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HOUSE OF LORDS

OFFICIAL REPORT

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

Abbreviation	Party/Group
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.

House of Lords

Monday 20 February 2023

2.30 pm

Prayers—read by the Lord Bishop of Gloucester.

Introduction: The Lord Bishop of Lichfield

2.37 pm

Michael Geoffrey, Lord Bishop of Lichfield, was introduced and took the oath, supported by the Bishop of Southwark and the Bishop of Gloucester, and signed an undertaking to abide by the Code of Conduct.

Adult Social Care
Question

2.40 pm

Asked by ***Lord Laming***

To ask His Majesty's Government what steps they are taking to meet the needs of the 10 million people in England affected by the adult social care system.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Markham) (Con): My Lords, 10 million people in England are affected by the adult social care system, including those drawing on care and support, unpaid carers and the workforce. We have made up to £7.5 billion available over two years to put the sector on a stronger financial footing, improve access to social care and address workforce pressures. We will publish further details this spring, setting out how we intend to make improvements to the system.

Lord Laming (CB): My Lords, I am grateful to the Minister. He will know that, at any time, any one of us could suddenly become responsible for the care of another person who has experienced a life-changing condition—indeed, any one of us might need to be cared for in those circumstances. The evidence to the Adult Social Care Committee was extremely compelling, indicating that unpaid carers feel that they carry a huge burden but are largely unappreciated and ignored. One wrote only last week, saying that, "after years and years of nursing experience, I now feel completely worn out and very lonely". Could the Minister assure the House that the Government will take note of the recommendations of the report?

Lord Markham (Con): I thank the noble Lord for his Question and for the work he has done around this report. As an unpaid carer for a number of years myself, I am familiar with the circumstances and the fact that unpaid carers are the backbone of the social care sector. I like to think that we are making moves in the right direction. The weekly allowance, the ability to have a one-week break and the ability to go to your local authority for extra support where needed are all steps in the right direction. But there is definitely more we will be announcing that we are doing in this space.

Lord Hunt of Kings Heath (Lab): My Lords, if the Government are moving in the right direction, why have they yet again delayed the implementation of the Dilnot report? Why have they taken no notice of the report from the Select Committee chaired by the noble Lord, Lord Forsyth, in 2019, which clearly gave the Government the route forward to deal with this perennial problem?

Lord Forsyth of Drumlean (Con): Answer.

Lord Markham (Con): It is lovely to have noble friends.

Given the conversations I am sure we will come to shortly about improving hospital flow and the 13% of beds that are blocked, we felt that the focus needed to be very much on providing beds for short-term care. That is where we wanted to put the £7.5 billion of extra funding. We thought that was the immediate priority because we knew the flow issues were impacting A&E, ambulance wait times and everything else. That is not to say that we do not intend to implement all the Dilnot reforms, but the priorities were very much around improving flow and discharge.

Baroness Barker (LD): My Lords, when Sajid Javid was Minister for Health and Social Care, he stated publicly what some of us had long suspected: namely, that we have a health and social care system that is predicated on the assumption that people will be looked after primarily by their families. One million people are ageing without children; they do not have close family to look after them. When will his department acknowledge the existence of this group of people, and when will it be a requirement for planners of health and social care to take them into consideration?

Lord Markham (Con): Again, I would like to say that the big increases in funding—the 20% increase that we are talking about in two years' time—are very much an acknowledgement that there is a demographic issue here, where more and more people are going to be coming into this situation. That is why we are putting those plans in place and working on the workforce; we are already seeing thousands of people being recruited every month to assist with capacity in the system. So we are putting in place the plans to address that.

Baroness Fraser of Craigmaddie (Con): My Lords, one of the issues identified in the report of the Adult Social Care Committee, on which I had the privilege to serve with the noble Lord, Lord Laming, was the invisibility of unpaid carers. What are the Government doing to support services to identify unpaid carers, and what more targeted support can we give this vital population—more than just one week of carer's leave?

Lord Markham (Con): Again, as I said before, they are the backbone of the system; some of my personal experience attests to that. So I hope that what we were talking about will be seen as the start, rather than the end, of what we are trying to do. But we recognise that it is a decent start, because this issue has been out there for many years and we are starting to address it. Obviously, forums such as these make sure that it is something that more people are aware of. I accept at the same time that a week a year is a start in terms of a break; it is not the end of the situation.

Baroness Meacher (CB): My Lords, I recognise that the Government are understandably very concerned about public expenditure, but I wonder whether they have recently undertaken a cost-benefit analysis of spending on social care. For £1 million of additional spending on social care, what would be the savings to the health budget? I have a feeling that it could be at least £1 million, and possibly rather more.

Lord Markham (Con): Absolutely, and that is the whole intention behind the ICSs: the ability in their areas to know local needs and invest in the right places—that is, in social care rather than having people in beds in hospitals, because it is a much more effective use of resources, and also in primary care. We all know that a lot of people go to A&E because they have not got primary care services, so the whole point of the ICSs is that they start to invest where demand is in the area, rather than using hospitals as the place of last resort to go to.

Lord Bradley (Lab): My Lords—

Lord Forsyth of Drumlean (Con): My Lords—

Noble Lords: This side!

Baroness Williams of Trafford (Con): My Lords, there is plenty of time for both.

Lord Bradley (Lab): My Lords, I too was a member of the Select Committee. One of the other key recommendations of our report was the establishment of a commissioner for care and support, to act as a champion for older adults, disabled people and, crucially, for unpaid carers, and that we should prioritise to ensure a review, update and implementation of the Care Act. Do the Government support these proposals?

Lord Markham (Con): Again, we welcome the report and many aspects of it. What I and my ministerial colleagues care most about is having the results and the impact. I think—and hope that noble Lords will agree when they see the work that she is doing in this space—that Minister Whately is gripping it and providing results. Let us see how that progresses first, because I think that that will have the impact that we need.

Lord Forsyth of Drumlean (Con): My Lords, given that the Government promised that they would fix social care, and given that in the Answer to this Question the Minister said that there were 10 million people affected, is it wise to go into a general election without having done so?

Lord Markham (Con): As ever, I thank my noble friend for his friendly questions. No; we know that this is an area that needs to be addressed, and I think that it is an area that we are addressing. I have been up here for about five months now, and in the time that I have been here, we have announced a £7.5 billion increase in spending over two years, a £700 million discharge fund over this year, and the recruitment of thousands of people every month from overseas. Yes, there is a lot more to be done, but there have been some very solid results in the meantime.

Baroness Wheeler (Lab): My Lords, on that theme, the Minister makes much of the Government's historic £7.5 billion social care funding settlement, but he knows that it has been and remains seriously underfunded—the Health Foundation's estimate is a £12 billion a year shortfall. As the excellent Lords committee underlines, it is no good attempting to resolve the social care crisis by providing short-term funding for more care packages while still depending on local authority council tax flexibility to raise the extra funds. Is the Minister concerned that three-quarters of the largest councils in England with responsibility for social care have been left with no choice but to raise their council tax by the full 4.99% increase, just to keep current inadequate levels of service going?

Lord Markham (Con): I am aware of some of the challenges raised by funding through the local authority system—and I say that as a former deputy leader of a local authority, so I am very familiar with the situations at play there. At the same time, we have put a lot of the central funding in place to make sure the security is there. As I said, we will see more measures as Minister Whately announces them in the spring, not far from here; there will be further progress in this area.

Baroness Butler-Sloss (CB): My Lords, one group of carers is made up of children. What are the Government doing to help local authorities to identify and to give extra help to children?

Lord Markham (Con): I am aware of the many circumstances where it suddenly falls to children, who obviously have their own demanding situation with education and are suddenly expected to provide a lot of care. We have tried putting steps in place with the local authorities so they can provide further support to children. We know that childhood is a critical part of their own development, so expecting them to look after a parent is not the right way around, if I can put it that way. So we have done work there, but there is more to be done.

Emergency Planning

Question

2.51 pm

Asked by ***Lord Mann***

To ask His Majesty's Government what recent assessment they have made of the robustness of their system of emergency planning across the country.

The Minister of State, Cabinet Office (Baroness Neville-Rolfe) (Con): The Civil Contingencies Act sets out the framework for emergency planning in the UK, which the Government have a legal obligation to review every five years. The most recent review was published in March 2022, which concluded that the Act continues to achieve its stated objectives, but it also set out recommendations to strengthen the system and its planning. The resilience framework published in December sets out the Government's wider approach to strengthening our resilience to all risks.

Lord Mann (Non-Afl): Considering the crisis in local government finance and the ongoing spectre of ambulances queuing at hospitals, how many emergency planning bodies have raised major concerns about our resilience in the event of a major disaster?

Baroness Neville-Rolfe (Con): As the noble Lord suggests, we have a well-developed system of local resilience through the 38 local resilience forums. I have received no reports myself of particular concerns they have raised on this matter. It is more a matter for DLUHC than for the Cabinet Office, but I will look into it and get back to the noble Lord.

Lord Wallace of Saltaire (LD): My Lords, what lessons have the Government learned from the failure to anticipate a major pandemic of the sort we have now faced with Covid? Have the Government initiated any new proposals for contingency planning ahead of major predictable crises of that sort?

Baroness Neville-Rolfe (Con): The Government had the advantage—or disadvantage—of the lessons from Covid, when they were conducting the review I mentioned. Since then, they have published the *UK Government Resilience Framework*, which shows a lot of frameworks. A completely independent review is also going on, the Covid inquiry, which I am sure will teach us more lessons on what to do in serious emergencies in the future.

Lord Harris of Haringey (Lab): My Lords, I refer to my interests in the register. Can the Minister tell us the Government's assessment of the efficacy of the Serco contract delivering the Emergency Planning College? Can she comment on the future of the Emergency Planning College, given the suggestions that the site is likely to be sold?

Baroness Neville-Rolfe (Con): This is not a contract that I have had anything to do with. The noble Lord always asks very good questions on contingency planning. I will look into it and get back to him.

Lord Stirrup (CB): My Lords, the response to any serious emergency hinges a very great deal upon the emergency services. What impact does the Minister think the incorporation of Chinese technology and components into police force equipment is likely to have on our own resilience?

Baroness Neville-Rolfe (Con): The noble and gallant Lord will be aware that we made a Statement before Christmas about the use of Chinese technology in cameras and so on. Obviously, we are putting a lot more resources into security. This is one of the issues that is under careful consideration, and it has of course been discussed during the passage of the Procurement Bill in recent times. I draw noble Lords' attention to the steps that we have already taken and the way we keep a careful eye on these matters.

Lord Cormack (Con): Does my noble friend agree that what is needed is not "careful consideration" but real action?

Baroness Neville-Rolfe (Con): I have already described some of the real action that we have taken. I also draw my noble friend's attention to some of the provisions in Schedules 6 and 7 to the Procurement Bill that is now going through the other House, the debates that we have had here, the debates we will no doubt have again and the careful steps that we are taking in relation to these important issues.

Baroness Jones of Moulsecoomb (GP): My Lords, the ongoing emergency of sewage despoliation and the death of our rivers and coastlines is something the Government do not seem to be acting on at all. Last year, on 8 September, the then Secretary of State for the Environment—I cannot even remember which one it was—told water companies to produce a plan within 14 days. It is 165 days later and there is no plan. I gather water companies have been told again. When are the Government going to deal with this ongoing emergency?

Baroness Neville-Rolfe (Con): I share the noble Baroness's concern about our rivers and, of course, we worked together to amend the Environment Bill on this issue. Now, she is rightly asking about the follow-up. This is not a matter for me but for Defra. However, I can assure her that our national security risk assessment looks at these issues and makes sure that, going forward, plans are right and proper.

Baroness Twycross (Lab): My Lords, I declare an interest as London's Deputy Mayor for Fire and Resilience and chair of the London Resilience Forum. The focus on skills in the recently published resilience framework on training and exercising is welcome, but it is vital that this provides the skills needed and it is properly resourced. Can the Minister provide further detail on how her plans for the proposed UK resilience academy are progressing and how this will contribute to both prevention and preparedness? Also, have the Government ear-marked funding for a major exercise along the lines of Exercise Unified Response that took place seven years ago? This would provide responders from across all sectors represented on local resilience forums the opportunity to gain valuable skills in advance of needing them.

Baroness Neville-Rolfe (Con): I agree on the importance of the local resilience and the testing and trialling that the noble Baroness talks about. On actual funding, I will come back to her, but the new approach that has been taken in the resilience reform and in the UK Resilience Forum meeting, that the Chancellor of the Duchy of Lancaster presided over himself recently, is on the importance of emergency preparedness. The focus on skills is also a focus in cabinet committee work on these issues. So I hope I have given her some assurance that this is work we are pushing ahead with

Baroness Berridge (Con): My Lords, recently in your Lordships' House we have had cause to talk about the strategic risk, in various departments, of certain building materials—particularly of certain concrete in schools but which also potentially affects our hospitals. Is that something that is caught by this resilience framework: a risk such as that, which could materialise, that covers more than one government department? If it is not within the framework, is the Minister's department co-ordinating what the response would have to be across government if that failure of building material unfortunately materialises?

Baroness Neville-Rolfe (Con): We certainly have a co-ordination role, especially where risks affect more than one department. The work that we have done on the national security risk assessment outlines, each time that it is done, the biggest risks that we see. Having dealt a lot with buildings, I can understand exactly what my noble friend's concern might be, particularly in relation to schools. We are looking at the risk assessment at the moment, and we will be publishing a new national risk register this year. I will take away the point about schools that she has so helpfully raised today.

Lord West of Spithead (Lab): My Lords, does the Minister agree that we should be more proactive in terms of the advice given to households for when there is a major crisis or emergency? We used to very clearly tell households about having batteries, torches, water purifiers and a wind-up radio and the frequencies to listen in on when these emergencies happened. We now have a website, but people are not told. Does the Minister believe that we should actually tell people what it would be useful to have? They do not have to have it but, my goodness me, if anything goes wrong, it is very useful to have those things.

Baroness Neville-Rolfe (Con): DLUHC is working with the local resilience forums to work out what we should be doing in the light of the latest developments. I agree that the focus on the website is not always great, particularly when websites go down during emergencies, which has been my own experience. I have dealt locally with people who deal with emergencies, notably on Covid. The voluntary effort that comes forth when emergencies take place and all the good things that are done are really impressive. We have to learn from that and put that into the system, as it were, for the future. I take the point about making sure that people know, by leaflets and so on as well as by websites, what they need to do in the case of an emergency.

Lord Kamall (Con): The noble Lord opposite talked about the website for resilience. For the benefit of noble Lords who are not yet aware of this website, can my noble friend the Minister share the URL for that website so that we can evangelise about it on her behalf?

Baroness Neville-Rolfe (Con): I will certainly take forward my noble friend's idea. I have also been impressed by the system that the mobile phone operators have that you can ring if your electricity goes down. These things exist, but the point—as expressed so powerfully on the other Benches—is that we need to make sure that people know what to do when flooding comes or there are other local difficulties. That is why we have put in a new head of resilience within the Cabinet Office and have published the risk framework. We are open to new ideas, both on substance and on communication, as I hope that I have shown.

Civil Service: Digital Skills

Question

3.02 pm

Asked by ***Lord Clement-Jones***

To ask His Majesty's Government what steps they intend to take in response to the Global Government Forum report *UK civil service digital skills*, published on 29 November 2022.

The Minister of State, Cabinet Office (Baroness Neville-Rolfe) (Con): My Lords, the Government are already taking action to build digital skills at scale and have a clear road map, set out in the *Transforming for a Digital Future* strategy, which we published in June 2022. The road map has set a target to upskill at least 90% of senior civil servants in digital and data by 2025 and to strengthen the attraction and retention of digital talent by bolstering the Government's recruitment brand and pay offer for specialist skills.

Lord Clement-Jones (LD): My Lords, the Government claim that their 2022-25 digital and data road map will usher in a

"new era of digital transformation"

for public service improvement, yet Civil Service skills are clearly inadequate to deliver it. As the NAO has pointed out, there has been

"a consistent pattern of underperformance"

in public services for many years. What will be different this time? Is not the road map another example of this Government's wishful thinking?

Baroness Neville-Rolfe (Con): It is important to have an ambition and a road map if you are going to move things forward. We have a Prime Minister who regards the digital and data area as very important. We have set out our digital future strategy, which includes, on the point that the noble Lord is concerned about, that 90% of senior civil servants will be upskilled in digital and data through that programme. Digital professionals will also have top-up training every year. We are moving to recruit a lot more civil servants in the digital and data area; we have 4,000 vacancies, which is too many, but we are doing everything that we can to attract more people. This includes a capability-based pay scheme and much more focus on the regions, where we believe that we can get more digital talent out of the universities, often working away from London in centres such as Cardiff and Darlington.

Lord Collins of Highbury (Lab): My Lords, to pick up that last point, the Government's own digital tsar—the head of digital services—does not underestimate the

difficulty of attracting those professional staff because of the salary issue. Does the Minister think that this road map will properly address that? Is it not about time we spent less on consultants, who we are paying millions for, and more on the wages of our digital experts in the Civil Service?

Baroness Neville-Rolfe (Con): I believe that is actually the direction of travel. We are bringing in more of a capability-based pay scheme, which will allow us to track and keep these people who are in hot demand in a competitive market—as I know only too well. The Civil Service jobs are very interesting; if we could sort out a route for people to come in and work on digital data, and perhaps even go out again, and so improve our skills and work on these important projects, that would make a huge difference. The establishment of the Department for Science, Innovation and Technology—DSIT—is going to make a difference as well, in setting the tone and encouraging people to come and work on the very real data and skills challenges that we now have in the Civil Service.

Baroness Chakrabarti (Lab): My Lords, I am grateful to the noble Lord for the Question about skills but values are just as important as skills in the digital space. Could the Minister tell your Lordships' House what the Government intend by way of promoting fundamental rights and freedoms in that space—whether it is the right not to be degraded, the right to personal digital privacy, the right not to be discriminated against or, crucially, the right to decisions on things that matter being made by a human being and not an algorithm?

Baroness Neville-Rolfe (Con): The noble Baroness raises important points, and these are going to be debated a lot in the Online Safety Bill. In the Civil Service, we have a clear set of values—public service values. The Central Digital and Data Office is set up to look at how best to transform public services, but in a way that is appropriately balanced between using things such as AI and making sure that people's rights and responsibilities are protected. We have the Data Protection Act and the Information Commissioner's Office to help us in that process.

Lord Boswell of Aynho (Non-Afl): My Lords, having been at one stage a civil servant colleague of the current Minister, and declaring my interest as someone who went on to become a Minister and who has a daughter who has taken the same path from one to the other, I ask if we could have a gentle assurance that the Minister will use her best endeavours to ensure that these healthy disciplines are extended to Members of His Majesty's Government as well. If they understand what civil servants are talking about, they can challenge it and produce a better overall conclusion.

Baroness Neville-Rolfe (Con): It is a pleasure to see the noble Lord in his place; I congratulate him on his return and on his daughter's eminence. The answer is that of course Ministers need to be educated in digital and data matters as well. We are doing our own small part in the Cabinet Office by ensuring that the induction that Ministers are given on security, for example, has a suitable data element. There is the broader point of what data can bring to growth and science. I earlier referenced the new department, DSIT, which is symptomatic of the change that we are trying to make in government to think more of AI, the cloud and data. To go back to the noble Baroness's point, we are also trying to make sure that we are thinking about people and values at the same time.

Lord Wallace of Saltaire (LD): My Lords, the British Government are lagging behind several of their European counterparts in digital transformation. Can the Minister say what she regards as the other obstacles, apart from lack of skills? Are there still legal obstacles, in that the way data is handled by different departments is different under existing Acts, or are there other obstacles that we need to tackle in order to catch up with the Baltic states and others that have gone a great deal further in moving towards efficient digital government?

Baroness Neville-Rolfe (Con): I used to sit on the Competitiveness Council in Brussels, in the days when we were in the EU, and learned a lot from the Estonians—but of course they have a much smaller country and they were able to start everything digitally. I think people have admired us for the step we took, now 10 years ago, with GOV.UK, hosting all government paperwork and data. That now has 99% recognition across the UK, which I find very surprising. To answer the question, there are of course difficulties. Digital skills, which is the subject of this Question, is probably the biggest difficulty, but data sharing is also very important. We are finding this with all the various data initiatives we are doing—for example, I am working on borders—where being able to share data between companies, or to share individuals' data between departments, is extremely important. We are gradually making sure that we are getting the right powers to do that in different areas as Bills come before your Lordships' House.

Lord Mann (Non-Afl): My Lords, what targets have been set to upskill Peers of the realm?

Baroness Neville-Rolfe (Con): I think that is a matter for the House authorities, but I will happily pursue it for the noble Lord.

Lord Kamall (Con): My noble friend the Minister is absolutely right to say that countries such as Estonia and Latvia were able to leap-frog—they did not have the encumbrance of legacy technologies. Can she tell us the thinking around how legacy technology—not only the technology itself but the processes around that technology—can often hold back progress?

Baroness Neville-Rolfe (Con): I can tell my noble friend a lot about what we did at Tesco on this matter. We had a spaghetti junction of old technology and what we did—I am sure noble Lords will be interested in this—was bring in systems that were compatible with one another. We gradually got rid of the spaghetti junction of technology and moved to new technology across the board. It is about those sorts of principles. Alex Burghart, the very energetic Minister concerned, heads at ministerial level the Central Digital and Data Office. It is these sorts of issues that we are looking at,

[Baroness Neville-Rolfe]
so as to make sure that the transformation to digital that we need is efficient, smooth and speedy, and does not cause lots of legacy problems. I think we all know of experiences in different government departments where these already exist.

Lord Howell of Guildford (Con): My Lords, just to balance the argument on efficient digital government, we need to be quite careful, do we not, that we do not all end up, in communicating with officialdom, talking to artificial intelligence systems or to robots?

Baroness Neville-Rolfe (Con): I share my noble friend's concern. I will say that artificial intelligence and robotics are actually improving efficiency in some of the services that one uses, such as banking, so that we move through the telephone options and find a person, but they are absolutely no substitute, to my mind, for having proper customer care where that is needed. There is sometimes a risk that we can get exclusion and other problems if we go too far over the top. That is why I emphasised the importance of this new department and the ability it will have to devote more attention to these sorts of incredibly important issues. AI can be a plus but it can also be a risk. We really need to look internationally and do everything that we can.

Leasehold Charges

Question

3.14 pm

Tabled by ***Lord Kennedy of Southwark***

To ask His Majesty's Government what plans they have to ensure managing agents and freeholders (1) are more transparent with leaseholders on the makeup of the charges they levy, and (2) ring fence the money raised by such charges.

Baroness Taylor of Stevenage (Lab): My Lords, on behalf of my noble friend Lord Kennedy of Southwark, and with his permission, I beg leave to ask the Question standing in his name on the Order Paper and draw the attention of the House to his relevant interest as a leaseholder.

The Parliamentary Under-Secretary of State, Department for Levelling Up, Housing & Communities (Baroness Scott of Bybrook) (Con): Service charges must be reasonable and where costs relate to work or services, they must be of a reasonable standard. Such moneys must be held in trust unless specifically exempt and used for their intended purposes. We are committed to ensuring that residents have more information on what their costs pay for, and this will help them more effectively to challenge their landlord if they consider their fees to be unreasonable. We will bring further reforms later in this Parliament.

Baroness Taylor of Stevenage (Lab): My Lords, there seems to be some confusion regarding statements made in the other place and in the media by the Secretary of State, the Member for Surrey Heath. In the other place, he talks of the reform of leasehold as a tenure of housing, yet in the media he talks about the abolition of leasehold tenure. Can the Minister tell the House which it is: reform or abolition? It cannot be both. Leaseholders deserve absolute clarity on the intentions of government.

Baroness Scott of Bybrook (Con): The Government would absolutely agree with that. My right honourable friend the Secretary of State set out in the Commons his intention to bring the outdated and feudal leasehold system to an end.

