic woes are the result of a series of "economic own goals", as suggested by Paul Johnson, director of the Institute for Fiscal Studies?

The UK is forecast to have the lowest growth in the G7 over the next two years. The Office for Budget Responsibility estimates average growth of 1.4%, which is well below the 2% average annual rate under the last Labour Government. The UK economy remains below its pre-pandemic level—we are the only G7 nation where that is the case—and is likely to remain so until the end of 2024. Meanwhile, real wages in 2022 are lower than when the Conservatives came to power in 2010. This country has not seen a similar period of wage stagnation since the Crimean War.

It did not have to be like this. Yes, there are issues which need to be addressed, but the British economy is fundamentally strong and should be firing on all cylinders. Many people find themselves asking what we have to show for 12 years of Conservative Party control of our economy. The answer: lots of pain for too little gain. We lag behind other countries on virtually all metrics that matter: current GDP, predicted growth, inflation and so on. The NHS and other vital public services are on their knees, despite the highest tax burden in 70 years. The Autumn Budget has increased that burden further still to plug the black hole opened by Liz Truss and Kwasi Kwarteng. Eleven fiscal rules have been broken in 12 years and the UK's soaring debt interest payments, caused partly by that reckless mini-Budget, mean the goalposts have been moved. Even then, they may still be missed.

Against this backdrop, can we be surprised by the lack of enthusiasm for the Autumn Statement? There can be little surprise that the British Chambers of Commerce said it was

"unlikely to boost ... business confidence."

The Confederation of British Industry clearly agreed, arguing that

"businesses will think there's more to be done on growth."

The Institute of Directors said business leaders were "so dismayed" by the events of September that

"it was good to see joined-up working between the OBR and the Treasury this time round."

These are hardly the endorsements that the Chancellor would have liked.

The UK needs a serious plan for growth if it is to break free of the doom loop of Conservative mismanagement. The Government have demonstrated that they are out of ideas, but the Labour Party is not. We have a plan for growth which enjoys the support of a growing number of businesses. We will scrap business rates and replace them with a fairer system that is fit for the digital economy. We will ensure brick-and-mortar high-street businesses are no longer at a disadvantage. We will publish a modern industrial strategy to support the sectors of the future. We will work in partnership with business to create jobs and improve skills, reflecting the IoD's concerns that

"there remains a hole in government policy around how to address adult skills shortages."

We will fix the gaping holes in the Government's Brexit deal. That means working collaboratively with the EU to ensure that our businesses can export more abroad, while capitalising on opportunities to do things differently in certain sectors. Our green prosperity plan will create good jobs across the country. We will upskill communities as we accelerate our transition to clean energy and low-emission economic growth.

Most importantly, we will lead rather than react. It was Labour that proposed a windfall tax on energy firms; Labour that called for it to be extended when Mr Sunak's scheme was first introduced. It was Labour that called for millions of homes to be insulated to improve housing standards and bring energy bills down. The Government finally announced a scheme of their own, but it will not start until 2025. Why are they not supporting plumbers and builders to do it now, as Labour would do? While Conservative MPs fight about onshore wind, Labour is clear that we will make Britain a clean energy superpower by 2030. This would cut families' household bills and, crucially, boost our energy security.

The Autumn Budget was a chance for the Government to show whose side they are on. Many people up and down the country will have heard the Statement, looked at the detail and concluded: "Not ours." Yes, the economic situation is tough, and we might not be able to achieve everything as quickly as we would like. However, fairer choices could and should have been made. Through no fault of their own, too many people are facing too difficult a time. This Autumn Statement did little to show that the Government get it or that they are on their side. Only Labour has a plan to end the Conservatives' doom loop and get our economy firing on all cylinders.

9.15 pm

**Baroness Penn (Con):** My Lords, I thank all noble Lords for their contributions to this debate. Given the range of expertise that has been contributed today, I will spend my time directly addressing as many noble Lords' comments as possible.