Lord Young of Cookham (Con): My Lords, last month I asked my noble friend if she would publish the promised leasehold reform Bill in draft. She said she would love to, if only to stop the question being repeatedly asked; but she then declined. We now know that the next Session is not going to start until the autumn. Is there not now adequate time to publish the Bill in draft and knock it into shape before the last Session of this Parliament, which may be foreshortened?

Baroness Scott of Bybrook (Con): I thank my noble friend, who perhaps knows more than I do about when that Bill will come to the other place and then to this House. Seriously, publishing a draft at this stage would slow the process down and I do not think any of us wants to do that. But I do welcome the engagement we are already regularly having on leasehold and commonhold reform. I am very happy to work continually with MPs, noble Lords and wider stakeholders until the Bill comes to the House.

The Lord Speaker (Lord McFall of Alcluith): My Lords, there will now be a remote contribution from the noble Lord, Lord Campbell-Savours.

Lord Campbell-Savours (Lab) [V]: My Lords, as part of a question I asked last June on the levying of escalating service charges, I asked whether the Government might consider a scheme for rolling up service charges in a debenture against property title—effectively, a rising legal charge. The debenture holder would pay the resident's service charge, interest-serviced or otherwise, clawing back payments on death or prior. The Minister promised to consider the idea. Will the Minister check on developments in the department and let the House know where we stand?

Baroness Scott of Bybrook (Con): I thank the noble Lord. I do remember his question and I am sorry I have not checked up on this recently. I will do so and will respond to the noble Lord.

Lord Naseby (Con): My Lords, can we not acknowledge that the debenture issue is not new but has been going on for years? In this section of the housing market, both tenants and landlords do not know their mutual responsibilities. Is it not time for a draft Bill, so that there can be proper detailed discussions and action can be taken for the benefit of both parties?

Baroness Scott of Bybrook (Con): The Government recognise the strength of feeling in this House in particular, and the other place, on the leasehold issue,

but it is complex and needs careful consideration. The Government have said that we will bring a Bill forward in this Parliament and that is what we intend to do.

Lord Best (CB): My Lords, does the Minister agree that proper consumer protection is particularly important for older people, who may be downsizing or rightsizing to retirement apartments and feel totally confused by the plethora of service charges, exit fees, commission fees and commission on insurance? Is this vulnerable group not particularly important in leasehold reform? Otherwise, who is going to downsize or rightsize ever, knowing the difficulties they may well face?

Baroness Scott of Bybrook (Con): The noble Lord is absolutely right. This is an important issue, particularly for older people who may be considering downsizing. It is just too complex at the moment. That is what we will be dealing with as we move forward, and I thank the noble Lord for all his help in doing so.

Baroness Thornhill (LD): My Lords, the points raised in the Question from the noble Lord, Lord Kennedy, are, in fact, all covered by very good codes of practice, advice from government and professional bodies. The problem is that there is no enforcement and no sanctions. Evidence from the First-tier Tribunal chamber and the Leasehold Advisory Service shows that this is happening all too often. When will there be a regulator with teeth, as recommended in the report by the noble Lord, Lord Best, or will the Government at least consider making the First-tier Tribunal's decisions legally binding?

Baroness Scott of Bybrook (Con): We will certainly have a social housing regulator once we get the Social Housing (Regulation) Bill through the other place and back through here, and I hope that will be as soon as possible. Regarding the noble Baroness's other concerns, we will have to be patient and wait for the Bill to come forward.

Baroness Hayter of Kentish Town (Lab): My Lords, the noble Lord, Lord Best, came up with a recommendation that we thought the Government had accepted: to regulate all property agents, which would cover the managing agents and the questions that have been raised today. I chaired the committee which gave the Government a code of conduct, ready for that regulator to start work. Why cannot we get on and regulate the agents, who are the problem with all the issues that have been raised?

Baroness Scott of Bybrook (Con): We are taking very seriously the issue of property agents and are committed to promoting fairness and transparency for tenants and homeowners in this space. The commitment also includes raising professionalisation and standards among property agents—letting estate and managing agents. The Government welcome the ongoing work being undertaken by the industry itself. Interestingly, since the noble Lord, Lord Best's report, the industry is doing something different and is working better. We will continue to work with the noble Lord and his working group on what more we can do to ensure that property agents are behaving professionally.

The Lord Bishop of Gloucester: My Lords, some of the most vulnerable in society, including prison leavers and refugees, can be heavily penalised by the housing system. In the south-west, there is a joint project with the police and crime commissioner to manufacture low-cost eco-pods which provide not only employment and skills for prisoners on day release but a potential solution to rehousing vulnerable people. What is being done to speed up this sort of housing provision for vulnerable groups?

Baroness Scott of Bybrook (Con): I thank the right reverend Prelate for that question; I do not know what is being done, but I will certainly get an answer. I know from personal experience that these pods can work very well, particularly for homeless people. In the short term and in bad weather, in local communities—even next door to local authority town halls, et cetera—they can give the shelter that is required during difficult times for very vulnerable people. However, I will get an update.

Lord Hayward (Con): Many of the freeholders of the leasehold properties are councils, including Southwark Council, where I live. Many of the leaseholders have extreme difficulty in getting information on the nature of the charges. Will any guidance, or stronger, issued to freeholders and managing agents be clearly applicable to local councils as well?

Baroness Scott of Bybrook (Con): My noble friend is absolutely right, and the department is fully aware of these issues. I cannot talk about an individual case, but we recognise that too many landlords are failing to provide sufficient information to leaseholders, who should have a right to that information, as stated in their lease. The Government do not think that existing requirements go far enough to enable leaseholders to find out about these issues, and we will take action to support and empower them in the future.

Capital Projects: Spending Decisions

Commons Urgent Question

The following Answer to an Urgent Question was given in the House of Commons on Thursday 9 February.

"Mr Speaker, levelling up is one of the defining missions of this Government. Whether it is moving 22,000 civil servants outside of London by 2030 and backing overlooked town centres and high streets, or devolving power and money away from Whitehall and Westminster, this Government are delivering for the people of this country. There has been significant focus on the mechanics of government in recent days. Even if the question asked today was not that clear at the outset, it is absolutely the case that processes change and may apply at times in different ways.

We are working within a new delegation approach with the Treasury, which involves Treasury sign-off on capital spend. We will always work closely with the Treasury. We value its focus on value for money; it values and shares our mission to level up the country as a whole, and we will continue to do that. We are making good on our promise to spread opportunity across the country, with £9.6 billion of levelling-up funds announced since 2019, on top of the £7.5 billion

commitment to the nine city-based mayoral combined authorities in England. That includes £3.2 billion of funding via the towns and high street funds, £3.8 billion from the levelling-up fund, £2.6 billion from the UK shared prosperity fund and £16.7 million from the community ownership fund.

There has been no change to the budgets of the Department for Levelling Up, Housing and Communities, whether capital or revenue; no change to our policy objectives; no dilution of our ambition; and there are no implications for the Government's policy agenda. Four years ago, this Government promised the British people a stronger, fairer and more united country. It was a promise embodied in levelling up, and it is a promise we are going to keep."

3.25 pm

Baroness Hayman of Ullock (Lab): My Lords, with local government having lost £15 billion since 2010, communities up and down the country are desperate for investment. Unfortunately, many of the successful bids to the first round of the levelling-up fund are yet to put shovels in the ground because the impact of inflation has made construction unviable. Given that we are now told that the Secretary of State no longer has the authority to sign off spending, does the Minister expect local authorities to fill this funding gap themselves?

The Parliamentary Under-Secretary of State, Department for Levelling Up, Housing & Communities (Baroness Scott of Bybrook) (Con): No, we do not expect local authorities to fill the funding gap. There has been an issue—that of inflation—across many of the programmes. There is no additional funding, but we are working with local authorities to ensure that local priorities can still be delivered. Where requests for rescoping are submitted, we are looking to deal with those flexibly, provided that the changes are still likely to represent good value for money. We are also providing £6.5 million of support for local authorities. We will be evaluating, and those evaluations will be made public.

Baroness Pinnock (LD): My Lords, I remind the House of my relevant interests. The highly respected and independent Institute for Government wrote last month that the levelling-up fund

"is another ineffective competitive funding pot that is neither large enough nor targeted enough to make a dent in regional inequalities."

Does the Minister agree? If not, what is wrong with that statement?

Baroness Scott of Bybrook (Con): No, I do not agree. I think that a £9.9 billion investment into levelling up shows a Government who are putting their money where their mouth is. They are delivering levelling up across the country and will do so in future. They have already done so with the future high streets fund, the towns fund, the UK shared prosperity fund—which is about to come out—and even small funds such as the community renewal fund. These are all delivering things for people in this country.

Lord Young of Cookham (Con): My Lords, on the issue of capital spending, three local authorities have made disastrous capital investments and are now having to raise their council tax by more than the cap in order to rebuild their balances. Should not they have been obliged to hold a local referendum to explain their imprudence to the local electorate, rather than blaming the Government for the increase?

Baroness Scott of Bybrook (Con): I think my noble friend is speaking about the significant failures in Thurrock, Croydon and Slough. These authorities have asked the Government for flexibility to increase their council tax by an additional amount. Given the exceptional financial difficulties which, I have to say, were driven by poor decision-making in the past, the Government felt that we should not oppose their request. It is important that the councils remain working to deliver services, but I assure the House that we are working with them, challenging them, and have people in there to make sure that they improve and recover.

Lord Hain (Lab): My Lords, is not the levelling-up money—whatever pots the noble Baroness mentions that there might be—pitiful compared with the £180 billion of austerity cuts taken mostly out of those local communities that need levelling up? Surely what is needed, rather than prettifying town centres and projects like that, is investment in local skills in the local economy to build the new economies of the future, to make these communities have some hope instead of despair.

Baroness Scott of Bybrook (Con): My Lords, if you look at the missions in the levelling-up Bill, you can see that all those things are important. It is up to local authorities, though, together with the private sector and the voluntary sector, to put forward their ideas in their places, as to how they feel that they can deliver those improvements, such as economic investment in their area. It is up to local authorities—but I agree with the noble Lord that there are many more things that we can do in order to encourage, in those particular areas, a true economic development.

Lord Trefgarne (Con): My Lords, can the Minister offer any advice to Woking Borough Council, where I live, which is more than £1 billion adrift?

Baroness Scott of Bybrook (Con): I am very sorry to say to my noble friend that no, I cannot. I am sure that there are people within the department who will be working with that borough council in order to help it through its difficulties.

Levelling-up and Regeneration Bill

Committee (1st Day)

3.31 pm

Relevant documents: 24th Report from the Delegated Powers Committee, 12th Report from the Constitution Committee

Clause 1: Statement of levelling-up missions

Amendment 1

Moved by ***Baroness Pinnock***

1: Clause 1, page 1, line 6, leave out "levelling-up"

Member's explanatory statement

This is a probing amendment to explore the meaning of the phrase "levelling-up" and whether this part is sufficient to support the aims of "levelling-up".

Baroness Pinnock (LD): My Lords, we have a lot of scrutiny of this Bill before us. Before we start, I want to explore what is meant by levelling up, and whether there is a broad agreement as to its definition and purpose. My amendment proposes to remove the words "levelling up", as the content of the Bill fails to live up to the aspiration as described in the levelling-up White Paper.

Here is one definition. The purpose of levelling up is,

"to break that link between geography and destiny so that it makes good business sense for the private sector to invest in areas that have, for too long, felt left behind ... A vision for the future that will see public spending on R&D increased in every part of the country; transport connectivity reaching London-like levels within and between all our towns and cities; faster broadband in every community; life expectancies rising; violent crime falling; schools improving; and private sector investment unleashed."

That is the former Prime Minister's explanation, set out in the foreword to the levelling-up White Paper.

Does levelling up refer to this? The White Paper says:

"There are stark geographical inequalities between and within our cities, towns and villages … It is about unleashing opportunity, prosperity and pride in places where, for too long, it has been held back."

These words were those of the Secretary of State for Levelling Up, Housing and Communities, and Andy Haldane, formerly of the Bank of England, in a further foreword to the White Paper.

The executive summary of the White Paper spells out the purpose very clearly:

"This requires us to end the geographical inequality which is such a striking feature of the UK … This programme has to be broad, deep and long-term. It has to be rooted in evidence demonstrating that a mix of factors is needed to transform places and boost local growth: strong innovation and a climate conducive to private sector investment, better skills, improved transport systems, greater access to culture, stronger pride in place, deeper trust, greater safety and more resilient institutions."

Therefore, throughout the White Paper, on which presumably the Bill is based, there is a clear focus on geographical disparities and inequalities. These inequalities, it is argued, harm the whole of the country, not only for the lost opportunities of lower incomes and skills but because the consequence is lower growth, which has a negative pull on the country as a whole.

The levelling-up fund is, I assume, a precursor to a wider strategy. If so, it is instructive to analyse which areas have been granted funds in the first two rounds. If levelling up was to be laser-like in addressing the worst of the geographic inequalities, levelling-up grants would be targeted at those parts of the country deemed to be suffering the greatest inequalities as defined by the White Paper. Yet, as the House of Commons Library has shown, those areas categorised by the Government as priority 1 for grant funding had just 59% of the total funding available. Over £1 billion from the levelling-up fund was allocated to areas not deemed in greatest need; those were in priority 2 and even priority 3 areas.

That is not levelling up as defined by the White Paper; it is spreading the government funding jam way too thinly. Of course there will be, within every area, pockets of deprivation. Empowering and enabling local councils to tackle smaller areas of deprivation is probably the most effective way to do so. The levelling-up White Paper, however, is setting out a strategy, not for tackling individual poverty or small areas of deprivation but for finding solutions to economically underperforming places. Will the Minister clarify whether levelling up is to tackle individual poverty or to narrow the gaps as proposed by the metrics in the annexe to the White Paper?

The White Paper—it is a good read—also states:

"The UK has larger geographical differences than many other developed countries on multiple measures, including productivity, pay, educational attainment and health … While London and much of the South East have benefited economically, former industrial centres and many coastal communities have suffered. This has left deep and lasting scars in many of these places, damaging skills, jobs, innovation, pride in place, health and wellbeing."

In chapter 1 of the White Paper the analysis is most clearly stated:

"The UK's spatial disparities are also among the largest across advanced economies on a number of measures, including productivity and income per head … When assessed across 28 different measures—using different spatial units of analysis, different measures of prosperity and different indices of inequality—the UK has been found to be one of the most spatially unequal countries among the OECD."

The Bill offers an opportunity to fulfil the aspirations set out in the White Paper. Currently, it fails to do so. The missions and capitals described in the White Paper must be part of this Bill. The Bill should then establish the legislation to enable those missions to be enacted. It fails to do so.

This is a complex Bill addressing, in part, one element of the White Paper missions, that of wider local devolution. It also has a detailed section on planning reform which may—or may not—add to a mission to narrow spatial gaps. Yet measures to enable the big strategy of levelling up are simply not there. Levelling up is a slogan seeking some substance. For the sake of millions of people, the substance and the financial commitment are desperately needed. I beg to move.

Baroness Lister of Burtersett (Lab): My Lords, I thank the noble Baroness, Lady Pinnock, for tabling this amendment because it gives us the opportunity to pinpoint the tension at the heart of the levelling-up agenda. As the impact assessment reminds us, the problem it claims to address concerns unequal shares and opportunities, and levelling up

"is a mission to challenge, and change, that unfairness."

It means

"giving everyone the opportunity to flourish"

and to have

"longer and more fulfilling lives",

together with

"sustained rises in living standards and well-being"

for people everywhere. In fact, this is a statement about people, not places, as reflected in some of the missions. Yet the impact assessment states that achieving the aims of levelling up

"requires us to end the geographical inequality which is such a striking feature of the UK."

The Minister's levelling-up letter explains that the missions are necessarily spatial—but why are they purely spatial and geographical when inequalities of

[Baroness Lister of Burtersett]
income and wealth between individuals are also striking features of the UK? A report published by the Social Market Foundation, called *Beyond Levelling Up* and written by a former senior adviser to recent Conservative Chancellors, argues that this approach to levelling up

"avoids the question of whether we think the gap between rich and poor is acceptable, and whether we are comfortable with the current levels of income and wealth accruing to the richest in society."

I will leave those in poverty until a later amendment. To make matters worse, ONS data shows that inequality has worsened since he wrote the report, and it is worse still if we use alternative measures on inequality.

I ask the Minister if she thinks the gap between rich and poor is acceptable. How does she think that the levelling-up agenda's ambitions can be achieved without addressing that gap between rich and poor?

Lord Shipley (LD): My Lords, I declare, for Committee stage as a whole, that I am a vice-president of the Local Government Association and a vice-president of the National Energy Action advisory board.

I thank my noble friend Lady Pinnock for raising this issue; it is very important that we have a shared understanding of what we mean by levelling up. For me, I think it is the second option she gave, which is narrowing the gap. If we were to compare ourselves with Germany, we would find that there is a constitutional requirement in Germany for the 16 Länder to support each other, and the outcomes are assessed in terms of how well off the Länder are and using the many criteria we will be debating later today—there are so many criteria you can use. However, it is important that we understand the Government's precise objectives with the Bill.

3.45 pm

The 2019 general election was fought on a Conservative Party manifesto in which levelling up was the guiding principle. What we have had from the Government, before and after, are branding exercises—the Midlands engine, the northern powerhouse, and now trailblazer deals for enhanced devolution for combinations of local authorities—and mission statements, although mission statements are not in the Bill. What we need are action plans and some means of assessing whether the missions are being delivered.

Last year, the Secretary of State, Michael Gove, speaking at a conference in the north of England, said:

"We simply can't go on with the gulf between rich and poor… growing."

He was entirely right. But the Office for National Statistics reported last month that the gap continues to grow. So where in this Bill is the plan to reverse that trend? I do not think that it is there. Without doubt, this is a regeneration Bill. It is also about structures for devolution. But joining those structures and the regeneration to the delivery of clear outcomes on levelling up is less certain.

I would find it very helpful indeed to know what the Government's thinking is. Is it their intention, through this Bill, to define the outcomes and the assessments that are going to be made which will demonstrate whether levelling up across the whole country in terms of geographical disparities is being delivered? How will the Government ensure that they are passing legislation which assists us to deliver the outcomes that the public have been led to expect?

Baroness Jones of Moulsecoomb (GP): My Lords, I congratulate the noble Baroness, Lady Pinnock, on a brilliant opening speech that leaves hardly anything else to be discussed.

I completely agree about the disparity between rich and poor and that that must be addressed. However, there are things that do not depend quite so much on wealth, such as health and happiness, and access to green spaces. All these things are part of what levelling up ought to include. I am quite keen to see this Government understand that health is about not only improving the NHS—which, clearly, they have given up on completely—but how people see themselves and the opportunities that they have locally. So I am looking forward to this Bill. It will be a long slog for the Minister; I am sorry about that.

Baroness Hayman of Ullock (Lab): My Lords, I thank the noble Baroness, Lady Pinnock, for bringing forward this probing amendment. When we look at the Bill, we need to consider what the Government mean by "levelling up" and whether the beginning of the Bill is sufficient to support the aims that were laid out in the White Paper. As we heard at Second Reading, much of what was in the White Paper is not here—including, as we have heard, the actual missions, which seems to me quite remarkable.

As we have previously discussed, the Bill does not really look like a levelling-up Bill. It looks more like a planning and devolution Bill, and planning and devolution on their own will not deliver the kinds of levelling up that our country needs. So we support this amendment for doing what needs to be done—probing exactly what the Government are intending. The noble Baroness, Lady Pinnock, reminded us of the words of our former Prime Minister and of the Secretary of State, and of the ambitions of the White Paper, which we need to be discussing in future amendments that we will have in Committee. That context is very important.

So how do we define levelling up? It can mean an awful lot of different things to different people. It will also take an accumulation of good understanding and good investment if we are to come close to meeting the different agendas laid out by the Government in the White Paper. For example, social infrastructure has to be equally invested in, alongside physical infrastructure, if we are to make a positive and sustainable impact.

Is levelling up a genuine policy or just a catchphrase—which is sometimes what it feels like? As the noble Lord, Lord Shipley, asked, is this just a branding exercise? We need confidence that the Government are serious about this: if it is a genuine policy that they want to make a reality, it will need an awful lot more cash than currently seems to be on offer.

The noble Baroness, Lady Pinnock, talked about funding. The Centre for Inequality and Levelling Up is based at the University of West London. It calculated that the levelling-up funds total £20 billion, but clearer

criteria for defining what constitutes a levelling-up fund are needed. The centre suggests that this should include only funding allocated after 2019, which is four years ago. Of the funds specified in June 2022 by the department, three were allocated before 2019. We really need much more clarity about the new investment that will come in from the Government to support what they are intending to achieve through this Bill.

Another thing I want to talk about is the relationship between funding and the missions. The levelling-up funds have only a tangential relationship with the 12 missions. Out of the 10 funds available, only one, the shared prosperity fund, mentions the missions directly, and the levelling-up fund itself just references the missions' metrics.

While the Government continue to insist that areas have to bid against each other—with mounting evidence that this is an inefficient way of delivering funding—how can the Government ensure that all areas that need funding for levelling up receive adequate support with the bidding process and subsequently receive adequate funding?

Regional disparities are deeply entrenched, and the Bill seems to see devolution as a way to crack this and solve the problems. But so much needs to be done to tackle inequalities: they will not be solved just by a few missions, some of which are not even in the Bill, and the somewhat confusing devolution proposals.

What about the challenges that our NHS is currently facing, with enormous waiting lists and staff going on strike because they are so desperate? Why are the Government refusing to properly engage with staff over their deep concerns, which are leading to even further strike action? Just today, Professor Farrar has warned that health workers' morale and resilience are very thin, and of the vulnerabilities facing our health services if we have another crisis like the pandemic.

If the Government are serious about closing one of the worst gaps of inequality—the gap in life expectancy between rich and poor that my noble friend Lady Lister mentioned—they have to properly support and fund not just the NHS but social care. How will the Bill deliver this? How does levelling up properly relate to those huge challenges? This relates to the following mission in the White Paper:

"Narrow the gap of healthy life expectancy between the areas where it is lowest and highest".

I cannot see how that will be achieved with what we have in front of us.

I will also look very quickly at mission 3:

"Eliminate illiteracy and innumeracy by refocusing education spending on the most disadvantaged parts of the country".

Will part of this refocusing of education spending deal with the gap between real funding per head in state and private schools? This gap is widening and letting down our state-funded pupils.

We have heard that the Bill fails to meet the aspirations of the White Paper, but the existing missions will not, as currently drafted, properly solve many of the inequalities in our society. We will be debating the existing missions and the new missions in a future group, so I will not say anything further at this stage. At the moment, we feel that the Bill is lacking in many areas and there is much work to be done.

The Parliamentary Under-Secretary of State, Department for Levelling Up, Housing & Communities (Baroness Scott of Bybrook): My Lords, levelling up is at the heart of the Government's agenda to boost economic growth and build back better after the pandemic. It was at the centre of the manifesto on which the Government promised to deliver for the people of the United Kingdom. The levelling-up White Paper was published in February 2022. The United Kingdom is one of the greatest countries in the world but not everyone shares its success. As the levelling-up White Paper set out, we know that where people live unfairly affects their chances of getting on in life. Only through improving social and economic opportunities across the country can we rebalance the economy and achieve maximum growth. Safer streets, pride in place and more empowered communities can help drive local growth, investment and a more innovative economy. The Government are committed to reversing this unfairness and levelling up the UK by boosting growth and spreading opportunity more equally across the country.

The levelling-up White Paper set 12 levelling-up missions to anchor ambition and provide clarity over the objectives of public policy for the next decade. Delivering on these missions will improve people's lives by improving living standards, spreading opportunities, enhancing local economic growth, restoring local pride, spreading opportunity and empowering local leaders across this country. Missions will also serve as an anchor for the expectations and plans of the private sector and civil society. This stability and consistency of policy aims to unleash innovation, investment and collaboration with the private sector and civil society.