Many noble Lords reflected on the economic circumstances that we find ourselves in. My noble friend Lord Lamont is correct in his analysis that there is no greater enemy than inflation. He reminded the House, as did the OBR, that the inflation we face is predominantly down to global forces, as my noble friend Lord Flight also noted. High inflation puts pressure on households managing those rising costs and, in turn, dampens growth. We have to be honest with people that we cannot shelter them from all of the effects of this economic storm. In our fiscal policy, we must be careful not to stimulate the economy in a way that makes it more difficult for the Bank of England to reduce inflation, leading to higher interest rates. So we have had to target our fiscal policy carefully.

But it is worth reminding noble Lords of the extent of the support that we are providing. Overall policy decisions since the Spring Statement provide support of £64 billion this year and £40 billion next year, which represents a combination of universal support, through the energy price guarantee, and targeted cost of living payments. In response to the noble Lord, Lord Rogan, the Government are working to ensure that the people of Northern Ireland receive energy bills support scheme support as soon as possible. I reassure him and the people of Northern Ireland that support will reach them this winter.

We have also taken action to uprate pensions and benefits in line with inflation, which I note, in the context of the contribution of the noble Lord, Lord Rooker, was a recommendation from Barnardo's. We have accepted the Low Pay Commission's recommendation to increase the national living wage by 9.7%.

Some noble Lords, including the noble Lord, Lord Fox, questioned the profile of the Government's consolidation plans. But, again, we have had to strike a balance, providing support to households and the economy while inflation is high and growth is low—then, once growth returns, we will increase the pace of consolidation to get debt falling. The OBR delivered its verdict on our plans, saying that the recession will be shallower than it would otherwise have been, jobs will be protected and inflation will come down.

I must also correct the assertions of the noble Lords, Lord Hain and Lord Howarth of Newport, the noble Baroness, Lady Jones, and others that these plans are a return to austerity. In 2010, total departmental spending fell by about 3% a year; in this Parliament, it will rise at 3.6% a year in real terms. This is not just more money for public services; it is also considerably more money than the Benches opposite have committed to.

The noble Lord, Lord Hain, also claimed that the Autumn Statement would open the door to a Labour Government, but I remain slightly at a loss as to what Labour's economic plans are. The noble Lord opposite made a valiant attempt to set some of them out, but I

remain unclear: does it sign up to the need to consolidate our public finances? If it does, does it agree that we have taken a balanced approach between tax and spend? If it does not, what would it do differently?

I also profoundly, and perhaps unsurprisingly, disagree with the Benches opposite on this Government's economic record. Over the last 12 years, alongside EU exit, the Government have had the third fastest growth in the G7. Since 2010, we have grown faster than France, Germany, Italy or Japan, and we have the lowest unemployment in nearly 50 years.

I will correct one further point from the noble Lord, Lord Razzall, and others, on the London Stock Exchange missing out to Paris. We had a Question on this the other week, where we addressed in quite a lot of detail why that is not the case. I also thank the noble Baroness, Lady Kramer, for reminding us of Labour's own record on the economy.

Perhaps it is time for a little more consensus, and, in this debate, I heard more consensus on the need to improve productivity. Many noble Lords—including the noble Lord, Lord Eatwell, my noble friend Lord Horam and others—spoke about the need for greater investment in public sources of growth. The Government agree, which is why public spending on capital investment will remain at the record highs set at the 2021 spending review, delivering more than £600 billion of investment over the next five years. I can only ask the noble Lord, Lord Eatwell, why he could not persuade his own party of the need for this in government, with capital budgets next year being more than double those under the previous Labour Government.

Noble Lords also spoke powerfully of the need to improve private sector investment, and many spoke about the need to support R&D. The noble Lords, Lord Fox and Lord Londesborough, among others, expressed concern about the Government's planned changes to R&D tax credits for SMEs, and many noble Lords spoke about the importance more broadly of R&D, including my noble friend Lady Blackwood. I assure noble Lords that the Government remain unequivocal in their support for R&D, including recommitting to the largest ever R&D spending increase over an SR period. Our aim is to ensure that the spending is as effective as possible and to do more to work towards a simplified, single R&D tax credit for all.