Many of the powers in the Bill are enabling measures to help level up and deliver the missions in a way which reflects the characteristics of different areas. Missions are intended to anchor government policy and the decision-making necessary to level up the United Kingdom. However, missions should not be set in stone. As the economy adapts, so too will the missions to reflect the changing environment and lessons learned from past interventions. The Bill sets out that any changes to missions should be fully and transparently explained and justified when they occur.

We begin our first debate in Committee with Amendment 1, in the name of the noble Baroness, Lady Pinnock. I thank her for making it clear, as I would have made it clear, that this is a complex Bill. Everything she said about levelling up is correct: it will mean a lot of things to a lot of people, and it is about people and places.

I begin by assuring noble Lords that by setting out the missions to level up the United Kingdom the Government are identifying their priorities for reducing significant geographical disparities within the United Kingdom. As I have said, the White Paper explicitly sets out parameters for the agenda through the six capitals, four pillars and 12 missions. There is no denying that levelling up encompasses a broad and ambitious set of objectives. The Government's focus now is on making levelling up a reality for people and places across the United Kingdom through funding, place-based policy and devolution to local leaders. We recognise that there is much more to do, but we are making progress.

[Baroness Scott of Bybrook]

The noble Baroness, Lady Lister, asked whether it is about bridging the gap between the rich and the poor. It is; when you talk about education, skills, good jobs and the provision of those things, that is about addressing the gap. If children live in homes where their carers or parents have good jobs, they will not be as poor as children who live in homes with no jobs. It is about addressing all those gaps.

4 pm

We have announced devolution dealswith places across England. When all the deals signed last year come into effect, more than half of England's population will be covered by a mayoral devolution deal, giving places more power to shape their own destinies.

We have confirmed two new green freeports in Scotland, building on the progress of the eight freeports already open for business in England. Freeports are expected to generate millions of pounds in investment and, as importantly, thousands of highly skilled jobs, boosting local economies and benefitting the whole of the UK.

We announced more than £2 billion of investment for 111 places across the UK from round 2 of the levelling-up fund, helping to create better jobs and spread opportunity right across the country. Two-thirds of all levelling-up funding is going to the most deprived areas of the country, across both rounds. I can tell noble Lords that, out of the £3.7 billion allocated in the UK, per capita Wales is at the top with £106, the north-east and north-west are both at £79, and the east Midlands is at £78. Those are not considered to be areas which do not need our help levelling up.

Our specific objective through this part of the Bill is to ensure that the Government set clear, long-term objectives for levelling up, that are transparent, and that they are held to account for their progress on these. That is the important thing: it will be Parliament which challenges whether we are delivering. It will have a review, it will look at the outcomes, and it will challenge whether this Government and successive Governments are delivering on the Bill.

The noble Baroness, Lady Hayman, brought up issues with the bidding process, particularly for levelling-up funds. We understand that. I think I have said more than once at this Dispatch Box that we are looking at a better way of funding. However, that is quite difficult, because if we spread it around the whole country it will not be enough. We need to look at how we fund for the future, and we are actively doing that.

As for the challenges at this time for education and the NHS particularly, the Bill is not going to solve everything; it cannot solve everything. This Government and any successive Governments are always going to have challenges. We are not saying that this will deal with every challenge that comes across any Government's desk, but it will help to ensure that the people of this country have the opportunities we think they should to be the same as anybody else in the country and to be as rich and successful as the next person—particularly if they live in one of the areas of the country which is not delivering as much as we would like.

Through the Bill we are placing an obligation on future Governments to state publicly and before Parliament whether they will proceed with existing missions or establish revised missions, and to report annually on their progress in delivering against those missions. As I said, Parliament will do the scrutiny and agree to the changes in any missions. That is the important place for it to be—not on the face of the Bill where, because it is in legislation, it cannot be changed very easily. I hope that I have given enough reassurances to the Committee, and I ask the noble Baroness to withdraw her amendment.

Baroness Pinnock (LD): I thank the Minister for her response to the question I posed, which was to try to establish greater clarity on what we mean by levelling up before we start debating the 500-plus amendments to this Bill. Unfortunately, I do not think any of us are much the wiser.

On the one hand, the Minister was quite rightly able to agree what is in her Government's White Paper, but equally she then talked about spreading the benefits or investment of levelling up away from those areas which the White Paper defined as spatial disparities or geographical inequalities. We ought to have a laser-like focus on dealing with those places, be they coastal towns, rural areas, or areas where old industries have gone and new industries have not replaced them. That is what I wanted to achieve from this short debate. Unfortunately, I really do not think that we are any nearer to knowing what the Government's intentions are.

What I do know, from long experience and involvement in local government—I should mention, and apologise for not having done so, my interests in the register as a vice-president of the Local Government Association and as a councillor in Kirklees in West Yorkshire—is that, if we just have relatively short-term funding and investment packages, that will not work. The City Challenge; Single Regeneration Budget 1; Single Regeneration Budget 2; the Neighbourhood Renewal Fund; the whole panoply of those investment packages came and went and some of those places are still identified by the Government's own White Paper as being priority one, in need of—in their terms—levelling up. The Government say in the levelling up White Paper that levelling up should be "broad, deep and long-term." The Levelling-up and Regeneration Bill in front of us does none of those things, and although I beg to withdraw the amendment, I will be pursuing the aspirations and intentions of the Government in this levelling-up Bill throughout its proceeding.

Amendment 1 withdrawn.

Amendment 2

Moved by ***Baroness Hayman of Ullock***

2: Clause 1, page 1, line 6, after "missions" insert "within 10 days of this Act being passed."

Member's explanatory statement

This amendment means that the Levelling-Up missions must be published within 10 days of Royal Assent.

Baroness Hayman of Ullock (Lab): My Lords, I would like to speak to my Amendment 2 and also a number of other amendments in my name and in that of my noble friend Lady Taylor of Stevenage. This second group of amendments really looks at scrutiny

and oversight of the Bill, on which we are concerned that there is not enough independence as it is currently set up. Amendment 2 would require that the levelling-up missions would need to be published within 10 days of Royal Assent. Obviously, as we have made quite clear previously, we would prefer that the 12 levelling-up missions were actually published within the Bill itself, but we will come to debate that later.

On the understanding that the Government are saying that they will not do that, we think that it is important that they are published as quickly as possible once the Bill has received Royal Assent and become an Act, because if it is going to achieve what the Government say that they intend to achieve, then we need to know what that is. We need the detail of those missions as soon as possible so that the Government can crack on and start actually doing something to achieve them. Our amendment suggests this should be within 10 days of Royal Assent, and I do not really understand why there should be any problem with that. If the Government know what they want to achieve from the Bill and if they say that they will look at the missions in the White Paper already, then it should not take too much work or effort to be able to publish them very quickly once the Bill has Royal Assent.

My Amendment 27 then talks about the fact that the Government need to publish a statement to confirm whether they will be renewing each mission before it ends. There are further amendments in this group from the Liberal Democrats, and also from the noble Lords, Lord Lansley and Lord Lucas; we would support the other amendments in this group.

To require a statement on the Government's progress towards the levelling-up missions strikes me as an unexceptional ask; for example, on whether the mission has been achieved, and, if not, stating what progress has been made, whether it will be renewed, what further work needs to be done to achieve the desired outcome. We need to be able to monitor and to look at progress effectively, if we are to come close to delivering on the missions, in particular because the proposed deadline is 2030, which is not very far away. We will need to crack on and see pretty quickly what progress has been made. If it is not completed by 2030, as I doubt it will be, we need to know whether it will be renewed and whether we will continue with it.

The Minister said that the Bill cannot solve all problems, when referring to the questions I asked on health and education, during which I referred to two of the missions—mission 3 and mission 8. Surely she intends to solve those missions, so I was slightly surprised that, in answering one of my questions, the answer was, "Well, we can't do everything." Does that mean that those missions are not actually intended to be achieved? I was slightly confused by the Minister's response. Maybe that is why the missions are not in the Bill.

Clause 2 says that annual reports must include the Minister's opinion on progress, a description of actions taken so far, and plans for the future. But it also allows for the Government to change missions or to decide to abandon missions. Therefore, we believe that there is an ability for them to be adapted, changed and moved on, within the legislation as currently drafted, so, again, why not put them in the Bill? As I said, 2030 is not far away, so if the Government are serious, we need to have more detail about the missions, either in the Bill now or as soon as possible after Royal Assent.

Amendment 38, in the name of my noble friend Lady Taylor of Stevenage, asks the Minister to

"appoint an independent advisory council with representatives from each nation and region of the United Kingdom to monitor progress and report to both Houses of Parliament."

In the opening debate, we already heard about the issue of geographical disparities; the Minister agrees with us on that issue and supports the need for it to be challenged. Surely, an independent council, which is properly represented from right across the country, can only help to support resolving some of those geographical disparities and inequalities that we all know cause so many problems for so many communities in our country.

The noble Lords, Lord Lucas and Lord Stunell, have tabled similar amendments; the former's amendment requires an independent body to be appointed to review and report on progress. We believe that independent oversight enables good governance and good government. Clear, trusted and impartial analysis makes for far better policy, delivers far better outcomes, and can only be a good thing for our democracy. An independent body can also ensure that progress and development of the missions is being monitored and then actually achieved. There are already good examples of independent scrutiny; for example, the Office for Budget Responsibility and our own Select Committees sitting in your Lordships' House. I am aware that the Government's answer to concerns about scrutiny is the fact that they are establishing a Levelling Up Advisory Council. Indeed, I appreciate that this advisory council itself could provide this scrutiny, but only if the Government can demonstrate proper independence. I ask the Minister: can the Government do that, and, if so, how will they do so?

My noble friend Lady Taylor of Stevenage has tabled a few further amendments. One says that

"a report must be published before every General Election",

and another that the

"target dates cannot be changed to beyond the next General Election."

These amendments are intended to prevent a Government from playing with the missions before important general elections come about; they seek to keep things on the straight and narrow. My noble friend Lady Taylor of Stevenage has also tabled an amendment asking the Minister to

"publish relevant academic advice when revising the statement."

I quoted earlier from the University of West London. Again, some of the analysis done by our universities and academics could be extremely helpful to the Government in trying to achieve their targets.

My Amendment 46 is also important. It asks for a review to be published

"if a Minister deems there has been a significant change in the economic situation."

Looking at what has happened since the pandemic—inflation, energy bills and the cost of living crisis—we absolutely have to have different approaches if there is a significant change in our economic situation. We

[Baroness Hayman of Ullock]
talked earlier about how the first round of levelling-up funding is simply not adequate to deliver what it was designed to do because of inflation, so it is important that we keep an active watch on this.

4.15 pm

My final amendment in this group, Amendment 47, would require that,

"before any review, the Minister must publish a report which includes the results of a national consultation and any relevant evidence or guidance to support the review."

It is important that we consult where necessary, so that we know exactly how things are moving forward, what communities are feeling and how they are responding to the different levelling-up guidance and funding. If we are to move forward and genuinely make a difference, as the Government say they want to, we need to ensure that we have proper scrutiny and reporting, and that we understand exactly what the outcomes are. I beg to move.

Lord Stunell (LD): My Lords, I agree with a great deal of what the noble Baroness, Lady Hayman of Ullock, has said about the need for monitoring and evaluating any government process, but particularly one as deep-seated and far-ranging as this is obviously intended to be.

I will speak to Amendments 24, 26, 32 and 49, all of which appear in this group. They are tabled to explore how the outputs from the mechanism that Clause 1 sets up are to be monitored and, even more importantly, evaluated. Noble Lords will know that Governments are notoriously slack at carrying out timely and effective evaluation of their policies. They are very often launched in a blaze of glory, or, on this occasion, in a White Paper, and what follows is often a serious disappointment. My noble friend Lady Pinnock has shaped that argument very well in the debate on the first group. Avoiding monitoring and evaluation is deep-seated in the government machine, which actively avoids formal monitoring as far as it can and definitely seeks to avoid any public evaluation of what that monitoring reveals. That is not specific to this Government: I would be stretching my memory to think of a Government who have eagerly embraced independent evaluation and monitoring of any of their policies.

Interestingly, the Government's White Paper is very strong on "accountability" and "transparency", which it describes as key attributes that will be built into the levelling-up programme. Unfortunately, the Bill completely omits to mention these two essential characteristics of levelling up, and for that matter, it also omits any mention of specific missions. These amendments are designed to tackle that gap. No doubt my amendments and those of the noble Baroness could be strengthened, and I hope we will see how best we can do that. I regard these as quite modest, de minimis amendments to establish the principle of what is needed.

The first of the amendments I have tabled with my noble friend Lady Pinnock, Amendment 24, simply inserts another prerequisite for any mission statement coming into force: that there must first be an affirmative resolution by each House of Parliament, not merely having them laid before us. In fact, that is a really basic requirement for any such far-reaching policy package: it should have proper parliamentary scrutiny. Without this amendment or something very like it, not one of the mission statements will have ever received any direct democratic endorsement.

The Minister may say that this was in the Conservative manifesto of 2019. The slogan was certainly in the manifesto, but were the missions? No, they were not. Were the metrics of any of the missions in the manifesto? No, they were not. Importantly, bearing in mind that this is a political process, did the Government even have a settled view on what levelling up was during the passage of three Prime Ministers through Downing Street and four changes of Secretary of State last year? No, they did not have a settled view. In fact, except for an unusually hostile reception of a Budget last autumn, levelling up would now be taking off in a completely different direction, with a completely different Administration and objectives. A 2019 election slogan cannot absolve the mission statements from parliamentary scrutiny. Indeed, the Government's own White Paper makes it clear that such accountability and transparency in the process itself is important.

On transparency, I admit that my claim that it is all in the White Paper overlooks the fact that that was indeed three Prime Ministers ago, and maybe that has been scrubbed in the nine months since. Perhaps the Minister can confirm whether it is still an important principle in the Government's thinking about levelling up. I therefore hope that I will get a positive answer from the Minister on Amendment 24, and that she will be very quick and willing to accept it.

Amendment 26 points to a critical weakness in Clause 1: the complete absence of accountability of Ministers of the Crown. Clause 1(8) rushes from dealing with the first iteration of statements of mission—those that are in front of us now via the White Paper—to publishing the second iteration, without ever passing "Go". There is no mention in Clause 1(8) of independently examined evidence and evaluation of what has happened so far and no accompanying analysis, but simply a straight jump to laying it before Parliament, which will be, as far as I understand it, on a take-it-or-leave-it unamendable basis. Again, the Minister may be able to reassure me that these will be open, debatable and amendable by Parliament. I should be very pleased, and totally astonished, if she were to say that.

Amendment 26 requires that independent evaluations be published to accompany the new draft mission statements when they come before Parliament, and that the draft revised missions themselves are constructed by the process set out in Amendment 29, which we will come to later this evening. That requires that such missions shall, prior to their adoption, have been endorsed by the devolved Administrations and by local government within England in respect of their specific areas.

A central part of levelling up has to be a built-in independent evaluation system providing analysis alongside each round of mission statements. Otherwise, we all know what will happen—it happens all the time: targets will be fudged and stretched and outcomes will not be monitored properly, yet the process will still go blithely on, repeating the same errors and omissions

time and again until, in due course, it lapses into history and is replaced by the latest sparkly new slogan. Levelling up will become just another in a long string of non-performing slogans.

That brings me to Amendment 32 in my name and those of my noble friend Lady Pinnock and the noble Baroness, Lady Valentine. I appreciate their support. As it stands, Clause 2(2)(a) only requires that the formal periodic report on levelling up includes the Minister's own assessment of how well things are going. Our amendment would require that, alongside that ministerial assessment, there should be

"an independent evaluation of the effectiveness of the progress that has been made".

That is not very challenging, is it? The effectiveness of the progress that has been made should be supported by an independent evaluation.

That is surely the true test of accountability—for the evaluation to be based on objective evidence, not a subjective assessment, least of all a subjective assessment made by the person being held to account. We would not accept in most areas of responsibility that the accountability, assessment and evaluation is done by the person being held to account. I very much hope that the Minister agrees and will accept Amendment 32 in due course.

Finally, Amendment 49, to which my noble friend Lady Pinnock has added her name, which I appreciate, takes these essential reforms forward to apply to all future iterations of statements of mission. This is not just about getting it right now; it is about embedding a process that will continue indefinitely as levelling up rolls out iteration after iteration.

Taken together, these four amendments plug the huge gap between the good intentions and smooth words in the White Paper and the stark, Whitehall-controlled process being set out in the Bill. I look forward to hearing that they find favour with your Lordships and the Minister.

Lord Lansley (Con): If I may, I wish to speak to Amendment 25 in my name. I begin by drawing attention to my registered interest as chair of the Cambridgeshire Development Forum, which will become more relevant in relation to the later housing, planning and development-related issues than to this first part relating to missions.

In the earlier group, there was a reference to this Bill being more than one Bill. It is in truth three Bills all in one place. When we started out in this, I was reminded of that story about the elephant: "How do you eat an elephant? One bite at a time." Let us take it just one bite at a time and try not to eat it all in one go.

I did want to make a point about missions, and I will add to it a little. Amendment 25, to which I speak, was really about trying to explore, with my noble friends on the Front Bench, the Government's overall attitude to the process of parliamentary scrutiny of their policy priorities. For example, a number of noble Lords will have participated in our recent scrutiny of the Procurement Bill. In the that Bill, now in the other place, the Government included a provision relating to parliamentary scrutiny of the national procurement policy statement, an important statement of the Government's priorities. The Government are resisting being told what those priorities should be, but none the less consented in the Bill, in the other place, that it was Parliament's job, if it did not approve of their priorities, to say so by means of a Motion.

Amendment 25, which is subtly different from Amendment 24 in the name of the noble Lord, Lord Stunell, and others, which says that Parliament must approve the statements, is in precisely the same form as the Procurement Bill regarding the scrutiny of the national procurement policy statement, in that the statement will be proceeded with unless either House resolves not to approve it within 40 days. It uses exactly the same terminology; I have simply lifted it from the Procurement Bill.

I want to know, what is the difference? Why, in this respect, do the Government not think it appropriate for Parliament to approve—or, indeed, if it objects, not to approve—of the Government's executive decisions? They are undoubtedly important. The priorities in the Procurement Bill are terribly important. The missions are terribly important. I cannot understand why one should have this form of scrutiny and the other should not. My first question to my noble friend is: why can we not have the same degree of scrutiny in relation to this statement as the Government are giving us in relation to the national procurement policy statement?

4.30 pm

My second point is that it is an easy argument to say that the missions are not in the Bill. I think it is a wholly incorrect argument. The Executive have determined the missions; it is an executive function to determine the missions. I cannot conceive that we think it would be appropriate for Parliament to impose on a Government a series of missions or metrics to which the Executive did not consent. The noble Baroness on the Opposition Front Bench, if ever the time arrives—we do not expect it any time soon—when she and her colleagues are determining what the missions are, would not want Parliament to tell them what the missions should be; but if they were in the Bill, that would be what Parliament had already done, in a previous Session.

That would mean that in order to substitute the new Administration's set of missions—10 days after an election, perhaps, if the noble Baroness, Lady Hayman, is to be understood; the pace at which she thinks these things are done in government is admirable—she would have to introduce and pass a new Bill, if we entrenched the missions in the Bill. I have my views about what the missions and the metrics should be, but I absolutely do not think it is the job of Parliament to mandate the missions and metrics in legislation and in statute. I think it is for the Government to do that, but it is for us to scrutinise what they choose to put in. That is why I feel strongly about Amendment 25.

While I have the floor, I want to mention a couple of other things. I am very perplexed about the five-year timing for the initial statement. If one thinks about it, it will presumably be true for future statements that the mission period should be

"not … shorter than five years".

If after a general election, the new Administration chose to issue a new statement, it must be not shorter than five years, which means, by definition, that the

[Lord Lansley]
mission period is beyond the subsequent general election. I do not see that as sensible at all. I would have thought it was perfectly sensible to say "four years", and have the prospect that the mission period and the scrutiny of whether missions have been achieved should be able to be achieved before the subsequent general election and not automatically left to a period beyond it. I know how these things work: saying, "Ah, but the mission period has not finished" is a very easy way out.

The final thing I want to say at this point on the scrutiny of missions is about the reporting process and Ministers of the Crown. I cannot see where there is any indication—and of course, Ministers never do this; they never say, "Well, which Minister?"—but I think it is a fair question to ask. We have missions for which different government departments ought, in truth, to be the lead. The White Paper feels sometimes as if it were written by the Department for Levelling Up, Housing and Communities without necessarily the complete sign-up of other departments to the mission concerned. For example, where innovation, research and development is concerned, which matters a great deal to me, we have a new department and it is clearly that department's mission to achieve levelling-up in relation to science, research, innovation and the like.

I would say that when we talk about levelling up, the emphasis should be on the word "up". We have been here before. I remember doing it myself when, in the coalition Government, we talked about the improvement of health and the reduction of health disparities: it is about achieving a rate of growth in innovation, for example, greater in those places where innovation has lagged in the past. The same would be true for productivity—but, in my view, it should not be to the detriment of maximising the level of innovation in places that have comparative advantage.

I come from Cambridgeshire and I live outside Cambridge. If we want to compete in this global arena, we have to take places such as London, Oxford and Cambridge and build on them. We cannot seek to shift activity to other parts of the country in the fond expectation that the rest of the world will say, "Well, that is marvellous. You have diminished the international comparative advantage of Cambridge by locating government research activity somewhere else". I will come on to that a bit more later. I certainly feel strongly that it is about "up", not just about "levelling".

My final point is on this advisory council. We have an advisory council. I am not quite sure I understand what we are trying to achieve by legislating for the fact that the Government have created one. However, though we seem to have one, and we even know who is on it, I cannot for the life of me find out what it has done—apart from Andy Haldane, who is making speeches. That is great, but when has the council met? Do we know what it has looked at? Do we know if it has any view on the metrics and the missions? Does it have any view on progress so far? When will it report and to whom? Shall we see it or shall we not? I would be very grateful if my noble friend—no doubt in resisting the idea of a statutory advisory council—will at least ensure that there is sufficient transparency.

Talking of transparency, the noble Lord, Lord Stunell, quite correctly referred to what the White Paper said about transparency. Included in that section, on page 156, is that

> "Policy-making needs to be institutionalised in statute where possible. This provides longevity and consistency, helping boost credibility."

That seems to lead us precisely in the direction of an amendment such as Amendment 25, where Parliament and the statutory processes would help to institutionalise the missions and the statement that the Government have brought forward. Anything less, I fear, gives Ministers too great a freedom to move from one mission to another and from one priority to another without regard to Parliament. I hope that Amendment 25 will commend itself to my noble friends.

Baroness Valentine (CB): I have added my name to Amendments 32 and 38, both of which deal with the independent evaluation of progress against the levelling-up missions. I begin by apologising that I was unable to be present for Second Reading. Levelling up is a subject I care deeply about and, with Business in the Community, I spend much of my time working in or for the sorts of places the Bill seeks to address. Before commenting on the amendments, I congratulate the Government on their levelling-up missions. While one can argue about whether these are exactly the right ones, I personally value the clarity and long-term commitment that these missions convey.

It is in this vein that I support the independent evaluation of progress. The missions need to work across government departments, across political parties and across Parliaments. I would value a statutory board being created to provide independent insight in exactly the way we have the Independent Commission on Climate. It seems to me that the long-term and challenging aspiration to level up socially has a strong parallel to tackling our environmental challenges and is at least as important.

I will finish by quoting two lessons from the LSE's report on the effectiveness of the UK's Committee on Climate Change, where the parallels are, I think, obvious. The first is this:

> "An independent expert body can strengthen climate governance by introducing a long-term perspective, enhancing the credibility of climate targets and ensuring more evidence-based policymaking."

Secondly:

> "To be effective, independent advisory bodies must have an appropriate status. This means having a clear statutory mandate, strong leadership, adequate resources, and sufficient powers to hold Government to account."

Baroness Pinnock (LD): My Lords, this is an important group of amendments to tease out the Government's intentions as to the scrutiny of the success or otherwise of their actions in levelling up. While I speak to Amendments 24, 26, 32 and 49, to which I have added my name, I also wish to speak to the other amendments in this group.

The key question is how Parliament will know that progress has genuinely been made in reducing geographical disparities. That, after all, is the question at the heart of the White Paper. The only way to judge whether progress has genuinely been made is by using evidence and independence. All the amendments in this group

refer to producing independent accountability of the statement that the Government will be making towards the end of a period of time—what that period is is still to be debated.

What is really positive about the White Paper is that it is absolutely full of evidence. There are around 80 different graphs and datasets to establish the evidence base for the purpose of the White Paper: how it is going to change different parts of the country and narrow the gaps. This set of amendments attempts to say that not only do we need the evidence but we need it to be independently assessed. I agree, obviously, with my noble friend and with the noble Baroness, Lady Valentine, in talking about an independent commission or board—as we have done with climate change—to assess what is going on, and whether change has been made and, if so, how much and in what areas.

I disagree with the noble Lord, Lord Lansley, about the missions not being in the Bill, because otherwise, the levelling-up Bill is whatever the Executive define it to be. The Government have set out in a lengthy White Paper what the Bill attempts to do: narrow the gaps, reduce geographical inequalities and disparities, and make a big difference not only to the people who live in certain areas but to the country as a whole. If we do not change the country as it is at the moment, the people who live in those areas will be the ones who are low paid, have poor health and low skills—as a generality, of course. If we can change that, we will change their lives and change the country as well; there would not be such a call on the health service and the benefits system if we had people with better paid jobs, higher skills and better health outcomes. It is in the interests of us all, not just those of some areas of the country.

I fundamentally disagree with the noble Lord, Lord Lansley, about research and development. I draw his attention to what the White Paper says—and it is a government White Paper, not mine. It says that the Government need to ensure that there is government investment of a significant degree in these geographical areas of disparity—the spatial disparities it talks about—in order to attract matching private sector investment and create better paid jobs, and deal with all the concomitant issues related to low pay, poor health, poor skills and all the rest of it. That is what it says in the White Paper.

4.45 pm

We are not going to take away from the Oxford and Cambridge areas of excellence, but we want to create new areas of excellence. This has been done before, which is why it is so astonishing to me that we are revisiting this issue again. The Government did not like the regional development agencies, but certainly the one with which I was involved—Yorkshire Forward—achieved exactly the R&D investment that they talk about. For example, an advanced manufacturing unit has now been built on the site of the Orgreave coking plant. This has attracted BAE and other cutting-edge companies doing advanced manufacturing and has brought new, highly skilled jobs to that area of South Yorkshire. It also brought Siemens to Hull to invest in wind farms and wind technology. So it can be done, but it needs a Government to do it. They cannot sit down and just hope that change will happen. The small amounts of funding available in the levelling-up fund will not achieve this. I have rather moved away from the topic of scrutiny in this group, but I wanted to respond to what the noble Lord, Lord Lansley, had to say.

In essence, what we need is evidence-based, independent scrutiny of statements of missions and metrics that are defined on the face of the Bill—otherwise, I fear that we will be debating this very same thing in five or eight years' time and coming up with another programme to try to bridge or narrow the gap between the better and worse-off areas of this country. As I live in one of those worse-off areas of the country where there are spatial inequalities, I can tell your Lordships that we are not going to wait any longer.

Earl Howe (Con): My Lords, this group of amendments addresses a number of important issues around accountability and scrutiny of the levelling-up missions, including looking at the roles of Parliament, the public and academics. I will begin by addressing Amendment 2, tabled by the noble Baroness, Lady Hayman of Ullock, which would require the statement of levelling-up missions to be published within 10 days of Royal Assent. The Government have already been clear that the first statement of missions will be based on the levelling-up White Paper. We have committed within the Bill to publish this statement within one month of Part 1 coming into force. I suggest that this is already a prompt timescale and a realistic one, because it includes time to complete internal procedures before publication and the laying of a report. So I think that further shortening that timescale is unnecessary.

Amendment 24, tabled by the noble Lord, Lord Stunell, would require mission statements to be approved by Parliament. Amendment 49, also in the noble Lord's name, would similarly require approval from Parliament and the devolved Governments for any revisions to statements of levelling-up missions. Amendment 25, tabled by my noble friend Lord Lansley, requires a Minister to withdraw the statement if either House of Parliament decides not to approve it.

Let me be quite clear. The Government are committed to enabling Parliament, the public and experts to fully scrutinise our progress against our missions. The missions and metrics will be published in a statement of missions laid before Parliament. The proposed initial set of these metrics has already been published in the levelling-up White Paper and is bound to be refined over time. That really does represent a significant step forward. For the first time, the law will require Ministers to set and publish missions that focus on reducing geographical inequalities.

Our approach to the missions is the same as the approach taken, for example, with the fiscal rules, or indeed with the Government's mandate to NHS England: they are subject to scrutiny in Parliament but are not set out in law. His Majesty's Treasury publishes its fiscal rules in a non-legislative policy document, but that is laid in Parliament. This does not in any way prevent the Government being held to account in keeping to their fiscal targets. What matters is the transparency of those targets and of the published data. The missions will be published in a policy document

[Earl Howe]
laid before, and debated in, Parliament. The first example of this document will be based on the levelling-up White Paper, as I have said.

As my noble friend made clear, the legislation sets out the framework for the missions, not the missions themselves. The Government are committed to laying and publishing statements of levelling-up missions and annual reports to ensure transparency and scrutiny. To my mind, it would be unthinkable that the Government would not take seriously any analysis, challenge or ideas put forward by Parliament or, indeed, by others outside Parliament and government. Again, what matters is that the missions and metrics should receive scrutiny from Parliament and the public. Ultimately, I would say to my noble friend Lord Lansley that we are dealing here with government policy. Parliament can express a view—Parliament can do whatever it likes—and may well influence policy in the future by doing so, but, in the end, it is the Government who need to be accountable and to take responsibility for their own agenda and the progress they make in fulfilling that agenda. My noble friend's recent letter to all noble Lords—

Lord Lansley (Con): I think we largely agree on the role of government in determining what the missions and metrics should be, but can my noble friend explain why the principle applied to the national procurement policy statement—that the Government decide what the priorities are and Parliament can debate them and if necessary say that it does not approve of them—is not applied to this important set of policy priorities? Why have the Government put that into legislation currently before the other place but not done the same in relation to this Bill?

Earl Howe (Con): I think it was a relatively easy concession for the Government to make in the Procurement Bill because Parliament, as I just said, can decide to do whatever it likes. If any Member of either House wants to table a Motion to Regret against anything the Government are doing, they can do so, and the House as a whole can express its view. If that were to happen—I think it is unlikely—

Lord Lansley (Con): I apologise for pressing my noble friend. I do not think it was a concession by the Government: I think it was written by the Government into the Bill. But, anyway, that is not the point. Is my noble friend saying that, if a statement were to be published and laid before Parliament, and a regret Motion were to be passed against it, the Government would withdraw the statement?

Earl Howe (Con): As I said, it would be extremely unlikely for any government to ignore the view of either House of Parliament if that view had been expressed in the form of a Motion that had been widely supported. Of course, no Government would ever say that they had a monopoly of wisdom in areas such as this. If there are any good ideas coming forward from any source, it is appropriate to review the proposals on the table.

I think we are dancing on the head of a pin here, if I may say so to my noble friend, because it is very likely that government will receive advice from a number of quarters as they go forward with this agenda. As he said, we are having to deal with an extremely complex set of metrics, and we are keen that those with expertise, among whom your Lordships can be numbered, are able to scrutinise the progress that government is making and express a view if they wish to.

My noble friend Lady Scott's recent letter to your Lordships stated a number of things that perhaps bear repeating. The statement of levelling-up missions will be based on the 12 missions set out in the White Paper. The statement will include detail about the metrics being used to monitor progress. As I mentioned, those metrics will be identical to the technical annexe in the White Paper as progressed by further work undertaken since then. In particular, it might be helpful for noble Lords to note that well-being and pride of place are still being worked on, but that this work is near completion. I hope that we can provide further detail about that quite soon.

Amendments 26 and 32 tabled by the noble Lord, Lord Stunell, and Amendment 38 tabled by the noble Baroness, Lady Taylor, put forward an independent body or independent evaluation of the missions and progress. The Government of course recognise that scrutiny and seeking expert advice will be important to ensuring that we deliver on our missions and level up the country. That is why we have already established the Levelling Up Advisory Council, chaired by Andy Haldane, to provide government with expert and independent advice to inform the design and delivery of the levelling-up agenda. The noble Baroness, Lady Hayman, mentioned the desirability of having academic and other outside expertise available to the council, and I absolutely agree. The council draws regularly on wider academic, business and other expertise to inform its advice, and includes voices from different parts of the UK.

Appointments to the Levelling Up Advisory Council are made at the discretion of the Secretary of State for Levelling Up, Housing and Communities and in accordance with the Cabinet Office processes for public appointments. Among the council's membership are Sally Mapstone of the University of St Andrews, Cathy Gormley-Heenan of Ulster University, and Katherine Bennett, who chairs the Western Gateway, the UK's first pan-regional partnership to bring together leaders from Wales and western England. I can tell the Committee that the Government will continue to look at ensuring that membership of the Levelling Up Advisory Council represents all parts of the UK. We are indeed already working with the devolved Administrations and with English local government on the levelling-up challenges and will continue to do so.

I will just add a couple of points for the noble Lord, Lord Stunell, in particular. As set out in the technical annexe to the White Paper, the missions largely rest on metrics published by the Office for National Statistics and others, so performance will be transparent and everyone will be able to judge how the Government are doing. That is right because, as I emphasised earlier, government should be accountable.

Amendment 41 tabled by the noble Baroness, Lady Taylor, would ensure that an annual report was published before a general election. I have to part company with her on that point; the timings for laying the report before Parliament and publishing documents are, in my view, rightly independent of the electoral cycle, as is the case for other key government frameworks such as the *Charter for Budget Responsibility*. The purpose of laying reports is to allow for Parliament to hold the Government to account on their progress towards the missions, and the Bill requires the Government to publish reports as soon "as is reasonably practicable". Levelling up is a challenging, long-term agenda which cannot be achieved within a single electoral cycle. The framework for missions which we are establishing here reflects that long-term vision.

5 pm

Amendment 27 tabled by the noble Baroness, Lady Hayman, would mean that the Government must publish a statement confirming whether they will be renewing each mission before it ends. Amendment 44 tabled by the noble Baroness, Lady Taylor, and Amendment 47 tabled by the noble Baroness, Lady Hayman, would further require the Minister to publish relevant academic advice or the results of a consultation when revising the levelling-up statement.

As the economy adapts, so too might the missions to reflect the changing environment and, perhaps, lessons learned from past interventions. As we become more ambitious, or as better metrics become available, we should be able to update missions to reflect that. Importantly, the Bill sets out that any changes to missions should be fully and transparently explained and justified through a statement to Parliament, when they occur. If a Government are seen to be abandoning a mission for poor reasons, they will be held to account for it. If a Government no longer intend to pursue a levelling-up mission, they must state that clearly in the annual report and, crucially, provide reasons for its discontinuation. The Bill also requires a Government to complete a review of the current statement of levelling-up missions and publish the report on the review before a new statement is laid before each House of Parliament.

The Government's progress towards delivering missions will be subject to independent external scrutiny. Parliament, the public, academics, think tanks and civil society will all have an opportunity to comment and report on how well the Government deliver missions, in response to our annual reports. For example, the East of England APPG has worked with the Local Government Association and local stakeholders to publish a recent report assessing local progress on the 12 missions in the region.

The Bill sets out clear timescales when Parliament and the public will be able to scrutinise the missions themselves—via the statement of missions—and the progress towards them, via the annual report. This level of transparency will ensure that both Houses of Parliament and the public can scrutinise any decision to discontinue a mission. Therefore, an additional requirement to publish a statement on whether a Government will renew each mission, as set out in Amendment 27, is, I contend, unnecessary.

As regards the target dates for the delivery of levelling-up missions set out in Amendment 45 tabled by the noble Baroness, Lady Taylor, I say again that we are setting a challenging and long-term policy agenda. The whole purpose of the missions is to ensure focus on long-term policy goals in a way that transcends the electoral cycle.

Amendment 46 tabled by the noble Baroness, Lady Taylor, means that a review must be published if a Minister deems that there has been a significant change in the economic situation. It is important that we do not mandate that Governments review the statement when that may not be necessary. We should not commit future Governments to publish an additional review, taking up government attention and resources, when it may not be needed.

Importantly, the Bill sets out that any changes to missions, when they occur, should be fully and transparently explained and justified through a statement to Parliament. The missions will be rolling endeavours and the Government will be able to publish such statements and reviews at any time that they deem necessary.

Therefore, given the extent of government action on these priorities and the approach that has been set out to setting a clear, uncluttered and long-lasting framework for measuring the progress of levelling-up missions, I hope that I have provided noble Lords with sufficient assurance to enable them to withdraw these amendments.

Baroness Hayman of Ullock (Lab): My Lords, this has been an interesting debate. Clearly, oversight, transparency and evidence of progress—or not, as the case may be—are important to noble Lords and must be strengthened in the Bill.

Regarding information, advice and experts, the Minister said that it was unthinkable not to listen to advice from experts, internal and external. He is a very decent, honourable man, so I am not surprised that it is unthinkable to him. However, looking at the experience of local government in recent years, I gently suggest that not all his colleagues have always felt the same, which is why we feel that we must strengthen this in the Bill.

The Minister also explained that the missions can be changed, abandoned or dropped if required. That is in a number of places in Clauses 1 and 2. Clause 2 talks about the mission period, with new statements of levelling-up missions beginning no later than immediately after the end of the mission period of the old statement and the new statement replacing the old statement when it comes into effect. Clause 2 states that, if the Government consider that it is no longer appropriate to pursue a levelling-up mission, the report can say that the Government are no longer continuing with it.

I say to the noble Lord, Lord Lansley, that having the missions in the Bill does not necessarily tie any future Government to them doing exactly as they are written down. There is flexibility, which is important in the Bill. I support it being in there. There is probably a fair chance of us wanting to start again and bring in a new Bill ourselves—but in the meantime, I beg leave to withdraw my amendment.

Amendment 2 withdrawn.

Amendment 3

Moved by ***Lord Foster of Bath***

3: Clause 1, page 1, line 9, after "disparities" insert "including between predominantly urban and predominantly rural areas"

Member's explanatory statement

This amendment ensures that the objectives the Government intends to pursue to reduce geographical disparities will include the reduction of disparities between predominantly urban and predominantly rural areas.

Lord Foster of Bath (LD): My Lords, the amendments in this group are about ensuring that the levelling-up agenda addresses the needs of rural and coastal communities, which many of us believe have been left behind—some would say ignored—by the policies of successive Governments, which have focused on the needs of urban communities. In moving Amendment 3 and speaking to Amendments 11, 12 and 35 in my name, I thank other noble Lords who have supported them. I certainly support the other amendments in this group, which complement my own.

At Second Reading, I reminded your Lordships that back in 2019 I chaired the Select Committee on the Rural Economy. Our inquiry found that rural communities and the economies in them have been ignored and underrated for too long, with government policies designed primarily for urban areas. Compared with such areas, we discovered that in rural ones, house prices were higher while wages were lower; council taxes were higher while Governments' support for their councils was lower; funding per head for services such as healthcare, policing and public transport was lower, despite costing more to provide; and broadband business support, banking and other services lagged way behind those in urban areas. We concluded that we must act now to reverse this trend, and that we can no longer allow the clear inequalities between the urban and rural to continue unchecked. Yet there is no evidence that any serious efforts have been made to address these inequalities since that time.

More recently, writing in the *House* magazine just last month, the Conservative MP for North Devon, Selaine Saxby, wrote,

"there are far too many left behind rural and coastal communities, often overlooked by government policies."

This view is echoing the April 2022 report by the APPG for the rural powerhouse, *Levelling Up the Rural Economy*, which said:

"The overwhelming consensus was that no government in recent memory has had a programme to unlock the economic and social potential of the countryside."

The Rural Services Network has illustrated this brilliantly by using government headline metrics to show that, if all rural areas together were treated as a single region, their need for levelling up would be greater than that of any other region in the country.

Despite Selaine Saxby's call for

"more consideration of rurality when considering policies and funding decisions",

it is clearly not currently happening. As the RSN has shown, current government-funded spending power for predominantly rural areas lags way behind that for predominantly urban areas. Government grants per head for services such as police and public health—and even from the UK shared prosperity fund, excluding Cornwall—are lower in rural areas. A different approach, one that takes account of the very special and varied needs of rural and coastal communities, would be of enormous benefit to not just the individuals living in such communities but to the overall economy of the country.

As the APPG report points out, at present,

"the rural economy is 18% less productive than the national average. Closing this gap would be worth up to £43bn in England alone",

with

"the creation of hundreds of thousands of good jobs in areas so often blighted by underemployment".

So it would have been reasonable to assume that, as a major element, the Government's levelling-up agenda would have had measures designed to close that gap. That is what they actually promised. When the White Paper was published last year, a departmental spokesman said:

"Rural areas are at the heart of our levelling-up agenda. Our White Paper is a plan for everyone, including rural communities who rightly expect and deserve access to better services, quicker transport and quality education."

I believe that the Government also said this in their second report on rural proofing, an issue to which I will return in a second. They are fine words, but it appears that they are not backed by action. There is nothing in the Bill or the Explanatory Memorandum that refers to rural issues. There is no evidence whatever that the Bill has a focus on the need to level up between urban and rural, as either an objective or part of a mission.

Amendments 3, 12 and 36, together with Amendment 5 in the name of the noble Baroness, Lady McIntosh of Pickering, are needed to ensure that the Government's stated intention becomes part of the legislation and hence a driver for measures to close the urban-rural gap. They insert the reduction of the disparities between urban and rural as an objective and part of the missions. A similar case can be made—and, no doubt, will be, by the noble Baronesses, Lady Hayman of Ullock and Lady Taylor of Stevenage—for coastal communities, as covered in Amendments 53 and 488.

In addition, two other things are needed. We have to ensure that all the measures taken by government, whether arising from the Bill or any other, take account of the often very different needs of rural communities. That requires ensuring that all go through a process of rural proofing. The Lords Select Committee report that I referred to earlier called for the whole process of rural proofing to be significantly improved. In responding, the Government agreed. They accepted that "more can be done" and promised the development and promotion of a greater understanding across departments of the opportunities and challenges in rural areas, the development of supporting resources and the establishment of a rural affairs board.

5.15 pm

Given the clear absence of any reference, despite the promises given, to rural in the Bill, it is hard to conclude other than that not only was rural-proofing the Bill not subject to the promised procedural improvements, but that, frankly, it did not happen at all. In Committee on the Animal Welfare Bill, when

responding to Amendment 13 in the name of the noble Baroness, Lady McIntosh of Pickering, the Defra Minister, the noble Lord, Lord Benyon, said:

"Rural-proofing does not need a Bill; it does not need legislation. It just needs a will across government to do it."—[*Official Report*, 6/7/21; col. CG 336.]

It seems that in this case the will was not there, but no doubt the Minister will wish to address that point when responding. I hope he will also accept Amendment 33 in the names of the noble Lord, Lord Carrington, and the noble Earl, Lord Devon, ensuring that all levelling-up policies take into account rural-proofing principles.

Finally, if the needs of rural communities are to be addressed, we need adequate data about them. In the second report on rural-proofing, the Government recognised this point:

"We will work to improve spatial analysis so the impacts on rural communities can be more easily assessed."

So Amendment 11 is designed, as with all my other amendments, to put government promises into legislation. It would ensure that data for the smallest areas available is used to enable levelling-up missions to take account of the disparities within regions, including between urban and rural. Amendment 53, in the name of the noble Baroness, Lady Taylor, also addresses this issue.

For too long, rural communities have been left behind, often because government policies have been designed with urban communities in mind. The Government tend to deny this charge and offer fine words about the importance of rural, but nothing could illustrate the failure to deliver more than the absence of any reference to rural in this Bill. These amendments are designed to help the Government deliver on their own promises. I beg to move.

The Duke of Montrose (Con): My Lords, I bring apologies from my noble friend Lady McIntosh of Pickering, who has an unchangeable appointment and has asked me to speak to her amendment. We have heard a great deal in discussing the previous two groups about whether details should or should not be in the Bill, but my noble friend's amendment addresses a small element of what the noble Lord, Lord Foster of Bath, was talking about: the level of public services in rural areas, which the Government will need to watch very closely.

The countryside throughout the UK is in a state of flux. Going back a bit, it was mainly concerned with production and employment; now, a major part is managing ecosystem services. A novel part is managing it so that the urban population can enjoy it, linger longer and hopefully part with a bit of their cash without impacting too much on the environment they have come to enjoy. At present, it is impossible to tell what public services will be needed. Will the Government encourage people to live in, to retire to the countryside? At the moment, the services people living in the countryside look for are health, post offices, banks and even, I might mention, electricity. Any of these might be superseded or combined. The important thing is that the Government maintain a mission to make sure that the vital services are adequate, without having to drive to the other side of the country.

Lord Carrington (CB): My Lords, I declare my interests as a farmer and landowner as set out in the register. I would like to apologise at the outset for not speaking at Second Reading, but I was unable to attend the whole debate. However, I spoke at length on this issue during the debate on the Queen's Speech.

Like others, I was deeply involved in the inquiry undertaken by the All-Party Parliamentary Group for Rural Business and the Rural Powerhouse, *Levelling up the rural economy: an inquiry into rural productivity*. At the time, this was warmly welcomed by the Government. I have therefore taken this opportunity to table Amendment 33, which would include the principal recommendations of this inquiry in the Bill. I am also most grateful for the support of my noble friend Lord Devon, and I heartily agree with everything that has been said by the noble Lord, Lord Foster of Bath, and the noble Duke, the Duke of Montrose.

The conclusion of the APPG inquiry was that no Government have had a programme to unlock the economic and social potential of the countryside:

"The need to 'level up' the countryside is as urgent as it is obvious … Rural homes are less affordable than urban homes. Poverty is more dispersed … making it harder to combat, while the depth of rural fuel poverty is more extreme than those facing similar circumstances in towns and cities. Only 46% of rural areas have good 4G coverage, and skills training and public services are harder to access."

As we have heard from the noble Lord, Lord Foster, the result is that the rural economy is 18% less productive. Closing this gap in England alone would produce a gain to the economy of £43 billion. The inquiry concluded that many matters affecting the rural economy

"fell between the cracks of Whitehall",

as it is commonly assumed that Defra alone is responsible for the rural economy.

I therefore welcome the opportunity this Bill gives to ensure that all Government levelling-up policies take into account rural-proofing principles. To argue that the statement of levelling-up missions covers the main disparities experienced by rural areas is not sufficient, as many of the identified challenges are much greater for rural businesses and communities. Poor transport, restrictive planning, geographic isolation, lack of access to skills training, lack of digital connectivity and lack of affordable housing demonstrate this.

These challenges would be easier to overcome if the Bill recognised the importance of rural economic development. Some 23% of all businesses are based in the countryside, and 85% of these are not in farming or forestry. The amendment would ensure that the Bill makes explicit reference to the rural-proofing of government policy across all departments, so that the impact of decisions on the rural economy is assessed and there is a mechanism to tackle the disparities inherent in rural areas.

For too long, those living in rural communities have been considered an afterthought in policy-making. Rural-proofing is a reactive measure to policy. If the Government retain the view that rural-proofing can be an effective tool in assisting levelling up, then the Bill must provide a legally binding obligation on all government departments to meet their respective rural-proofing obligations and ensure compliance. Can the

[Lord Carrington]
Minister assure us that the Government will adopt this important amendment, as they have already welcomed the APPG inquiry's conclusions?