The noble Lord, Lord Londesborough, asked whether the Government have considered the impact on productivity of the changes that we are proposing. From my experience looking at the R&D tax credit, the officials working on this think of almost nothing other than how we can make the R&D tax credit system the most effective it can be. We must recognise that the SME scheme has become a target for fraud. That is not to say that noble Lords did not make important points on the need to support research-intensive SMEs in particular. Ahead of the Budget, the Government will work with industry to understand whether further support is necessary for R&D-intensive SMEs without significant changes to the overall costs of the scheme. Over the SR period, we also increasing funding for Innovate UK by 50%, and 70% of Innovate UK's grants benefit small and medium-sized enterprises.

[BARONESS PENN]

Also on investment, the noble Lord, Lord Bilimoria, asked about doing more regarding small modular reactors. I agree with him that, for Britain to achieve energy security, a pipeline of new nuclear is needed, alongside the large-scale project that we have committed to in Sizewell C. Today, the Government have confirmed their commitment to set up Great British Nuclear, an arm's-length body which will develop a resilient pipeline for new builds beyond just Sizewell C.

On energy more broadly, many noble Lords, including the formidable noble Baronesses, Lady Hayman and Lady Jones of Moulsecoomb, raised questions about our approach to energy and climate change. I reassure noble Lords that the Government remain fully committed to reaching net zero by 2050, and to seizing the opportunities for growth through that transition.

On specific questions around the energy profits levy, several noble Lords, including the noble Lord, Lord Sikka, expressed concern about the design of the levy and the investment incentives in it. The Government have always been clear that the tax regime is intended to strike a balance between ensuring a fair tax return for the UK from its resources and continuing to encourage investment in the North Sea, supporting jobs and our energy security. I reassure the noble Lord that the Autumn Statement sets out that the Government expect to raise £41.6 billion from the EPL between 2022-23 and 2027-28, in addition to the £39 billion paid through existing taxes, ensuring that oil and gas companies pay their fair share.

The UK will also receive tax revenues from the investments made under the investment allowance, as and when they generate a profit. Given that these companies are mostly the same ones that are innovating and producing renewable energies, their investments will bring wider economic benefits through jobs, a secure supply chain and more progress towards net zero. Conversely, my noble friend Lord Leigh of Hurley voiced concerns about the impact of the EPL on independent UK companies and suggested that we use an approach more akin to the one that we have taken with electricity generators. His concerns are precisely why we have included such a generous investment allowance, which demonstrates our commitment to encouraging investment in the North Sea to strengthen the UK's vital offshore oil and gas sector, putting more UK gas on the grid for longer and bolstering our energy security.

The noble Baroness, Lady Hayman, was also concerned about investment incentives for renewables under the electricity generators levy. The EGL is charged on a different basis from the energy profits levy and at a lower combined rate; the EPL is applied to total profits, whereas the EGL applies to only extraordinary returns above a given level. I reassure noble Lords that the electricity generators levy is designed in a way that maintains incentives for investment and preserves the effect of existing government support. Renewable generators will be able to deduct investment costs from their corporation tax.

**Lord Eatwell (Lab):** I know that the Minister would not want to mislead the House, so I was very surprised by her figures on government investment. I looked up

the OBR figures and, as a share of GDP, public sector net investment is now half what it was in the last year of the Labour Government.

**Baroness Penn (Con):** My Lords, the statistics that I gave referred to overall levels of investment, not expressed as a percentage of GDP. I stand by the figures that I gave to the House.

**Lord Hain (Lab):** I am very grateful to the Minister, but can I ask her to correct her statement about the last Labour Government's record? We had 10 years of consistent economic growth, never surpassed in Britain's economic history, with low inflation, high employment and massive investment in public services, prior to the global banking crisis, for which we were culpable only to the extent that every Government in the world were culpable. Surely, she should correct what she has said in argument to me.

**Baroness Penn (Con):** I am not sure exactly which bit of what I said the noble Lord wants me to correct. I stated the Government's record on economic growth since 2010, and I simply referred to the comments of the noble Baroness, Lady Kramer, on the recession that was also experienced under the previous Labour Government.