The Earl of Devon (CB): My Lords, it is an honour to speak to this important group of amendments focused on the rural and coastal implications of the levelling-up strategy. I particularly speak to Amendments 3 and 33, to which I have added my name, and also Amendment 53 from the noble Baroness, Lady Taylor, which I support. I apologise for not being present at Second Reading, and note for the purposes of this and future contributions my interests in the register, particularly my interest as a rural business operator near deprived coastal communities; my role at Michelmores with clients in both rural and urban development; the work that I do with Exeter City Council, offering a rural voice to support the city's sustainability and well-being aspirations; and my self-appointed role as a champion of Devon, which has significant rural and coastal populations.

The opening of the Bill reminds me of the opening provisions of the Agriculture Bill, which listed the public goods that the environmental land management scheme was to deliver. Those public goods were in the Bill, and we spent many happy hours debating what should or should not be included. It was described as a Christmas tree with a bauble for just about everyone. This Bill does not have missions on its face, but the missions listed in the White Paper are a similar set of baubles: shiny objectives intended to offer something to everyone. As just debated, I too am concerned that the Government will be able to change and/or abandon those missions without adequate scrutiny. Also, as I think we will hear in the next group, I am surprised, given this Government's environmental ambitions, that environmental targets are excluded. Given that the Treasury-commissioned Dasgupta report highlighted the crucial economic importance of ecosystem services and biodiversity—largely delivered through our rural economy—it is remarkable that the environmental mission is absent. Without appropriate focus on the rural and coastal economy, we will not achieve those environmental ambitions.

However, the amendments in this group are aimed not at expanding or amending the levelling-up missions but at making explicit where geographically those levelling-up missions are to be targeted. There is a real fear among residents of deprived rural and coastal communities that the Government's focus will be upon urban regeneration, particularly in the north of England, and that, the Government having secured their Commons majority by promising levelling up to such communities, the deprived rural and coastal communities in the east, south and west of the country, whose votes did not swing the election, will miss out once more, entrenching deep-rooted disparities.

Your Lordships' Select Committees provide compelling evidence to support these amendments. As we heard in his excellent speech opening the debate, the noble Lord, Lord Foster, chaired the Select Committee on the Rural Economy, which found that

"successive governments have underrated the contribution rural economies can make to the nation's prosperity and wellbeing."

In the years since that report, the rural disparities that the committee identified have only increased, with the pandemic and the cost of living crisis wreaking havoc, alongside insecurities over farming.

The pandemic entrenched the deprivation caused by inadequate digital connectivity. The collapse in local government funding has seen public transport slashed in rural areas. Planning challenges and an influx of wealthy home workers have inflated house prices beyond all reasonable measure, and there is little or no new affordable housing being built. Increased energy prices, as we have just heard, have fallen particularly hard upon the rural economy, given the escalating cost of gas and oil to heat isolated homes and businesses. Government support for farming businesses has been dramatically cut, with the new ELM scheme yet to be delivered. At the same time, the public are demanding ever more access to our rural spaces, which is causing a spike in crime, litter, trespass and tensions. Amendments 3 and 33, along with a number of others in this group, would ensure that rural communities are not missed out once more, and that the principle of rural-proofing is enshrined in the levelling-up agenda.

As to coastal communities, the story is no better. The Select Committee on Regenerating Seaside Towns and Communities reported in 2019 that

"for too long our seaside towns have felt isolated, unsupported and left behind."

I could not agree more, and therefore strongly support Amendment 53 from the noble Baroness, Lady Taylor.

If the Bill is not specific as to where we need to focus the levelling-up missions and does not provide for an analysis of its impact upon our forgotten and ignored communities, those communities may fall further and further behind. The levelling-up agenda will simply blow in the political wind, allowing successive Governments to offer baubles to the regions they favour, rather than those in most objective need.

5.30 pm

Finally, these amendments are not simply an effort to help deprived communities for their own sake; there is a well-established economic justification showing that focus upon rural and coastal communities will reap dividends for the whole country. As we have heard, the rural economy is 19% less productive than the country as a whole and closing the productivity gap would add £40 billion or more to the economy. Furthermore, the Treasury's own independent Dasgupta review concluded how important it was for us to recognise the economic contribution of ecosystem services that our rural economy provides. We will all benefit from a healthier rural economy. As the NFU argues, it is not possible to go green when in the red, and a failure to direct the levelling-up missions to rural and coastal communities will continue to hold them back and unduly hinder the economic and environmental ambitions of the whole country. I look forward to the Minister's response and hope she will agree to enshrine rural and coastal communities at the heart of the levelling-up agenda.

Baroness Bennett of Manor Castle (GP): My Lords, it is a pleasure to follow the noble Earl, Lord Devon, and to echo his concern about the lack of environmental

ambitions expressed in the Bill, which I think we will also discuss in the next group. In my first contribution in Committee, I declare my position as a vice-president of the Local Government Association, to cover my other contributions in Committee.

I thank the noble Lord, Lord Foster, for his powerful and expert introduction to this group. I will speak briefly to offer Green group support for the general direction of all these amendments. I will focus in particular on Amendment 5, in the name of the noble Baroness, Lady McIntosh of Pickering, which was ably introduced by the noble Duke, the Duke of Montrose, and talks about looking at

"the disparities between rural and urban areas".

The noble Lord, Lord Foster, talked about the different needs of different areas, but it is really important that, when we think about levelling up, we actually see ambitions for equal services for people all across these islands.

I will reflect on some of the experiences I have had in some small communities. Clun is a tiny, picture-perfect postcard village in south-west Shropshire near the Wales border. When I visited a decade ago, the locals believed that it was the smallest place in the UK with a food bank, which was operating out of the church. One of the volunteers working at that food bank told me that, until he got involved in that food bank, he never believed that anyone would need a food bank in Clun. He was absolutely and deeply shocked by the level of need and the experiences he encountered. There is a desperate need for essential support services. While I do not think that we should rest until the last food bank closes because of a lack of demand, we need to put other services in place to help the people who are now reliant on those food banks.

Another issue for so many of these areas is the fact that policies designed for cities and urban areas get imposed on rural areas. This makes me think about the time I visited a school in north Norfolk. The schools in that area had had imposed on them the idea of specialist schools: "Isn't it great if pupils can choose to go to a sports academy or a language-specialising school?" However, as each village only had one bus service, pupils had no choice about which school they went to; they went only to the school that the bus went to. If you were really good at and fancied sports, but you ended up in the language school, that was just tough luck. That was because of policies imposed on rural areas which are just inappropriate.

I return to the issue of buses, because it is very close to the heart of the Green Party, having announced this week our policy for a fare that would be available to everyone in the country on local buses, "A One Pound Fare to Take You There". When I talk about local buses in rural areas, I often get reactions such as, "Well, you can't expect a bus in a rural area; it just won't work." However, I have been to Finland, where I caught a bus that went right into the middle of a national park. I went for a walk, I came back and stood at the bus stop, and I waited for the next bus service, which came every half an hour, all day, in the middle of that national park. So, when thinking about levelling up in an absolute and real sense, we should not be saying, "Oh, it's a rural area; they can't expect this or that." In particular, we should not say that they cannot expect the foundation of a bus service so that people can get around. For that reason, I think that Amendment 3, about reducing disparities, is crucial.

My final point is about the little bit of discussion we have had on the Government's vision for rural areas. Over the decades, the direction of travel in rural areas has been that landholdings and farms will have to get bigger and bigger, with fewer and fewer people working on them. However, I suggest that levelling up for rural areas means restoring small businesses and small farms which employ quite a lot of people. That then means that there are children to go to the local school, that there are people to get on the bus, and that the bus is there for the older people who need it, perhaps because they cannot drive any more. Restoring communities is about a lot more than asking, "Oh, what's there and what can we support?"; it is about a vision.

Baroness Pinnock (LD): My Lords, I thank my noble friend Lord Foster of Bath for raising this very important issue and for providing an evidence base and powerful argument in support of rural communities in particular. This short but important debate has cast a focus on the confusion at the heart of levelling up, which the debate on Amendment 1 was trying to resolve: what do we mean by levelling up and spatial disparities? What do we mean by improving the lives of people who live in different parts of the country, where for some there is low pay, low skills and poor health and for others there is a lack of connectivity or a lack of opportunities? Because we have not resolved that confusion, we will, throughout the passage of the Bill, get arguments of different natures in support of communities which need levelling up, whatever we mean by it. I hope that levelling up will not mean, or be defined by the Government as, either "rural levelling up" or "urban levelling up", or that we will level up coastal, rural or urban areas separately. The levelling-up agenda must have a clear definition—which is in the White Paper, as I keep pointing out, but is not in the Bill—about the geographical disparities across this country, be they rural, coastal or urban, that result in people's lives and the country being poorer. The levelling-up Bill ought to address that, but it unfortunately fails to do so.

I was struck by a really good phrase used by the noble Earl, Lord Devon, about levelling up: we do not want levelling-up ambitions to "blow in the political wind". That is one of the reasons why I support having both the broad mission statements and the broad metrics for those mission statements in the Bill, so that we can say to whatever Government we have, "This is what we have agreed to, and this is what we are going to demand that you address." Otherwise, we will come back again to the debate about the difficulties for people who live in rural areas. While noble Lords might think that West Yorkshire, where I live, is a big urban area, surprisingly, the upper Colne Valley could not be more rural; there are scattered farm settlements across the hillsides going up to the top of the Pennines. Its residents understand what it means to not have access to public transport, mobile networks or broadband connectivity.

[Baroness Pinnock]

Let us not go down the route of it being one or the other. I hope the Government will, even if I have to encourage them again, eventually closely define what they mean by "geographical disparities" and then address them through the missions and metrics that I hope we will put on the face of the Bill.

Baroness Hayman of Ullock (Lab): My Lords, I thank the noble Lord, Lord Foster of Bath, for introducing his amendment—this is a really important amendment going forward. I also thank him for mentioning the work of the Rural Services Network; its report is incredibly important in informing the approach that the Government need to take and the work they need to do to reduce the disparities faced by rural areas. The Government would do well to take notice and account of what the Rural Service Network does as they continue to move forward with their levelling-up missions.

I have one amendment in this group, Amendment 488, and my noble friend Lady Taylor of Stevenage has Amendment 53 in this group. I thank the noble Earl, Lord Devon, for his support for my noble friend's amendment. I very much agree with him that the environmental emissions targets need to be included in this, if we are to have any chance of meeting what is laid out in the Environment Act.

The noble Earl also very clearly laid out many of the concerns that face both our rural and coastal communities, including that they constantly feel missed out and left behind. They will be concerned that this is what will happen to them again. It is really important that we consider this properly. As the noble Baroness, Lady Bennett, said, rural poverty is so often missed and underestimated; often it is not as in your face as urban poverty, and we need to ensure we take full account of it.

My noble friend's Amendment 53

"is to probe whether the metrics are suitable for rural and coastal communities, and whether alternative metrics should be considered."

Here is an example from the document that was published on the mission and metrics—the technical annexe. I remind noble Lords of the metric that accompanies mission 3:

"By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing."

The metrics that will be used to assess progress in achieving that mission are

"method of travel to work by region of workplace … The other headline metric is the average journey time to centres of employment, with the data broken down by modes of transport and at lower tier local authority level in England."

What they do not do is tell us how much public transport exists in the first place.

I live in an area where we have one bus a week—that is not one bus that comes and goes during that day, but one bus that goes to one place on one day of the week—and it gives us a couple of hours in the place it arrives before we have to come home again. I genuinely do not understand how, in the area where I live, these metrics will deliver transport connectivity that is "significantly closer" to the standards of London. I genuinely have no concept of how these metrics will achieve that.

My other concern is that the principal objective is "growing the private sector". Again, I cannot see how growing the private sector in the area I live, or in the areas that surround it, will suddenly bring me a really good bus service. The one thing that might help is if the Government reintroduced the rural bus grant fund that they took away. That led to dozens and dozens in my area losing their services—I know this because I was a county councillor at the time—because they were simply no longer profitable. Looking at the metrics from a rural perspective is incredibly important, if we are genuinely going to drive change in this area.

5.45 pm

My Amendment 488 would mean that

" a Minister must publish an assessment of infrastructure levels in coastal and rural communities."

Look at coastal communities: for a start, their very geography means that they are right at the end of the line. If they have lost industry and there is bad transport connectivity, it is difficult for investment in infrastructure to be made in those coastal communities. This means that many have continued to go downhill—I guess that is the expression. It is important that we assess what infrastructure we have in those coastal areas, and in rural areas, so that we have a baseline—a starting point—that we can move on from. Perhaps the Government are already considering doing this. It would be good to have further information on that and on how they intend to take it forward.

The noble Lords, Lord Foster of Bath and Lord Carrington, both talked about rural-proofing. It has been mentioned already that, if these missions are to be successful, they have to be across every department, and certain departments will have to take control in order to deliver. However, the rural-proofing agenda has been very much Defra's agenda and has never been grasped properly, or funded properly, by other departments. Again, how will we ensure that these outcomes will be properly realised in rural areas, when Defra itself acknowledged that rural areas have remained behind the rest of the country on a whole host of important metrics, despite rural-proofing supposedly having been in place for many years? We know it has not been working. There are three major reasons why it has not worked in its current form: the lack of leadership, vision and co-ordination from central government; often, a lack of knowledge and understanding of rural areas from central government; and the basic lack of resources. How will these missions challenge this, take this into account and change that approach? That is what we need if we are to see a real change in our rural and coastal communities as part of these missions.

Will the Minister ask her colleagues in different departments to ask themselves, when they are creating policy that would impact on these missions, how it would work in a rural area and what effect it would have on rural communities, so that that is properly taken into consideration? We need to make sure that policies are adjusted as needed, to ensure that any intended outcomes can be realised in rural areas. For

example, funding formulas may need to be adjusted to take account of how it would be delivered in a rural area, or we may need to look at an alternative method of service provision. Too often, rural and coastal communities have felt like an afterthought in Whitehall and Westminster. This is an opportunity to put them back at the centre, along with other communities that need levelling up, for the sake of a better expression.

We have already heard about the importance of no community being left behind. Rural communities therefore need to be much more explicitly assessed to ensure that they are central to the Government's levelling-up missions, so that they can believe they are being taken seriously and there is a change in the future of their potential. I live in a very rural area; it is a blessing in many ways to live in a rural area, but it also comes with many challenges, and I wonder if, often, we do not shout about them quite enough.

We heard that rural communities struggle to access high-speed broadband and that housing is becoming increasingly unaffordable. I live in Cumbria, and it is particularly difficult when there is a large number of second homes. Airbnb has not helped, from a rental point of view. Amendments were put down in the other place by Tim Farron MP on this issue, and when we come to discuss the housing section of the Bill, we really need to think about the rural aspect as well. It is not just about building homes; it is about who owns them, who lives in them and who they are accessible to. That is a very important aspect of the rural approach.

The top issues for countryside and coastal communities are very similar to those for urban areas, but with added—or perhaps a different kind of—complexity. Distance, for example, is hugely important. Much smaller communities have higher prices, as we have heard, but they often also have lower wages, as well as work that is potentially seasonal. The amendment tabled by the noble Baroness, Lady McIntosh of Pickering, which was well introduced by the noble Duke, addresses this. Delivering public services in large rural areas is simply more expensive, but that is not taken into account in government funding calculations. It is really difficult to deliver social care effectively in large rural areas when, for example, the distance time is not always included in someone's wages. How do you deliver a really good service under those circumstances?

Again, I thank the noble Lord, Lord Foster, for this debate. It is extremely important, and I hope the Minister has some positive things to say to us.

Baroness Scott of Bybrook (Con): My Lords, this group of amendments addresses issues impacting rural and coastal communities across the United Kingdom. Amendment 3, tabled by the noble Lord, Lord Foster of Bath, considers the reduction of disparities between predominantly urban and predominantly rural areas. Amendment 5, tabled by my noble friend Lady McIntosh of Pickering, puts forward a new mission to a similar effect, reducing the disparities between rural and urban areas in the provision of public services.

The framework set out in this Bill provides ample opportunity to scrutinise the substance of missions against a range of government policies, including levelling up in rural areas and improving people's access to green and blue spaces. I can reassure noble Lords that the Government are committed to spreading the benefits of levelling up to rural communities and that spending by the Department for Environment, Food and Rural Affairs helps to support the levelling-up agenda.

The Government are already committed to delivering an annual report on rural-proofing, led by the Department for Environment, Food and Rural Affairs, and examining how government policy considers rural issues. I hope this reassures noble Lords that such work is going on by this Government. I will say more about rural-proofing in a minute.

I agree with the sentiments of Amendments 11 and 12, tabled by the noble Lord, Lord Foster. More granular spatial data is crucial to ensure that policy fully recognises the different characteristics, opportunities and challenges of different places, including between large cities, small towns, and rural and coastal areas. Many people have talked about data. It is important to have the data, both historically and moving forward, in order for us to make the metrics correct for what we are trying to deliver.

I will give a little more information, which is a bit technical—well, it seems technical to me; it may not to noble Lords—on what is happening within government to better identify these geographical disparities. To tackle these data gaps and harness the potential of new data visualisation and experimentation techniques in support of levelling up, the UK Government are putting in place a transformative data analysis strategy at subnational level. The strategy has four elements: first, producing and disseminating more timely, granular and harmonised subnational statistics through the Government Statistical Service's subnational data strategy; secondly, making granular data publicly available through a number of tools, including a new ONS interactive subnational data explorer; thirdly, harnessing data visualisation techniques and building capacity within the ONS to help decision-makers better understand and compare outcomes; and, lastly, increasing incentives to evaluate, monitor and experiment in levelling-up policies and programmes. From that, I think noble Lords can see that we agree that data is important in delivering what we want to deliver in this levelling-up legislation.

To complement the strategy I have just explained, we are establishing a new spatial data unit to drive forward the data transformation required in central government. The spatial data unit will support the delivery of levelling up by transforming the way the UK Government gather, store and manipulate subnational data so that it underpins transparent and open policy-making and delivery decisions. This will include improving how we collate and report on the UK Government's spend and outcomes, including building strong capabilities on data visualisation and insights. To me, it is really important that, first, we always know what is being delivered and what we want to deliver and that we have all the metrics to do that.

The spatial data unit will also consider the differences between geographical areas, such as regions, counties, councils, and even down to council wards, according to the needs and objectives of specific missions or policy areas. This will be extremely important, particularly when we are talking about small rural areas.

[Baroness Scott of Bybrook]

There was a lot of discussion about transport, an area in which it is important to have the data before decisions are made. As a council leader, I had to make some very difficult decisions about bus services. Some of them were never used, so why keep them? You need the data in order to make sound decisions.

The LURB introduces a series of powers to enable the introduction of the infrastructure levy, which will be able to account for the needs of those living in rural as well as urban areas, helping to support the provision of infrastructure that the areas need most. The Bill also requires local authorities to prepare infrastructure delivery strategies. These will set out a strategy for delivering local infrastructure through the spending of levy proceeds. They will create a more transparent process, so that local people know how the funds will be spent and what infrastructure will be delivered to support development. The Government have also just announced £3 billion for local bus and cycle links, because we understand that local transport is important to people. We will work with local leaders to ensure that they can use their powers to improve the services in their area, set the fares and make transport far more accessible for their local communities.

Amendment 33, tabled by the noble Lord, Lord Carrington, would require that annual reporting on the levelling-up missions include an assessment of how each mission has met the principles of the rural-proofing policy. Amendment 36, tabled by the noble Lord, Lord Foster of Bath, states that reporting on missions must include the Minister's assessment in relation to rural areas. Amendment 53, tabled by the noble Baroness, Lady Taylor of Stevenage, asks for a report assessing whether new legislation should be produced to establish new metrics for rural and coastal communities. Finally, Amendment 488, tabled by the noble Baroness, Lady Hayman of Ullock, suggests the publication of the assessment of infrastructure levels in coastal and rural communities.

6 pm

A key part of the levelling-up White Paper was the recognition that policy needs to be tailored to the needs of different places around the UK. The White Paper trailed the publication of a second annual report on rural proofing, *Delivering for Rural England*, which was published in September 2022. Taking the levelling-up missions as its framework, the publication set out specific considerations for levelling up in rural areas and how government departments are seeking to address these—through targeted approaches where needed as well as broader measures to strengthen the rural economy, develop rural infrastructure, deliver rural services and ensure good management of the natural environment.

Noble Lords can see from this that it is not just about Defra; it is all of government looking at the effects of those services on rural communities. The report also announced the launch of the £110 million rural England prosperity fund to enable local authorities to provide small capital grants to support rural businesses and community infrastructure. This is replacing funding previously provided by the EU through the LEADER and Growth elements of the England Rural Development Programme, and is a rural top-up to the UK shared prosperity fund.

At its heart, the levelling-up agenda recognises that different places have different opportunities and challenges and need different tools in order to address these. Rather than applying standardised, national or aggregate measures, therefore, the missions are supported by a range of clear metrics used to measure them at the appropriate level of geography. These metrics take account of a wider range of inputs, outputs and outcomes needed to drive progress in the overall mission. They cover a wide range of policy issues, but all are clearly linked to drivers of spatial disparities.

The appropriate unit of comparison will vary depending on the mission or policy area. To help us tailor analysis and policy to the UK's complex economic geography, timely and robust spatial data has been made a foundational pillar of the new policy regime for levelling up.

I want to reassure noble Lords that we are committed to supporting coastal communities to flourish, strengthening their appeal as places to live, work and visit. Through our coastal communities fund, we supported a huge number of projects in communities across the country, with a total investment of £187 million. We recently published the evaluation, which showed how it stimulated job growth and prosperity in those areas. That aligns with the goals of the mission of the levelling-up White Paper to increase living standards.

Coastal communities continue to receive investment from our funding programmes, including 22 places that are receiving town deals collectively worth £673 million. The levelling-up fund offers investment opportunities for coastal communities to promote regeneration and build vital infrastructure. The £2.6 billion UK shared prosperity fund—of which growing the private sector in localities is a core objective—is being delivered through an allocative process that reaches every part of the UK. Seven out of the eight English freeports are in coastal areas, and the Government have also undertaken deep dives in Blackpool and Grimsby, which have led to tangible improvements and investment in these areas and helped deepen our understanding of the challenges faced by different coastal communities.

In light of these efforts and commitments, I ask the noble Lord to withdraw his amendment.

Lord Foster of Bath (LD): My Lords, I begin by thanking all noble Lords who have spoken in the debate, particularly the noble Duke, the Duke of Montrose, who referenced the amendment from the noble Baroness, Lady McIntosh of Pickering, which, together with my Amendment 3, focused the debate very clearly on the difference in the current approach between urban and rural.

I was heartened by a couple of things the Minister said. First, I was genuinely pleased by her remarks about the data transformation programme that is taking place. Like her, I might have to put a towel over my head later tonight in order to read the detail and understand it. Talk about timely data, granular data, harmonised data at a subnational level, and then gathering, storing and manipulating it is great—as long as that data is at a very refined subnational level, not just a regional level. However, I think that is what the Minister said we are going to get.

I was also heartened by the Minister's reference to the need for different solutions in different places—a place-based approach, which I think is fundamental. The noble Baroness, Lady Bennett, talked about problems in rural areas, such as with transport and education. I was involved, not very many years ago, in a conversation with a group of people looking at how to deal with FE college students in rural areas being unable to get to work experience placements. The solution arrived at was giving free bus passes to all 16 to 19-year-olds, which sounds great—until there are no buses. A solution was found in some rural areas and it is still operating: "wheels to work". It is the local solution that is necessary, but if that is going to happen, there needs to be local leadership and a fair funding formula that enables the funds needed.

Notwithstanding the list the Minister just gave us of things she claims the Government are doing to help rural and coastal areas, the RSN analysis clearly shows that they are still losing out. So, while we welcome some moves in the right direction, they do not go far enough. I will of course withdraw the amendment for now, but so far I have been given no justification whatever for why, since the Government claim to believe in what I am saying, they are not prepared to put this on the face of the Bill. For the time being, I beg leave to withdraw the amendment.

Amendment 3 withdrawn.