I return to the subject of energy. The noble Baroness, Lady Hayman, asked about energy efficiency. Warmer homes and buildings are key to reducing bills, creating jobs along the way and meeting our targets on climate change. That is why we are committed to driving improvements in energy efficiency, with a new ambition to reduce the UK's final energy consumption from buildings and industry by 15% by 2030. A new ECO+ installation scheme was announced earlier this week.

I disagree with the analysis that this is jam tomorrow; we have £6 billion of new government capital funding that will be made available from 2025 to 2028, but that is in addition to the £6.6 billion allocated in this Parliament. The aim of that kind of longer-term projection of funding is to create consistency and allow businesses and the supply chain to build up and plan for the future, which can be something that we struggle with in the provision of energy efficiency measures. We are also launching the energy efficiency task force and expanding our public awareness campaign to help reduce bills for households and protect vulnerable people over the winter and beyond.

In response to my noble friend Lord Leigh of Hurley, on other tax measures and the taxation of US groups trading in the UK, the UK has long been committed to tackling base erosion and profit-shifting, which is why we introduced the diverted profits tax in 2015 and the corporation interest restriction rules in 2017. I am glad that he welcomed progress on Pillar 2, which we will legislate for in the spring 2023 Finance Bill, but I agree with him that we need to make further progress on Pillar 1. That is why we continue to work internationally on finalising Pillar 1, so that the corresponding multilateral convention can be ready for signature in the first half of 2023, allowing for implementation in 2024.

Other noble Lords noted some strange political alliances that seemingly might have formed in the course of this debate. The noble Lords, Lord Sikka and Lord Howarth of Newport, but also my noble friends Lord Bridges and Lady Noakes raised concerns around the Government's decision to freeze the personal allowance and other tax thresholds. I say to noble Lords that despite the need to increase taxes—I fully acknowledge that freezing thresholds is a tax increase, I am not trying to hide it in any way—given that the personal allowance nearly doubled across the last decade, it will still be £2,150 higher by April 2028 than it would have been had it been uprated by inflation each year since 2010. The noble Lord, Lord Sikka, also asked about the distributional impacts of tax. I cannot answer his specific point, but on average it is households in the poorest income deciles that are gaining the most next year as a result of decisions taken in the Autumn Statement.

I take seriously the concerns expressed by my noble friends Lady Noakes and Lord Bridges. The Government have had to take difficult decisions and we are being honest about that. We want a low-tax economy, but first must come economic stability, and we need everyone to contribute a little towards sustainable public finances. I know it will be little comfort to them to be reminded that the UK tax system remains competitive, with the tax-to-GDP ratio meaning that we are still in the middle of the pack within the G7 and lower than such countries as France, Germany and Italy. As I say, the Government take their challenge on growth seriously and we have taken some tax decisions to prioritise this; for example, keeping the annual investment allowance level that was set in the growth plan permanently at £1 million, rather than reverting to £200,000 from 1 April 2023.

My noble friend Lord Bridges rightly identified a greater range of actions that we must take to set the conditions of growth beyond tax policy. A key area and opportunity post Brexit is regulation, and I hope he will welcome the action on Solvency II that we have announced and the measures in the forthcoming Financial Services Bill, which we will seek to replicate across other growth sectors across the UK economy, such as life sciences, as spoken about passionately by my noble friend Lady Blackwood. Many noble Lords, including the noble Lord, Lord Shipley, and my noble friend Lord Tugendhat, raised the issue of housing. The noble Lord, Lord Shipley, spoke about the need to build more houses for social rent: that is exactly what the Government are doing, through such measures as removing the cap on councils borrowing against their housing revenue account. I reassure him also that we are still committed to ending no-fault evictions.

My noble friend Lady Cumberlege asked about our commitment to community pharmacists and the issue of funding there. The plan for patients set out the further expanded role of pharmacies agreed in the community pharmacy contractual framework for the next two years, as well as an additional £100 million investment to recognise the pressures facing the sector. The Government have also committed to look further by enabling pharmacists with more prescribing powers and making more simple diagnostic tests available in community pharmacies.