Amendment 4

Moved by ***Baroness Lister of Burtersett***

4: Clause 1, page 1, line 14, at end insert—

"(2A) The levelling-up missions must include a mission to reduce the numbers and proportion of children in absolute poverty, relative poverty and deep poverty in each local authority and across the United Kingdom."

Member's explanatory statement

This would ensure that the levelling-up missions included a mission to reduce child poverty.

Baroness Lister of Burtersett (Lab): My Lords, I rise to speak to Amendment 4 in my name and those of the right reverend Prelate the Bishop of Durham and the noble Baronesses, Lady D'Souza and Lady Stroud, whose support I am grateful for, although they could not speak today. The purpose is to ensure there is a levelling-up mission to reduce levels of absolute, relative and deep child poverty in each local authority and across the UK.

On Second Reading, I quoted the response of the Levelling-up Secretary to a Conservative Back-Bencher who had argued that levelling up applies to need, not geography. "Yes, absolutely," said Mr Gove:

"It is critically important that we … address poverty wherever we find it".—[*Official Report*, Commons, 2/2/22; col. 339.

The former Prime Minister Mr Johnson was asked by the Liaison Committee:

"Can you level up the country without reducing the number of children living in poverty?"

He replied, "No." When he was told that child poverty was not mentioned once in the levelling-up White Paper, he assured the committee that this was a "purely formal accident". So, while I appreciate the detailed letters sent by the Minister following Second Reading, it was disappointing that nowhere could I find an answer to the question I had posed—

"could the Minister please explain why a mission to reduce the level of child poverty has not been added to the list of missions in the White Paper?"—[*Official Report*, 17/1/23; col.1766.]

given that its omission was apparently an accident. Indeed, I could not find any mention of child poverty at all in her levelling-up letter. Is that another accident?

Part of my argument on Second Reading was that levelling up has to be about people as well as places if it is to meet its objectives, including giving everyone the opportunity to flourish. Indeed, although the existing missions are framed in terms of inequalities between areas, ultimately, many of them concern people rather than the places in which they live, and earlier, the Minister acknowledged that levelling up is about people and places.

However, apart from the education mission, children are conspicuous by their absence. Yet, to quote Action for Children,

"Levelling up can only succeed if this includes levelling up for children."

Levelling up for children has to address the child poverty that blights our society, with nearly 4 million children in poverty, or getting on for three in 10, projected by the Resolution Foundation to rise to its highest rate since 1998-99 by 2027-28. Moreover, half of children in families with three or more children are projected to be in poverty by that year. A glimpse of what this means is provided in an open letter from participants in the participatory Changing Realities project:

"Our children are hungry. Schools report 'short concentration' and 'unmanageable moods'. They have lost their childhood ... we are sick with anxiety, drowning in financial doom."

The report in which this is reproduced, prepared by the APPG Child of the North just last month, noted:

"We know that poverty is the central driver of inequalities between children, leading to worse physical and mental health, poorer educational attainment and life chances and alarming … gaps in life expectancy".

This underlines the importance of tackling child poverty through existing missions on education, health and well-being. Gaps in healthy life expectancy cannot be closed without tackling child poverty. As the BMA has warned, "poverty kills". In a recent *BMJ* interview, the President of the Royal College of Paediatrics and Child Health observed that social deprivation is a far bigger problem for children's health than it was five to 10 years ago. She warns that poverty

"essentially eats away at what we believe the kinds of key components of a healthy childhood are"

and that this is going to have a generational impact. She calls for long-term thinking and, in the absence of government action, the college is encouraging paediatricians to lobby politicians on their commitment to reduce child poverty and health inequalities. Indeed, the royal college has briefed in support of this amendment, presenting evidence that child poverty is a key driver of health inequalities.

As a recent open letter to the Prime Minister from leading public health bodies and others—signed by many Peers, including myself—makes clear, the impact

[Baroness Lister of Burtersett]
of child poverty and food insecurity on health has knock-on effects on education and achievement levels in schools. The educational mission looks to level up the numbers of primary schoolchildren achieving the expected standard in reading, writing and maths. Yet there is no acknowledgement of how poverty prevents many children reaching their potential with, as the public health letter spells out, implications for the provision of free school meals and breakfasts.

While I have stressed the importance of the levelling-up agenda explicitly addressing inequalities between people as well as places, as I argued earlier and the Minister accepted, the case for a child poverty mission stands, even if one accepts the Minister's assertion, in her levelling-up letter, that the missions are "necessarily spatial". The amendment is thus deliberately framed so as to include a spatial as well as a national, aggregate dimension. The evidence provided in the APPG Child of the North report, and also by Action for Children, shows clearly the spatial dimension to child poverty. According to Action for Children, 60 out of 152 local authorities have child poverty rates above the average. The APPG report underlines how the risk of child poverty is consistently higher in the north than in the rest of the country. However, it should also be noted that, after taking account of housing costs, research by my university, Loughborough, for End Child Poverty found that some of the highest child poverty rates are to be found in London authorities. So, in order to level up all these areas, wherever they are, we need an explicit child poverty mission that addresses both the extent and depth of child poverty.

The Minister's letter explains that the levelling-up missions aim

"to anchor ambition and provide clarity over the objectives of public policy for the next decade"

and that they will be varied only

"following careful review of all missions".

Yet we are constantly told that the Government are committed to reducing child poverty, and earlier the Minister said that levelling up is about bridging the gap between rich and poor. So, I ask again: why is there not a child poverty mission which would underpin and complement the existing missions and help to bridge that gap? Such a mission is important, both because children experience childhood only once and because poverty in childhood can have longer-term effects on their education, health and general well-being and their ability to flourish and realise their potential. Thus, this is urgent. Children cannot wait for a review of existing missions some years hence.

If the Minister cannot accept the amendment, will she at least agree to take it away and consider the addition of a child poverty mission to the existing list? If not, we can only conclude that the Government do not care sufficiently about child poverty or children to include them in their levelling-up strategy. I beg to move.

6.15 pm

Lord Bird (CB): My Lords, I thank the noble Baroness, Lady Lister, for her very wonderful celebration of children and putting children right at the centre of everything. I have been involved with homelessness and crime for much of my life and I can honestly say that 90% of the people I have worked with started in child poverty. There is a kind of mystic belief going around that anybody can end up homeless—and it is true, if you have mental health problems or problems around drink and drugs. Drink and drugs are the great leveller—they can certainly bring you down—but 90% of the people I work with are suffering from the fact that they came into the world in poverty. They came into a world where many of their parents did not realise that, when their children went to school, this was an enormous opportunity for them to get some social mobility away from poverty.

I give the example of my own family, who looked upon the 10 years, from five to 15, that I spent in school—well, actually they threw me out when I was 14—as a babysitting service. That is all they wanted. There is a real problem around the inheritance that one generation passes on to the next. In my opinion, if this Government were really serious about social mobility and levelling up, which are roughly the same thing, they would put children right at the centre and the noble Baroness, Lady Lister, would not have to put her hand up and say, "Can we not at least include children in this exercise?" There is no exercise if we do not include children in it.

I am not an expert on the figures and facts—I can give some of them—but I can honestly say that there are some very frightening things around social levelling up and all that, around social mobility and poverty. One of the most frightening things I have run into, and I do not know whose figures these are but they have been bandied around, is that only 2% of people from a social housing background actually finish their schooling and get a good job or go to university or college. So, when we talk about levelling up, about breaking poverty, or about people being able to socially move away from poverty, we need at least to look at the fact that there are some things that look good, but do not actually add up at the end of the day.

When it comes to housing, we have to change social housing and move it on, so that it becomes sociable housing; so it becomes a mix and our children who were born into poverty will get support because they are in good housing with a good schooling and all those other supports. We need to have a really joined-up look at how we can dismantle poverty among the poorest of us, and the best way is to start at those very early years. I would like to see the Government put the mission of the noble Baroness, Lady Lister, right at the front of this and say, "Yes, this is levelling up; we are going to start levelling our children and put all the support in as part of the process."

The Lord Bishop of Gloucester: My Lords, I too will speak in support of Amendment 4. I thank the noble Baroness, Lady Lister, for tabling this amendment. I am very aware that my right reverend friend the Bishop of Durham is a co-signatory and is unable to be here today to speak.

Levelling up, as the Government's White Paper initially outlined, is about equally spreading opportunity across our country. It is about challenging unfairness and allowing people to live more fulfilling lives—I

thank the noble Lord, Lord Bird, for his inspiring speech. These are aims that surely all of us welcome, but I cannot see how this will ever be achieved unless the Bill includes reducing child poverty.

This is about the present and the long-term future. As has already been said, the latest statistics are that there are 3.9 million children living in poverty in this country; that is more than one in four. With more and more families turning to food banks and the experience of persistent poverty tripling a child's likelihood of having mental health problems, this cannot continue.

What does it mean for years to come, when these children and young people are adults? Even if you are lukewarm regarding care and flourishment, none of this makes long-term financial sense, and it certainly will not lead to long-term levelling up. Child poverty has been calculated to be costing the Government £38 billion per year. That does not fully take into account the financial impact of needs and services which can then become necessary in later life, whether that be health costs, various support services or criminal justice services. We know that children who are not invested in to give them the best start in life are more at risk of failing to flourish as young people and adults.

Poverty limits a child's future opportunities and employment prospects, largely due to the impact it has on education. If levelling up is about equally spreading opportunity across the country, it is essential to ensure that children are receiving quality education. Yet how can we expect them to receive quality education when so many are facing the realities of poverty? The noble Baroness, Lady Lister, has already spoken about the Child of the North APPG report. One youth ambassador expressed how poverty was impacting their life:

"The main impacts are education. No matter where you are, school is difficult … It isn't just hunger. The worry is still there. That feeling of worry never leaves. How your sister's trip to the zoo is going to be paid. How you've not seen your mam eat. All going through your head in a chemistry lesson."

The impact of poverty on a child's life and future should not be underestimated. It impacts education, physical and mental health, relationships and access to opportunities. It is therefore impossible to achieve levelling up without putting the mission of reducing child poverty at its heart.

Furthermore, as has been said, child poverty is an inequality that people face throughout the country. I know that if my right reverend friend the Bishop of Durham was here, he would highlight the stark inequality in the north-east of England. Absolute child poverty may have fallen marginally across the UK since 2015, but it has risen in every local authority area of the north-east since 2017. This makes the gap between the north-east and the UK average poverty rate the greatest it has ever been.

Ending geographical inequality, which this Bill strives to accomplish, means ending the inequality of child poverty equally across the UK. Prioritising a strategy around reducing child poverty will improve not only the well-being of millions of children throughout the country, allowing them to flourish, but employment prospects and earnings, increasing economic growth and benefitting the country overall.

Childhood may not be permanent, but the experiences we have in our childhood shape the rest of our lives. Reducing child poverty in every local authority, and across the country, must be a priority now, because without doing so levelling up will be nothing more than a distant fantasy.

Lord Stunell (LD): My Lords, I will speak to the amendments in my name, but I could not begin without commenting on the three very powerful speeches which have just been made. I hope very much that the Minister is listening and will be able to give something better than a formulaic response to the pleas that have been made.

In the amendments standing in my name and the name of my noble friend Lady Parminter, there are references to two other missing links in the metrics which are in front of us via these 12 missions—missing in both the Bill, where there are no links at all, and in the White Paper that preceded it. There are 12 missions set out in the White Paper and none of them references the need for future investment to achieve net-zero emissions as the fundamental basis of levelling up. I find that, frankly, astonishing. It is all the more surprising because the White Paper itself takes space in section 1.4.1 to explain that the risks and opportunities that the transition to net zero raises are greatest in exactly those parts of the country that most seriously need levelling up.

The White Paper points out that to achieve a just transition, the most challenging area is in those places where levelling up is most needed:

"Parts of the UK that need to undergo the largest transition" to net zero "lie outside the South East, often in some of the least well-performing areas of the UK."

The White Paper recognises that there is a correlation between the intensity of the impact of the intended transition to net zero and areas that need levelling up. In other words, you need more of it in the places where levelling up is needed the most. It clearly identifies that but then proposes no action to respond to that impact.

Our amendment does not propose an additional mission to remedy this oversight, because, quite apart from the spurious precision of a particular number of missions in the first place, the transition to net zero needs to be at the heart of all of the missions in the White Paper. There is a powerful read-across to living standards, transport, skills, health and well-being—to mention the scope of just five of the missions on the Minister's list. Amendment 18 is framed in terms of requiring pervasive action within all 12 missions to enhance their success in delivering meaningful and enduring levelling up, and seeks to avoid the temptation of short-term, quick fixes that build in carbon emissions and make matters worse or undermine the UK target of net zero by 2050.

Those risks are real. For instance, for a Minister anxious to achieve a particular mission target by 2030—on, say, living standards, which is mission 1 in the White Paper—it might be very tempting to prioritise investment in an oven-ready, carbon-intensive employment prospect, rather than in a longer-term plan that would aid transition and boost jobs far more, but not until after 2030, when the Minister's accounting period had ended.

[Lord Stunell]

However, an even bigger risk is emerging, which is that new green jobs are not preferentially going to those areas that need levelling up. In fact, they are not even being sprinkled equally across every part of the country. The new green jobs and investment are following the money and not the need, with London and the south-east picking up those jobs much more quickly than the north-east or north-west of England.

6.30 pm

Peers for the Planet has alerted me and other noble Lords to a most useful green jobs barometer prepared by PwC. I cannot write its map into the record, but I will give one quote from its explainer:

"It is clear that regional disparities are becoming more pronounced within the Green Jobs market. For example, the south-east has climbed four places in the regional rankings in 2022, while the north-east has fallen seven places".

In fact, according to the barometer, the north-east scores 31 points in its assessment, but the south-east scores 15 points more, at 46 points, and London scores 62 points, exactly twice the performance of the north-east in securing jobs from green investment. The truth is that everyone is getting new green jobs—it is the fastest expanding sector of the economy—it is just that London and the south-east are getting more jobs than any other English region.

So let me join the dots for the Minister. Her own White Paper records that the need for extra green jobs is most acute in what it describes as "the least well-performing" areas, such as the north-east of England. The green jobs barometer shows that the reality is that up to now, those new green jobs are disproportionately going to much better performing areas such as the south-east of England. Yet there is no hint whatsoever that in any of the existing metrics of any of the missions will the influence of that skewed result over the review period to 2030 be taken into account. The biggest sector of future job growth is pulling levelling up in the wrong direction.

Surely the Minister can see the disconnect and the imperative for taking some action. Our Amendment 18 safeguards and embeds the achievement of a just transition within every mission metric, regardless of the number of missions and regardless of the other content of those missions at any particular moment. We believe that that is the best way forward, and I look forward to hearing a favourable response from the Minister. But if one is not forthcoming, she and her officials had better know that we will return to this again and again, because it would be a recipe for failure to rely on the existing green investment allocation mechanism to contribute in anything other than a negative way to achieving levelling up. The disparity between the regions will accelerate, not reduce, as a result of the current pattern of green investment. Surely, the missions should be challenging that and reversing it.

Our second amendment, Amendment 19, aims to fill another surprising gap in the missions published in the White Paper: the increasingly urgent need to rescue the UK's ravaged and despoiled natural environment and rebuild a sustainable biosphere that helps local communities flourish and develop their health and well-being. The connection with the aims of the missions as printed is clear, but the White Paper fails to recognise its vital importance in achieving them. It is one of the few areas where the White Paper has missed an obvious point. No doubt, the noble Baroness, Lady Lister of Burtersett, would say that child poverty is another.

It could be said that the White Paper came along a bit too soon to capture the Environment Act 2021, but there is now no reason why that Act should not be referenced and its provisions required to be incorporated in every mission metric. Amendment 19 does exactly that, and I hope the Minister will acknowledge that the fulfilment of the missions will be much easier and more assured if the mandates relating to the natural environment are put in place as it requires.

Before finishing, I will make a general point. I understand the standard rebuttal of Ministers, and the noble Lord, Lord Lansley, supported them in this: that it would be completely wrong to include these proposed changes in the Bill, because it would be so inconvenient if an incoming Administration—or perhaps just an incoming Prime Minister; who knows these days—were faced with some metric or other which they did not like. Well, if an incoming Administration decided that they were no longer going for net zero carbon by 2050, there would be something catastrophically wrong with the direction of policy of this country. Clearly, it ought to be embedded in the metrics of the levelling-up proposition. I would say exactly the same in relation to the protection of the natural environment. One might say the same about child poverty as well.

Of course, today the Minister has to deploy the standard ministerial rebuttal. Whatever we think of it, that is what she will say. However, she is getting a steer from this House about things which should be in the metrics, and there is nothing in the metrics in the White Paper—because we have never actually voted on this at any point—that the Minister cannot change. She can go back to her colleagues and say, "They made a good point, you know. When we publish the final version, it is going to include these points". Of course, today, she might only be able to go so far as saying she has heard what we say, but I hope she will not say that it is completely wrong to consider any change to the metrics we plucked out of the air and put in the White Paper nine months ago.

I heard the Minister, the noble Earl, Lord Howe, say in relation to a further iteration that the metrics would be revised in the light of information which came along. Well, further information is coming along about things which should in reality have been included in the first set. They do not have to wait for the second iteration to put right the things they have discovered. In fact, the essence of accountability is spotting a problem and fixing it. I put it to the Minister—I am not sure which one will respond to this group—that there is a way forward here. They can capture the high ground again by indicating that they are open to taking these debates into account before the final ministerial statement is tabled when this Bill is approved. I look forward to hearing a positive response from the Minister in due course, and to the rest of the debate.

Baroness Willis of Summertown (CB): My Lords I will speak to Amendment 28 in my name and thank the noble Baronesses, Lady Parminter and Lady Jones

of Whitchurch, for adding their names to it. This amendment has one simple purpose: to include in the Bill a mission on access to a healthy environment.

I will provide a few statistics to illustrate perfectly why this is necessary. A report by Public Health England in 2020 found that

"the most affluent 20% of wards in England have five times the amount of parks or general green space compared with the most deprived 10% of wards".

Similarly, a report published by the community charity Groundwork in 2021 found that fewer than half of those with a household income of less than £15,000 reported green space within five minutes' walk of their home, compared to two-thirds of those whose income was more than £35,000.

A 2020 Ramblers survey found that just 39% of people from ethnic minority backgrounds reported living within five minutes of a local park, field or canal path, compared to the national average of 57%—a really big gap. These and many other studies and similar reports suggest that in England we have massive inequality of access to healthy green and blue environments near to cities.

Why does this inequality in access to healthy environments in cities matter? It matters because there is an ever-increasing body of research from medical practitioners, psychiatrists and other public health authorities across the world that, even when taking into account socioeconomic factors, areas with more blue and green spaces are associated with higher health and mental well-being outcomes. These include things that cost thousands, if not millions, of pounds each year to deal with through the National Health Service, such as reduced levels of obesity, anxiety and stress-related illnesses, and lower incidences of respiratory and cardiovascular diseases.

There is more: green and blue spaces have been shown to play an important role in social cohesion, bringing communities together and reducing loneliness. They have also been shown to improve cognitive performance, especially in schoolchildren. To go back to many of the debates on the Environment Act, green spaces in cities are known to significantly reduce pollution and the effects of overheating and flooding.

If we have inequality in access to healthy environments, we have inequality in all of the benefits that these green and blue spaces provide in cities, and associated with this are really serious economic implications. For example, in a study last year, Natural England estimated that the National Health Service could save well over £2 billion a year through reduced demand if everyone in England had good access to green space. Indeed, the importance of access to green and blue space has been recognised globally. We signed up to that commitment in the United Nations Convention on Biological Diversity in December 2022. The target we signed up to is to:

"Significantly increase … access to … green and blue spaces in … densely populated areas".

Why should this mission be included in the Bill? Why can it not be delivered, as is being suggested, via other legislation such as the Environment Act and associated policies such as net biodiversity gain and the Government's new target in their environmental improvement plan? Indeed, this target is

"to ensure that anyone can reach green or blue space within 15 minutes from their front door."

As I hope I have made clear, access to blue and green space is far broader than just a matter for Defra and ensuring that we protect nature in cities. It is about ensuring that, via spatial planning processes, these healthy environments are in the right places for the right people, so that they can then gain the multiple benefits that many of us already have from access to these blue and green spaces. Some of these spaces, of course, may be delivered by net biodiversity gain and the environmental improvement plan, but neither of these have specific mechanisms closely aligned to the planning process which would enable targeted delivery in the areas most in need—in particular, starting with areas with the lowest incomes and the highest percentages of ethnic minorities.

If the Levelling-up and Regeneration Bill is really to deliver and reduce inequalities in England, and to achieve its missions and targets in health, well-being and even education, this is exactly the right place to include an additional mission for equality of access to high-quality blue and green space. By including this in the Bill, planners, local councils and others involved in infrastructure and planning decisions will have to properly take into consideration access to blue and green space and all the benefits that we get with that.

In summary, my amendment has the core objective of reducing inequality in access to a healthy environment by maximising the number of people who live within 15 minutes' walk of a high-quality natural green or blue space.

Lord Young of Cookham (Con): My Lords, I add a brief contribution from these Benches to the excellent speeches that have been made on Amendments 4 and 8. I say to the noble Baroness, Lady Willis, that there will be an opportunity later in the Bill to develop her arguments when we come to the amendments in the names of the noble Lord, Lord Crisp, and others about a healthy environment.

I listened to what the noble Baroness, Lady Lister, said on the first group and again on the group we are now debating, and there is a powerful case for addressing child poverty—indeed, all forms of poverty—if one is to genuinely level up. Can I say something which I hope will be helpful to the Government? I think there is a way through. If one looks at the levelling-up missions on page xvii of the executive summary of the White Paper, one will see the mission to:

"Boost productivity, pay, jobs and living standards by growing the private sector".

It seems that if one developed that section of the mission on improving living standards and focused it directly in the way that has been suggested in Amendments 4 and 8 on children living in poverty—or, indeed, all those living in poverty—one could address the arguments that have been made.

6.45 pm

I think the issue is that, at the moment, if you look down, what the Government mean by living standards is rather narrowly defined. The mission on living standards is defined as follows:

[Lord Young of Cookham]

"By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing."

The trouble with that definition of living standards is that it does not actually cover those who are not in work, which may include the groups that the noble Baroness, Lady Lister, has talked about, or indeed those who have retired. It seems to me that the way through, and the way to address this debate, is to make it clear that the definition of living standards will not be confined to the rather narrow criteria in the White Paper but will include some of the broader issues that have been identified in the debate so far. I wonder if my noble friend can give some assurance when she winds up that we will not be constrained by the rather narrow definition of living standards that we currently have.

Finally, my noble friend Lord Holmes of Richmond is ubiquitous. When this debate started, he was in Grand Committee addressing amendments of his own on the Financial Services and Markets Bill. I do not have his eloquent speech in my hand, but if, when she replies, my noble friend the Minister can assume that he made an eloquent speech on Amendment 14, which addresses specific issues concerning the disabled, that would be a courtesy. He would have spoken to the amendment himself but, as I said, he is only human and unable to divide himself in two. I would be grateful if we could have just a word or two on Amendment 14.

Baroness Parminter (LD): My Lords, I support the three amendments in this group to which I have added my name, which were all very ably introduced by my noble friend Lord Stunell and the noble Baroness, Lady Willis of Summertown. They are all about willing the means for the Government's environmental and net-zero targets. We have seen a pattern in recent months of this Government not using the many Bills we have, such as the Procurement Bill and others, to actually will the means to deliver the targets. The targets are welcome but on their own they are completely meaningless.

On the first issue of access to green space, it was less than a month ago that the Government made the very welcome commitment for the first time ever to introduce an ambition for people to be able to access green or blue space within 15 minutes of their home. That is a fantastic commitment, and I applaud the Government for it. However, the point is that you then have to deliver the means to address this.

At the launch of the environmental improvement plan, when she made this commitment about green space, the Secretary of State said:

"We will … work across government to fulfil a new and ambitious commitment that everyone should live within 15 minutes walk of a green or blue space".

I repeat:

"We will … work across government"—

that is what she said less than a month ago. This is the Minister's chance to prove it. This is her chance to say that the Government believe in that commitment and welcome it, which the whole House would support, and that they will use this levelling-up Bill as the first mechanism to address it. That would give all of us, and indeed the broader country, a sense that this Government are committed to the environmental targets they are producing, and that they are not just a piece of paper about which they can say at hustings, saying, "Oh, we've set all these targets". Let us see a bit about implementation. The amendment in the name of the noble Baroness, Lady Willis, is important because it is about finding the mechanisms to deliver this. I applaud her for that.

Secondly, I need to say very little in addition to what my noble friend Lord Stunell has said. He made the case powerfully with regard to why deprived communities are suffering the most burdens from climate change, and about the need for a just transition. A just transition is what levelling up is about in practice, and why all the missions—not only the new ones—should be taking account of the net-zero requirements. He made the point that we now have environmental targets; we have commitments on biodiversity and good-quality air. Again, the communities in the most deprived areas that are suffering the worst air pollution, which is an impact of the environmental degradation that this country has suffered in recent years, and why we need the environmental targets. However, again, we also need the means to deliver them, and this amendment from my noble friend Lord Stunell is a means to deliver them. We are not expecting the Minister to say great things today but we want her to listen, because willing the means is so important. If we are going to level up for people, we have to level up on net zero and the environment too.

Baroness Bennett of Manor Castle (GP): My Lords, it is a great pleasure to follow the noble Baroness, Lady Parminter. I share the disappointment of the noble Lord, Lord Young, that we will not hear from the noble Lord, Lord Holmes. As someone who also knows that problem of running between the Chamber and the Moses Room all too well, I sympathise.

I do not feel that I need to add anything to the child poverty point made in the three powerful initial speeches. All one can say is that we hope that the Government in both Chambers were listening to those three speeches or will at least read them, because, really, how could they not act on the basis of them?

I want to focus on three amendments: Amendment 8, adding climate emergency as a mission, Amendment 18 on net zero, and Amendment 19, on the Environment Act. I broadly support what the noble Lord, Lord Stunell, said, but I slightly disagree with him because he said that he could not imagine a Government who did not have a net-zero-by-2050 target. I can imagine it: I know that we need a Government who have a target for net zero long before 2050, and indeed, who need to explore very closely that phrase "net zero" and what exactly it means. Perhaps I should add that that is a friendly disagreement,.

I am not quite sure that I agree with the noble Lord, Lord Stunell, that net zero should not be sitting there as a target on its own. As he was speaking, I could not help but think about the often-repeated phrase that what is not measured is not prioritised. If it is across all the targets—I very much agree that it applies across all the targets—is there a risk that it just disappears

into the "Yes, we'll put a few nice words in without really putting the counting in there"? We are seeing from local councils, so many of which have declared a climate emergency or, indeed, a nature crisis, that they are desperate to do that—to be able to show their own contribution.

A lot of our discussion about the climate emergency has focused on mitigation and the possibilities of mitigation. It is important to put that in the current global context, where we see both the United States and the European Union—particularly the US leading, with the EU trying to follow—putting massive sums of investment into what is loosely called the green economy. If we think about the Government and their often-expressed desire to be world-leading, there has been a real change in the global context just in the last few months. In that light, I want to pick up a point made by the noble Baroness, Lady Parminter. Most of the talk has been on climate mitigation. When we are particularly talking about what are commonly described as "left-behind communities", such as the rural and coastal communities which we were talking about in the last group, the issues of adaptation and resilience to the climate emergency really need to be highlighted.

Here, we speak in the week when the UN Security Council had its first ever debate on the impacts of sea-level rise, and in just the last day or so we have seen some truly terrifying research coming out about the weakness of ice sheets that have the potential to cause a massive sea-level rise. As I was sitting here thinking about this, I thought about a visit I made to a small rural village called Hemsby in 2014 after it had been hit by a storm and a number of homes had been swept away. I just looked up Hemsby and realised that this year, Hemsby has been hit by serious storms three times again, and the lifeboat has lost its ramp again and again. If we think about places that desperately need support in the climate emergency, communities such as Hemsby have to be at the forefront. We have not really heard much discussion about that in this debate. I am not sure whether this needs to be a separate mission. The issue of resilience needs to be across all of the missions, making sure that everything we are aiming to invest in and build can stand up to climate and other shocks when we live in this age of shocks.

A number of noble Lords made the point about the interaction of human health and well-being and the environment. I do not know whether the Minister is aware—I point this out to her as a constructive suggestion—of a UN project called the Healthy Urban Microbiome Initiative, known as HUMI. It focuses on how human well-being benefits from a healthy environment even in the most concentrated urban settings. A more biodiverse setting, even on the busiest urban street, is better for human well-being. That has to underpin everything the Government are doing and thinking about here.

Baroness Pinnock (LD): My Lords, this has been an important and interesting debate about new missions to be added to the levelling-up agenda. Quite rightly, the Government have been thrown a challenge in four different ways. First, there was an absolutely vital challenge from the noble Baroness, Lady Lister, about reducing child poverty being absolutely at the heart of any levelling-up agenda. As she and the right reverend Prelate the Bishop of Gloucester said, currently 3.9 million children in our own country—nearly 4 million children—are living in poverty. If we do not use the Bill to address that scar on our country and our communities, we will not level up the lives of those communities in those localities.

The fundamentals that we have raised in this debate of child poverty, net zero, access to green spaces and protecting and enhancing our natural environment, are, for the reasons given, at the very heart of what the levelling-up ambitions ought to be achieving. As all the contributions have indicated, if we reduce those inequalities in those areas of spatial disparities, because we are focusing on those we will focus as a country on all child poverty. If we say that in the north-east people need access to green spaces, we focus on everybody's access to green spaces. If we focus on reducing child poverty in some of the worst parts of our country, we improve the lives of every child because we are putting a spotlight on reducing those dreadful inequalities.

I thank the speakers, particularly my noble friends Lord Stunell and Lady Parminter, who drew the attention of the Minister and the House to the advantages of putting net zero and the environment at the very heart of all that we do. If we do not, we are missing a trick, as someone said. We have to will the means, said my noble friend Lady Parminter, not just express them. That is why on these Benches we will wholeheartedly support the amendment. If the noble Baroness, Lady Lister, wishes to bring this back on Report, she will have our support, as will those who raised the other issues with regard to the environment.

7 pm

Baroness Taylor of Stevenage (Lab): My Lords, I draw attention to my interests as a serving councillor on Stevenage Borough Council and Hertfordshire County Council, and as a vice-president of the District Councils' Network.

At Second Reading, I said that to some extent the Bill fails to meet the aspirations of the White Paper, but even the White Paper has significant omissions in that some of the key challenges which impact on opportunity and aspiration in this country are missing. This cannot be a levelling-up Bill without them, and this group of amendments seeks to address that.

In his contribution, the noble Lord, Lord Stunell, said that the missions were not in the Conservative manifesto, so we cannot absolve the Government from parliamentary scrutiny of those missions. However, neither can that proscribe Parliament from consideration of missions that were not there at all, or prevent those missions being added.

I thank my noble friend Lady Lister of Burtersett for her fantastic speech and amendment on child poverty, along with the right reverend Prelate the Bishop of Durham, and I thank the right reverend Prelate the Bishop of Gloucester for delivering another powerful speech on that issue. I also thank the noble Baronesses, Lady D'Souza and Lady Stroud, for supporting the amendment.

[Baroness Taylor of Stevenage]

My noble friend Lady Lister referred to an issue raised at Second Reading—that it was the Government's stated intent that the Bill address child poverty, and yet it is not explicit in the missions. The powerful intervention of the noble Lord, Lord Bird, addressed, among other things, the contribution that social housing can make to tackling poverty. I completely agree, having grown up in a council house myself and seen how good-quality social housing benefited the people around me. That is very powerful. There is also no excuse for not including child poverty in the missions.

The right reverend Prelate the Bishop of Gloucester spoke about the difficulties in education when you are facing poverty. When I was growing up, providing things as straightforward as school uniform, ingredients for cooking lessons and sports equipment were all great worries for children growing up in poverty.

The statistics are startling, and my noble friend Lady Lister quoted some of them. Some 27% of children—that is, eight in every classroom of 30—live in poverty, and of course the figure is far worse in some areas. In part of the county council division I represent in Hertfordshire—one of the wealthier areas of the UK, let us remember—one in three children lives in poverty. I have seen at first hand the impact on those children's life opportunities in terms of educational attainment, health, mental health, economic capacity and every aspect of well-being: cultural, physical, social and academic. To imagine that levelling up can happen at all without a real focus on child poverty dooms the whole endeavour to failure.

For those of us who witnessed the huge impact of Sure Start and the comprehensive strategy of investment in children between 1998 and 2010, as a result of which, the number of children living in poverty fell by 600,000, it was dreadfully disappointing to see that project abandoned and the figures start to rise again. This situation has been exacerbated by the further inequalities that Covid inflicted on deprived communities. The Bill has the potential to start the serious work of tackling child poverty again. Let us not miss the opportunity, simply by not including child poverty as a serious and specific mission. My noble friend Lady Lister rightly asked why it was not in the White Paper or the Bill, and the noble Lord, Lord Young, proposed a solution. There may be other ways of doing it, and I hope that the Minister has taken account of what she has heard in the Chamber this afternoon.

I am grateful to the noble Lord, Lord Holmes of Richmond, for his advocacy for our disability community—I am sorry he could not be in his place this afternoon. As he says, this should be considered through every policy aspect of the Bill. Despite successive Acts of Parliament attempting to drive equalities forward in this respect, one has to spend only a very short period in the company of anyone with a disability to see just how far we still have to go. Access to transport, public buildings, education and the workplace, and the ability to participate in the political process, simply must get better if we are to see real levelling up. These are spatial issues, planning issues, and I hope we will see some progress as a result of the Bill.

I am grateful to my noble friend Lady Hayman for tabling the amendment on increasing cultural infrastructure across the UK. Unfortunately, due to the vicious cuts in local government funding in recent years, we have seen local cultural assets closed or mothballed across the country just at a time when creativity, innovation and celebration of local heritage could be creating jobs, developing skills, supporting mental well-being, giving educational opportunities and underpinning social cohesion and collaboration. In an excellent report from the Local Government Association, *Cornerstones of Culture*, the noble Baroness, Lady Young of Hornsey, chair of the Commission on Culture and Local Government, sets out the incredible opportunities that supporting the development of cultural infrastructure can deliver in terms of levelling up. As a resident of Hertfordshire, which is rapidly becoming the Hollywood of Europe, with film, TV and creative studios driving our economy—there is always a commercial in my speeches—and creating huge opportunities for our county, in particular its young people, I can say that the benefits this cultural intervention could bring across the UK are clear to see.

We have amendments from the noble Lord, Lord Stunell, and the noble Baroness, Lady Parminter, on meeting net zero, which are very welcome. There was a huge discussion on this on Second Reading, and it was notable just how many noble Lords said that without a specific mission to drive the target of reaching net zero across our nations and regions and across all policy areas, the Bill would be significantly deficient and miss a valuable opportunity. It is difficult to understand why amendments tabled the other place that attempted to strengthen the Bill in this respect were not adopted. As far as I am concerned, the situation is quite simple: either the Government mean what they say on net zero and climate change mitigation, in which case, make it the subject of a specific mission, or they do not. The consequences of the latter are enormous and unthinkable. It absolutely must be a target of devolution that every place in the UK fulfil its role in delivering net zero, and that progress be monitored.

The noble Lord, Lord Stunell, pointed out that achieving net zero is most challenging in the areas most in need of levelling up. The south-east is improving in this regard while the north-east is continuing to decline. At COP 27 the Prime Minister made a commitment to honouring promises on climate finance. That must apply equally across our nations and regions, as it does to external funding support. Yet, at the moment we do not even have a commitment to financing, for example, the decarbonisation of public housing. I urge the Minister to take seriously the strongly held concerns of noble Lords across this House about leaving out net zero as a specific mission of this levelling-up Bill. I will be particularly interested to hear the Minister's thoughts on how green jobs, new biodiversity targets and environmental planning challenges each relate to the levelling-up agenda, and how the Bill can be improved by incorporating these.

I thank the noble Baroness, Lady Willis, for her powerful speech on a healthy environment and for pointing out that access to green space is definitely an equalities and levelling-up issue. The link to health

and mental health outcomes is clear from all the evidence the noble Baroness cited and that we see elsewhere. Can the Minister say why this cannot be dealt with in the planning frameworks? I was lucky enough to grow up in a new town, where green space such as parks was planned from the very start. It comes under increasing pressure as the cramming of urban areas is seen as a way of solving the housing crisis. That cannot be right, and we need to have a careful look at this from a planning point of view.

We have a group of amendments here that are intended to address serious omissions from the Bill and include missions that will make a significant and important contribution to the levelling-up agenda. I hope that the powerful words of the noble Lords who have contributed to this debate will receive a receptive hearing from both the Minister and the Secretary of State.

Baroness Scott of Bybrook (Con): My Lords, this group of amendments includes those related to new missions and metrics. The missions contained in the levelling-up White Paper are the products of extensive analysis and engagement; this analysis is set out in the White Paper. As I have made clear already, the Bill is designed to establish the framework for missions, not the content of missions themselves. The framework provides ample opportunity to scrutinise the substance of those missions against a range of government policies.

I start by addressing Amendments 4 and 9, tabled by the noble Baronesses, Lady Lister of Burtersett and Lady Hayman of Ullock, which would require the levelling-up missions to include a mission on child poverty. Let me say that everybody in this Government accepts that child poverty is an issue that needs continually to be kept an eye on, managed and acted upon. However, the way we deal with it is perhaps the issue that we need to discuss. We believe that the best and most sustainable way of tackling child poverty is to ensure parents have opportunities to move and progress in the workplace. Setting targets can drive action that focuses primarily on moving the incomes of those just in poverty to above a somewhat arbitrary poverty line, while doing nothing to help those on the very lowest incomes or to improve children's future prospects. We therefore have no plans to reintroduce an approach to tackling child poverty that focuses primarily on income-based targets. Ministers and officials engage extensively across government to ensure a co-ordinated approach to tackling poverty, and we will continue to do so in the future.

Moving into work is the best way to improve lives. In 2019-2020, children in workless households were over six times more likely to be in absolute poverty than those in households where all adults were in work. Since 2010, there are nearly 1 million fewer workless households; under the Conservatives, 1.7 million more children are living in a home where at least one person is working. However, that is not to be complacent. The issue for me—the noble Lord, Lord Best, brought it up—is good housing, good education, good skills and good jobs. All these things are covered by the missions, and they do not need to be one separate mission.

While I am talking about living standards, my noble friend Lord Young asked about the definition of living standards. The Bill seeks to raise the living standards of people in work and people who are able to work, or whom we can get into work:

"By 2030, pay, employment and productivity will have risen in every area of the UK,"

getting those who are not already in work into work. That is the definition in the White Paper.

The levelling-up White Paper highlights the challenges faced by children from disadvantaged backgrounds, and how these vary between and within places. It takes a systematic approach, through the missions, to address a number of factors which we believe contribute to child poverty. The levelling-up mission on living standards commits to increasing pay and employment in every area of the UK, which would in turn help to reduce child poverty. We are also committed in the White Paper to investing an extra £200 million to expand the Supporting Families programme in England, which will help to improve the life outcomes and resilience of vulnerable children and their families. Additionally, over £300 million in funding for family hubs and Start for Life has been allocated to 55 high-deprivation local authorities, supporting a focus on perinatal mental health and parent-infant relationships, infant feeding and parenting support. These are very important at the beginning of a child's life, as we heard again from the noble Lord, Lord Bird.

7.15 pm

The Government have provided cost of living support worth over £37 billion for 2022-23, including the £400 non-repayable discount to eligible households provided through the Energy Bills Support Scheme, and up to £650 in cost of living payments for around 8 million households on means-tested benefits. From 1 April 2023 the national minimum wage will rise from £9.50 to £10.42 per hour, providing a significant increase to the wages of those on the lowest wages. The reduction to the universal credit taper rate in 2021 also increases the incomes of the most vulnerable.

Through our devolution deal, local government is able to provide support for child poverty reduction at a local level. For example, as part of the North East devolution deal, the North East Combined Authority is committed to continuing and expanding the North of Tyne Child Poverty Prevention Programme—local people working on local priorities.

I will move on to several amendments relating to new missions and the protection of our environment. Amendment 8, tabled by the noble Baroness, Lady Hayman of Ullock, would require that the levelling-up missions include a mission to tackle climate change and protect our natural environment. Amendments 18 and 19, tabled by the noble Lord, Lord Stunell, would mean that all emission outcomes must consider net-zero mitigation and adaption measures, as well as environmental targets set out in the Environment Act. Amendment 28, tabled by the noble Baroness, Lady Willis of Summertown, would require that the levelling-up missions include a new mission on access to a healthy environment. I also want to address the amendment tabled by the noble Baroness, Lady Taylor of Stevenage, which would mean that the Government's reports must include an estimate of the impact of emissions.

[Baroness Scott of Bybrook]

I agree with all these amendments. It is vital that we deliver a system that places environmental considerations at the heart of policy-making across government. For this reason, all Ministers of the Crown are required, through the Environment Act 2021, to ensure that environmental principles are considered in policy-making. These principles guide Ministers and policy-makers towards opportunities to prevent environmental damage and enhance the environment. The issues that have been brought up are already in statute and I do not think they need to be repeated.

We are already taking a range of steps to give people more access to the natural environment close to where they live. For example, the levelling-up parks fund will improve access to quality green space in over 100 neighbourhoods across the UK, through the creation or significant refurbishment of green spaces in urban areas that need it most. Work on the England coast path, which will improve access to the coast by linking the best existing coastal paths and creating new ones where there are none, is progressing, with nearly 800 miles now open to the public.

We have also invested significantly in active travel, helping people to connect with nature through cycling and walking. In addition to the £200 million allocated through the active travel fund, an additional £33 million had already been committed this financial year to support local capacity and capability on active travel. I am sure that this issue will come up again, as my noble friend Lord Young of Cookham said, when we talk about spatial planning in a later debate.

The levelling-up White Paper has set out our commitment to the green revolution and the transition to net zero through the £26 billion of capital investment. Low-carbon businesses have already created 400,000 jobs and an estimated turnover of more than £41 billion in 2020, which has helped to create a basis for multiple missions. The net-zero review, published by Chris Skidmore, contains several proposals that will help the Government meet their net-zero target by 2050, in addition to driving economic growth and increasing living standards. The noble Lord, Lord Stunell, was correct that we must ensure that the green revolution and its economic benefits move across the whole country and not just certain areas. We are seeing that.

Lord Stunell (LD): I appreciate what the Minister is saying, and it is not part of my case that investing in green jobs has been a failure. My point was that investing in green jobs has been very successful, but it has been more successful in the more prosperous regions. Consequently, the disparity between the rich region and the poor region is widening. Clearly a major redirection of thinking is needed to ensure that the green investment and the green jobs are channelled in the right way. The noble Lord, Lord Lansley, said that he did not want to see Cambridge levelled down. I do not want to see London levelled down. I want to see the north-east levelled up, up, up. The metrics will have to be adjusted to accommodate that.

Baroness Scott of Bybrook (Con): That is exactly what I said. We need to look at where these jobs are. An example of that is the £1 billion funding to support new investment in carbon capture, utilisation and storage in four industrial clusters or super-places across the UK. The net-zero strategy announced the first two clusters, one in the north-west and north Wales and the other in Teesside and Humberside. We are working to take that investment across the country and to places that need it.

This Government are committed to reducing greenhouse gas emissions across the country to reach net zero by 2050. There is a statutory duty within the Climate Change Act 2008 on the Secretary of State for Business, Energy and Industrial Strategy to set a carbon budget for successive periods of five years and to ensure that the net UK carbon account for the budgetary period does not exceed the carbon budget that has been set. Section 16 of the Climate Change Act 2008 also requires the Government to publish an annual statement of UK emissions, already in statute.

In addition to all this, the Treasury has mandated the consideration of climate and environmental impacts in spending decisions. Through its updated green book, policies must now be developed and assessed against how well they deliver on the Government's long-term policy aims, such as net zero.

Lord Stunell (LD): I apologise to the Minister for intervening again, but can I press her? Of course, that is all worth while, but will that analysis be on a regional basis or simply on a whole-country basis? We need to know, or the Minister needs to know, whether year by year that gap is widening or narrowing because of that extra green investment.

Baroness Scott of Bybrook (Con): I spoke earlier about data and the processes and policies that we are putting in place for data capture and analysis. These are the things that will come out of that. I expect that to be one of the outcomes that we will see in the reviews of the missions.

I am very sorry that my noble friend Lord Holmes of Richmond was not here, but I know what he would say because he is a huge voice for disabled people in this country. I thank him for that and for his Amendment 14. If the House agrees, I will respond to it. The objective of improving the lives of disabled people has been considered throughout the levelling-up White Paper. People with disabilities are less likely to be employed, and face additional challenges in workplace progression. The White Paper highlights the in-work progression offered to support better employment opportunities. We need to continue this. The disability employment gap is widest for those who have no qualifications, hence why we will continue to work closely with local authorities to improve their special educational needs and disability services where they are underperforming.

The Government are delivering for disabled people. We have seen 1.3 million more disabled people in work than there were in 2017, delivering a government commitment five years early. We have supported the passage of two landmark pieces of legislation—the British Sign Language Act and the Down Syndrome Act. We have also delivered an additional £1 billion in 2022-23 for the education of children and young people with more complex needs.

Amendment 16 tabled by the noble Baroness, Lady Hayman of Ullock, would require this Government and future Governments to include a mission to increase cultural infrastructure across the UK within mission statements. I agree with her that people's lives are shaped by the social and physical fabric of their communities. The local mix of social and physical capital, from universities to good-quality green spaces and from libraries to local football clubs, gives areas their unique character and vibrancy and makes residents proud to live in that place. Recognising that in the levelling-up White Paper, the Government set a "pride in place" mission. The Government's ambition is that, by 2030, people's satisfaction in their town centre and engagement in local culture and community will have risen in every area in the United Kingdom, with the gap between top-performing and other areas closing. Increasing cultural infrastructure will be key to achieving this mission.

The Government have taken practical steps to support, protect and expand cultural infrastructure. The £1.5 billion cultural recovery fund rescue packages helped thousands of cultural organisations across a range of sectors to stay afloat during the Covid-19 pandemic, while the community renewal fund, the community ownership fund, the levelling-up fund and the UK prosperity fund have provided opportunities to enhance cultural arts, heritage and sporting infrastructure in places across the country. The mutual importance of cultural and place identity is recognised in the Government's work with places, such as through the devolution deal and the pilot destination management organisation initiative in the north-east of England.

I hope that the extent of the Government's action on these priorities, set out elsewhere in the policy, and the approach that has been set out—a clear, uncluttered and long-lasting framework for levelling-up missions—provides Peers with sufficient assurance not to press their amendments.

Baroness Bennett of Manor Castle (GP): The Minister addressed climate mitigation but not climate adaptation and resilience. Can she write to me about the ways in which the Bill addresses those resilience and climate adaptation issues?

Baroness Scott of Bybrook (Con): I will read *Hansard*, then write to her and put a copy in the Library.

Baroness Lister of Burtersett (Lab): My Lords, this debate has shown the importance of some of the gaps in the Government's levelling-up mission. It also shows how social and environmental justice are intertwined in terms of child poverty, the environment and disability, as we have talked about. They gel together well as a set of amendments.

I am very grateful to noble Lords who spoke in support of Amendment 4. Some powerful speeches have enriched the case for adding a child poverty mission to the list of missions. I am very grateful to the noble Lord, Lord Young of Cookham, who looked for a way through without an extra mission but looking at how the current missions could be adapted. It was very disappointing that the Minister rather rejected that olive branch—that way out or way through—and has not even agreed to take it away and consider it as an option.