In response to the noble Lord, Lord Rogan, I welcome the 25th anniversary of the Belfast agreement and I am extremely pleased that we confirmed in the Autumn Statement that we are funding the planned trade and investment event in Northern Ireland. DIT will work with local partners as this is taken forward, including with Invest NI.

The noble Lord, Lord Bilimoria, asked about defence spending. As I said in my opening speech, we recognise the need to increase defence spending, but before we make announcements on that, we need to refresh the integrated review, which was drafted before Russia's invasion of Ukraine.

The right reverend Prelate the Bishop of Gloucester referred to the benefit of women's programmes for preventing female offending and the savings to the Ministry of Justice as a result. In September, the Ministry of Justice announced that almost £21 million will be invested in women's services to tackle the causes of female offending and cut crime.

The noble Lord, Lord Livingston of Parkhead, asked an interesting question about the difference between the Bank of England and OBR forecasts. Given the number of recent changes in fiscal policy and the volatility in financial and energy markets, the range of external forecasts is wide. Differences will partly reflect when each forecast was produced and the differences in assumptions about government policy, interest rates and energy prices, but I take his wider point.

I congratulate my noble friend Lady Lea on her excellent maiden speech. I know she brings a wealth of economic experience, not least from her own time working in the Treasury. I look forward to working with her in the future.

We have faced two enormous shocks in the last three years. The pandemic has caused supply chain disruption, slowed growth and increased debt levels, and Putin's war in Ukraine has caused energy prices to spike. This has added up to inflation at levels not seen in a generation, hitting the pockets of families across the country. That is why tackling inflation is our priority. It makes everyone worse off, especially the most vulnerable, so we have taken difficult decisions that will mean taxes go up and spending will not rise by as much as previously planned. When we take into account the need to invest more in areas such as our NHS, it means hard choices to be made elsewhere.

However, I remind noble Lords that we fight these economic challenges from a position of relative strength. Unemployment is close to the lowest level it has been in nearly 50 years, and the UK is forecast to have had the fastest growth in the G7 in 2022. We also have incredible strengths within our country that aid our mission: our teachers, our NHS workforce, our armed services, and everyone who works in our public sector—day in, day out—to deliver the services upon which we rely.

We are inventive and resourceful, and the innovative, intuitive and ambitious people who make up our private sector will drive our growth. Combine this with the decisions taken over the last 12 years and the results are clear to see: employment is up by millions compared to 2010; we have had the third highest real

[BARONESS PENN]

GDP growth rate in the G7 since 2010; renewable energy production is growing faster than in any other large country in Europe since 2010; thousands more children are in good and outstanding schools compared to 2010; and we have record numbers of doctors in the NHS. Now, because of the difficult decisions we take in our plan, we are strengthening our public finances, bearing down on inflation and supporting jobs—all while protecting public services.

The Autumn Statement is a plan that provides stability. It is a plan for growth and a plan for public services. I beg to move.

**Lord Skidelsky (CB):** Before the noble Baroness sits down, could I ask a question, please?

**Baroness Jones of Moulsecoomb (GP):** Excuse me, but before the noble Baroness sits down, she did not answer my questions, unless I fell asleep, which is quite possible because it is past my bedtime. I asked two specific questions about NHS funding and hospitals.

**Baroness Penn (Con):** There were many questions that noble Lords asked that I did not get to in the time available. Maybe I should write to all those who have participated in this debate to make sure that I address all the points raised but do not detain noble Lords any further.

**Lord Skidelsky (CB):** Could the Minister explain how fiscal consolidation, particularly cutting public spending, promotes growth?

**Baroness Penn (Con):** My Lords, there is probably a longer conversation to be had, but I did set out how the profile that we have taken in our approach to consolidation supports growth at this time but also gets our public finances on to a sustainable footing. I am now sitting down; I will take no further interventions.

*Motion agreed.*

*House adjourned at 9.39 pm.*