I thank the Minister for engaging with the issues raised, but, needless to say, I found her response very disappointing. I think she said that the Government accept that child poverty is an issue that we must keep an eye on, manage and act on—but where is the Government's child poverty strategy? There is none. It is simply not good enough to say that it is all about getting parents into paid work, without even acknowledging the growth of in-work poverty and the number of children in families who have someone in paid work and yet are in real, serious poverty.

The Minister said that she did not want to have targets that would just take people above the poverty line. That is one of the reasons why the amendment talked about deep poverty, not simply getting those just below the line over it. It is a shame that the noble Baroness, Lady Stroud, could not be here, because her Social Metrics Commission has done a lot to draw attention to the increasingly serious issue of the depths of poverty. We now have organisations such as the Joseph Rowntree Foundation talking about destitution. In our modern-day society, this is really not something to be complacent about.

The Minister said, "we are not complacent", but she then went on to repeat all the wonderful things that the Government are doing, none of which is reducing child poverty—they may be managing it but are not reducing it. It is irrelevant to this amendment to say that we are doing this and that, because those things are not serving to reduce the level of child poverty. I am afraid that, for me, that smacks of complacency.

I do not want to keep people from their dinner. The Minister said that she hoped that we would be reassured by what we had heard and withdraw the amendment. I will of course withdraw, but do not take that as me being in any way reassured. I am not. We will have to consider whether we want to come back on Report with an amendment on child poverty. But, for now, I beg leave to withdraw.

Amendment 4 withdrawn.

Amendment 5 not moved.

House resumed. Committee to begin again not before 8.32 pm.

Subsidy Control (Information-Gathering Powers) (Modification) Regulations 2022

Motion to Regret

7.33 pm

Moved by ***Baroness Randerson***

That this House regrets that the Subsidy Control (Information-Gathering Powers) (Modification) Regulations 2022 (SI 2022/1152) remove important requirements to consult the devolved governments in relation to subsidy control policy and undermine a United Kingdom wide approach to the regulation of subsidies.

Relevant document: 19th Report from the Secondary Legislation Scrutiny Committee

Baroness Randerson (LD): My Lords, I put down this regret Motion because the purpose of this SI runs directly contrary to the points of principle that we on these Benches argued for during the passage of the Subsidy Control Bill. We argued for more consultation with devolved Administrations; instead, this SI reduces it.

In explanation, this instrument removes an obligation for the CMA to consult with the devolved Administrations when preparing or revising the policy statement in relation to information-gathering powers, which are used by the Competition and Markets Authority's Subsidy Advice Unit under the terms of the Subsidy Control Act 2022. It also removes the requirement for the Secretary of State to consult the devolved Administrations when making regulations about penalties in relation to these powers.

The Act established a new subsidy control regime to replace the EU's well-established state aid. The Government's aim was to enable local authorities and devolved Administrations to deliver subsidies more tailored to local needs. The CMA, via its SAU, has a monitoring role, and there are penalties for not complying with its information-gathering powers.

The Act touches on a sensitive area of overlap between reserved and devolved powers: subsidy regulation is reserved but economic development is devolved, and, clearly, subsidies are an important economic development policy tool. When the subsidy control powers operated under the EU umbrella, DAs worked to a pretty clear and non-party-political framework of rules. On paper, the Government's aims in making the new framework more sensitive to local needs should make economic development easier for devolved Administrations and local authorities. However, these regulations undermine the whole principle of sensitivity to local needs by removing the obligation to consult.

There are additional aggravating features to this situation. First is the lack of any previous notification that this was the Government's intention. I can find no specific announcement during the passage of the Bill that this was how the Government intended to use their power. The Welsh Government inform me that they were first informed on 21 July, when shown a draft of these regulations. At official-level meetings prior to this date, there had apparently been none of the usual courtesies of giving advance information on the Government's direction of travel, which would have enabled Welsh Government officials to have some input into the drafting.

Secondly, there is the opaque way in which this legislation is drafted. Although these regulations flow from the Subsidy Control Act, they implement an implied amendment to the internal market Act. Noble Lords will recollect that that Act was controversial from a devolution perspective: the DAs did not grant legislative consent, and attempts were made to amend the Bill to take greater account of the economic development responsibilities of devolved Administrations. These regulations mean that the internal market Act remains drafted as is from the textual standpoint but with an implied textual amendment which will have the effect of removing the requirement to consult with devolved Administrations. It will give the Secretary of State more discretion on penalties and give the CMA more discretion on policy relating to subsidy control. The CMA Subsidy Advice Unit already has no obligation to give due regard to DA opinions, and this is another blow to the possibility of positive relationships between devolved Administrations and the UK Government. This is a pity, as I am told that relationships between the SAU and officials in devolved bodies have been very positive, so there is no good reason to change the balance of powers. As well as removing the obligation to consult, this also removes any possibility of challenge if devolved opinions are ignored. I suspect that this is the Government's intention here: governing always seems easier if you shut yourself away and do not listen.

These regulations will bring the duties placed upon the SAU out of line with the duties placed on the CMA's Office for the Internal Market, suggesting that a similar retrenchment of devolved powers may be likely for the latter. Do the Government have such plans?

Further aggravating features were brought to our attention by the diligent work of the Secondary Legislation Scrutiny Committee. It expressed concern that the Government's explanation or defence of the removal of this obligation to consult is that the CMA and the Secretary of State will still have to consult the devolved Administrations if their interests are "sufficiently affected". The SLSC stated that, in the absence of any definition of this term, it is worried about how it will be interpreted. I hope the Minister can be very explicit on how the new rules will be interpreted.

The SLSC also drew our attention to a serious error in the Explanatory Memorandum, which said that the DAs had not objected, when in fact they had done so unequivocally. The EM has now been corrected, but this is a serious error—much worse than the usual omissions. If the views of the DAs on the regulations governing consultations are misrepresented, it is hard for us to have confidence in the good faith of the consultations that flow from them.

In summary, these regulations will impact adversely on economic development opportunities in the devolved nations and hinder the ability of the DAs to shape the subsidy regime of the future. They reinforce the view that this centralising Government are determined to take every opportunity, however small, to undermine devolution. I realise that the Government want to hold all the reins of power, not least because, in this case, carefully placed subsidies are an easy way to bolster support in chosen parts of the country. The same principle underpinned the Government's decision to centralise the shared prosperity fund and to cut the Welsh and Scottish Governments out of decision-making. The outcome of the first round of that funding makes my point for me.

I urge the Minister to think long term. Every time the Government chip away at devolution, they persuade a few more voters living in the devolved nations to give up on devolution and move to support independence. The Government should instead be bolstering good relations with the devolved Administrations, and that means respecting their powers and opinions. The Government are in danger of making enemies out of friends. The Welsh Government are not the Scottish Government; they are not predisposed to object to

everything. I am sure the Minister will seek to reassure me that consultation with the devolved Administrations will in fact continue, but unfortunately the evidence is already there that it is pretty sketchy and corners are cut on existing obligations. I thank the Minister for his prior interest in my concerns on this, and I assure him that I will listen carefully to his response.

Baroness Blake of Leeds (Lab): I thank the noble Baroness, Lady Randerson, for her clear and explicit exposition of the concern here. I have read the Welsh Government's report, and significant concerns are raised in it. As we have heard, the Secondary Legislation Scrutiny Committee, which we have to take very seriously indeed, expresses concerns.

Misrepresentation has to be taken extremely seriously. My experience is of working at a regional level, having responsibility for money coming in through the form of subsidies and navigating the area of state aid. That is significant and important in building relationships and establishing trust and transparency in an area where there are competing interests. Every subsidy will be scrutinised, and there will be questions about why one area has got one as opposed to other areas.

7.45 pm

Throughout the debates that we have had in this place on subsidy control, one of the areas that has come up repeatedly is timeliness of information-sharing and consultation, in particular with the devolved authorities. Any suggestion that these regulations have the effect of removing the obligation of the Government and the CMA to consult the devolved Administrations needs to be treated with respect and concern. I think there is a view that this is indeed a retrograde step, taking us back to an area that we hoped we had moved on from, in the sense of Whitehall knowing best.

The question for the Minister is why, at this time when there is stress on relationships between our nations, this is an appropriate step to take. We have seen the log-jam with the Northern Ireland protocol, we have uncertainty in our relations with the Scottish Administration, and, as we have heard tonight, there is a shadow over relations with the Welsh Minister which needs to be taken very seriously. Can the Minister tell us why, at this time, the Treasury sees this as an area where it will have discretion and will not take due account of how the relationships will be assessed? Surely the Treasury needs to have more information and intelligence from the devolved Administrations and the nations to make it work.

As has been highlighted in the reports we have seen, the question is really around the discretion of the CMA and the lack of definition of the rules that it will follow. For example, who determines who is "sufficiently affected"? We are all looking for the Minister to explain how this will work in practice and how the Government aim to avoid any conflict between His Majesty's Government and the nations which have previously been consulted.

This goes to the heart of questions around the devolution settlements. We need to know what implications this has for other parts of those arrangements. We are concerned that this could be a forerunner of other measures that could be brought in to reverse the trend of devolution that has been established over the past 25 years.

We do not support this measure—I hope my comments have made that clear. We are particularly concerned that it represents the thin end of the wedge, and we have enormous concern about the damage that this could have on future relations between London, Belfast, Cardiff and Edinburgh. This measure, although it relates specifically to consultation, demonstrates why the approach to devolution generally needs to be considered in the round. Everything we do in this place must lead to growing trust in this area.

Lord Dodds of Duncairn (DUP): My Lords, I wish briefly to raise a couple of issues. First, the report of the Secondary Legislation Scrutiny Committee refers to the responses from the Scottish and Welsh Governments. I am keen to understand what type of engagement there was with the Northern Ireland departments. We recognise, of course, that there is no Northern Ireland Executive or Assembly, but the Select Committee on the protocol, of which I am a member, has received many regulations and explanatory memorandums. This indicates that, while there is the absence of devolved government, officials are engaging on a departmental level and seeking responses and input on behalf of Northern Ireland. I would be interested to know what consultation took place with departments in Northern Ireland. If there was such consultation, what was the response?

The second issue I would like clarified is how the statutory instrument interacts with Article 10 of the Northern Ireland protocol. Article 10 puts Northern Ireland outside the UK subsidy control regime and means that we are subject to EU state aid rules. The territorial application of this instrument appears to extend to Northern Ireland. I would like clarity for those in Northern Ireland, who are always seeking to understand the interaction between our own domestic UK legislation and the laws that now govern us from the European Union. We are unique in that respect, so I would like some clarity on the interaction between this instrument and the fact that we are under EU state aid rules.

Lord Fox (LD): My Lords, it is a great pleasure to follow the noble Lord, Lord Dodds, and the noble Baroness, Lady Blake, who, alongside the noble Lord, Lord Coaker, and my noble friend Lady Randerson, have the scars of the Subsidy Control Bill on our backs. We all worked on its passage, and my noble friend Lady Randerson also worked on the United Kingdom Internal Market Bill, to which she referred.

The wheels of ministerial responsibility have turned, and we have a different Minister answering some of the questions which, as my noble friend pointed out, were previously raised. I am grateful to the noble Lord, Lord Dodds, for raising Northern Ireland, because the ambiguity of the Northern Ireland regime was something we discussed many times with the Minister's predecessor. That issue was never properly resolved from the Dispatch Box; perhaps a new Minister can provide some more clarity.

[Lord Fox]

It is difficult to look at this, having been through the passage of the Subsidy Control Act, and feel that the Government were operating in good faith during that process. This is exactly what we said would happen, and it was essentially denied from the Dispatch Box, so here we are. I would dispute a little with the noble Baroness, Lady Blake: I do not think this is the thin end of the wedge. We have seen the thin end, and we are moving up the wedge as far as the Government's attitude towards the devolved Administrations and devolved power is concerned. This is just another example, and it clearly shows that the Conservative model for taking back power is to remove power from the devolved Administrations, as well as assuming power from Brussels.

My noble friend pointed out that this comes at that difficult nexus between devolved and reserved powers. That is what the common frameworks process was established to deal with. Can the Minister tell your Lordships' House why the common frameworks process was not considered the right way to resolve this issue, which, as my noble friend rightly said, sits on the border between devolved and reserved issues? That is exactly the reason why the common frameworks were put in place.

My noble friend illustrated the non-political system that was practised between the EU and the devolved Administrations. There were strict legalistic rules which set up how the money was distributed. But now, all the evidence suggests that His Majesty's Government are departing from what I would call a legalistic framework and working to political grace and favour. Political allocation of subsidies is clearly what is happening. We only have to look at what has happened to date. Under the cover of bidding processes, money is being allocated where it suits this Government best for their electoral prospects. This is a big departure from the legalistic approach the European Union established. We could set that aside and say that this is clumsy, which it is. We could perhaps understand if the Government rushed into this in haste without proper consultation with the devolved Administrations. I would like to think that was true. It would be easier to illustrate that if the Minister could tell us whether the CMA requested these powers, why it requested them and when.

It is clear that this has again upset the relationship with the Welsh Government and, I am sure, with the other devolved Administrations, as we heard from the noble Lord, Lord Dodds. Why are the Government being so clumsy on this? What, in the long run, are they seeking by cutting themselves off from the information supply? The noble Baroness, Lady Blake, said that the Government are cutting themselves off from valuable information which should be available. I can only take the gloomy view of this. This instrument makes the process of what I will call "subsidy gerrymandering" easier. For that reason, we find it unacceptable.

The Minister of State, Department for Business and Trade (Lord Johnson of Lainston) (Con): I thank the noble Baroness, Lady Randerson, for tabling this Motion and the noble Lords, Lord Dodds and Lord Fox, and the noble Baroness, Lady Blake, for their incredibly valuable contributions. I am also well aware of the nature of this debate and how it relates to devolution and the important sense of respect between the UK Government, the devolved Administrations and public authorities. I stress my own personal sensitivity to this matter. I note the comment of the noble Baroness, Lady Blake, about the timeliness of the responses sought by devolved Administrations; I will ensure that I relay that to my colleagues. I also want to stress the importance we place on interlocution with the Welsh Government.

This is a technical debate. The specific matter of the subsidy advice unit, which I am going to cover this evening, involves a number of technical aspects. I am extremely comfortable with having further conversations with any noble Lords about any of the specifics we are discussing, as I did over the weekend with the noble Baroness, Lady Randerson.

The noble Lord, Lord Dodds, mentioned consultations relating to article 10 and the subsidy advice unit, and I am happy to provide the noble Lord with a fuller answer on that. It would not cover subsidies that would come under the EU state aid rules because clearly, the subsidy advice unit is for UK-based subsidies. There are some services it will be relevant for, which I am happy to talk about in further detail later.

I also reassure the noble Baroness and other contributors to this very important debate that in this instance there is no lack of respect. There has been no abdication by central government of responsibilities and duties to devolved nations. We are not shutting ourselves away, as may have been suggested. This is not a forerunner of a roll-back of devolution. It is not a power grab, as has been mentioned. I would not suggest that, relating to this specific issue, this is even the tip of the thinnest end of the wedge; I do not think the wedge comes into it. Hopefully, I will now explain why.

The measures contained in this and various other pieces of legislation relating to it actually give devolved nations more flexibility—as has been said by the noble Baroness—to design their subsidies so that they can rightly ensure that all such support is directed to local priorities, better serving their citizens and enabling, frankly, a far better series of targeted outcomes. This is, if noble Lords will allow me a reference, what we talk about when we use the phrase "Brexit dividend".

8 pm

I turn to the Subsidy Advice Unit. The SAU is exactly that; it is a body which sits in the Competition and Markets Authority to help public authorities—devolved nations—ensure that their subsidy programmes do not contravene our international obligations. It is well-staffed and resourced and answers directly to Parliament—this has been raised in past debates that many noble Lords have attended and which my predecessor so ably responded to. It is advisory and is not a panel of arbitration, nor does it pass sentence on subsidy programmes—that is very important. I am not suggesting that anyone may have confused different bodies, but I want to emphasise that point. I will go on to explain this a bit further. It monitors the health of the overall subsidy regime and necessarily requires information-gathering powers in service to this aim; the importance of information was mentioned by the noble Baroness, Lady Blake. Through the twin advisory

and monitoring roles undertaken by the SAU, the new regime ensures a high degree of transparency accordingly, which I think many of us will welcome.

It is a very useful mechanism to help assist and advise all parties to ensure that they and we follow the laws and agreements already established in relation to subsidies that risk having more distortive effects. It is a resource which public authorities, including the devolved Administrations and the Secretary of State, will find useful when referring subsidies and schemes under the regime. To reduce confusion, it is not an entity to which bodies can refer each other, which is an issue that has been raised in the past. It does not call in subsidy activity. That is for the Competition Appeal Tribunal—which is a separate matter and not relevant to this discussion—to which all bodies have equal access and to whom interested parties can apply for a review of a subsidy if they believe the subsidy requirements under the Act have not been complied with. That is a separate point—in terms of the discussion around the SAU having some type of referral powers, that is the Competition Appeal Tribunal, which is separate.

However, as has been mentioned in previous debates, the SAU will clearly take seriously any information given to it by any body relating to a subsidy issue. That is very important; it is a clear code of practice, so it is not trying to isolate itself from necessary inputs. However, noble Lords should note that the SAU has a limited role, and as such it would not be involved in judging a subsidy and whether it is appropriate or not. It merely focuses on ensuring that the public authorities who can or must make a referral have been justified in their assessment against the subsidy control principles and the other requirements which were established by the Subsidy Control Act.

I want to talk a little bit about the Secretary of State and how she fits into this. The Secretary of State sits above this structure as a Minister of the UK Government and, since subsidy control is a reserved matter, rightly she is responsible for designing the subsidy control regime, including the role of the Subsidy Advice Unit and how it should operate, which includes setting the rates of fines for non-provision of information and other relevant or technical matters. This is very specific. The regulations we are discussing today also stipulate that the Secretary of State should consult any such person she considers appropriate to consult, as clearly any changes require sensitive handling and clear communication. Just to clarify this further, the Subsidy Advice Unit carries out its activities independently, but it is right that the Secretary of State has a role in setting the framework for those activities, since she is ultimately responsible for ensuring that the UK remains consistent with our international trade obligations. Any significant changes to the mandate of the Subsidy Advice Unit would require consultation—I stress this point, as this has come up in the debate; I am thinking of comments made by the noble Baroness, Lady Blake—aside from the fact that we would be committed to doing that as a point of good management.

The Subsidy Control Act takes the information-gathering powers provided to the Competition and Markets Authority by the UK Internal Market Act and modifies them for the Subsidy Advice Unit's important monitoring role in the new subsidy control regime. The regulations we are discussing today give effect to that modification by removing unhelpful and unnecessary references contained in the UK Internal Market Act which relate to the role of the devolved Administrations.

Comments were made that the consultation process was not to the liking of some noble Lords—

Lord Fox (LD): Before moving off the point, to take what the Minister has said, I still do not quite understand why, if the CMA still had to consult the devolved Administrations in the way that it would have to without this measure, how that consultation would stop it doing anything that the Minister has just described that it will be doing. In other words, what is the purpose of removing that obligation to consult?

Lord Johnson of Lainston (Con): There are a number of useful procedural and technical reasons for doing that. The point is that the Subsidy Advice Unit is exactly that; it is an advisory unit which the devolved Administrations or local authorities will call in themselves in order to review whether their subsidies conform to our international agreements. There are some specific areas where these might be reviewed—I think that if it is above £5 million, that would automatically trigger some of them to review—but these are reserved powers and this relates to an advisory unit, so this is effectively tidying up the process. That allows the Secretary of State to have more control over the framework. I think we agree that setting levels of fines for non-provision of information, which is very important; it would not be helpful if devolved nations or local authorities were not providing the information we need in order to ensure that we are running an effective subsidy regime, and to ensure that each of the other devolved nations were able to view what each of the others were up to. Therefore it is absolutely right that the Secretary of State can set those rates, and it would not be appropriate for that to go to consultation, because it is a reserved matter and specifically relates back to the devolved nations. I hope I have explained myself; I am very happy to have further meetings on this at a later date. I have a few more comments to make, and then I will come to the end.

It is important to note that the Government have engaged regularly with the devolved Administrations on the design of a UK-wide subsidy control regime. Clearly, the whole point is to make this regime a positive factor of the post-Brexit vision of Britain. This is both at official and ministerial level, including through a regular policy forum. It is in all our interests to ensure that the regime works for the whole of the UK and enables the UK's domestic markets to function properly. I note that as part of its outreach programme for public authorities, the Department for Business and Trade delivered in-person events in Belfast, Cardiff and Glasgow, and dedicated online sessions for public authorities in Wales and Northern Ireland. The series, attended by 1,500 people in total, also helped build awareness and understanding of the new regime among public authorities.

Therefore, while it is right and proper for debates in this House and for legislation to reflect important points of principle, such as the difference between

[Lord Johnson of Lainston]
reserved and devolved competencies, I hope noble Lords will be reassured that the actual delivery of specific polices, such as the administration of the UK's subsidy control regime, is much more practical and pragmatic in nature. The Subsidy Advice Unit and Department for Business and Trade have had a productive and positive working relationship with counterparts in the devolved Administrations throughout the development of the new subsidy control regime. His Majesty's Government are absolutely committed to maintaining that working relationship and looking for further opportunities to collaborate with devolved Administrations as we look to the future of the regime as well. We are not trying to make enemies of friends. For those reasons, I ask the noble Baroness to withdraw her Motion.

Baroness Randerson (LD): I thank the Minister for his response and thank all noble Lords who have taken part in this short debate. In particular, I thank the noble Lord, Lord Dodds. With the many months that have passed without the Northern Ireland Assembly, we here speak only too infrequently of Northern Ireland in terms of devolution. It is important that we very much keep the situation at the front of our minds, because it is very complex.

I remind the Minister that I was in the Wales Office for three years and that I have spoken here on Northern Ireland as well. I know that consultations and relationships with the devolved Administrations need time, hard work, patience and respect, and I am pleased that he repeated the importance of respect. However, I also know that it helps to have a formal structure for consultation; that makes certain that corners are not cut. The error in the Explanatory Memorandum exemplifies that this is the sort of situation which would not have occurred if there had been proper consultation on the long-term implications, as there should be on this. The important thing here is not whether the SAU is advisory but the fact that the process overall, including the role of the Secretary of State, includes penalties for non-compliance for information gathering. When a penalty is involved, there are bound to be concerns about a lack of consultation. If this had been properly flagged up during the passage of the Bill, there would almost certainly be far weaker grounds for objection by the devolved Administrations. In effect, this is an SI to amend primary legislation, which is why they are concerned.

I repeat the meaning of the final words of my opening speech: how can a system established to cater for local needs seek to do so by centralising decision-making and ruling out consultation? If it is going to be sensitive to local needs, it should increase consultation. I will look very closely at the Minister's detailed response, for which I thank him. I do not intend to push this to a vote, but I think it will be of interest to the devolved Administrations and to noble Lords across this House who are interested in devolution. I beg leave to withdraw my Motion.

Motion withdrawn.

8.12 pm

Sitting suspended.

Levelling-up and Regeneration Bill

Committee (1st Day) (Continued)

8.32 pm

Amendment 6

Moved by ***Baroness Taylor of Stevenage***

6: Clause 1, page 1, line 14, at end insert—

"(2A) A statement may apply to one or more region or nation of the United Kingdom."

Member's explanatory statement

This probing amendment means that a statement can be directed at a specific region or nation.

Baroness Taylor of Stevenage (Lab): My Lords, I shall move Amendment 6, in the name of my noble friend Lady Hayman of Ullock, and speak to Amendment 17, to which she has added her name, Amendments 22 and 23, which are in her name, and Amendments 35 and 40, which are in my own name. I am grateful to noble Lords who have submitted amendments in this group, relating to the very important question of how the Levelling-up and Regeneration Bill is treated in relation to the nations and regions of the UK.

In the excellent debate in your Lordships' House on the scrutiny of common frameworks between the nations of the UK, my noble friend Lady Andrews set out the view of the committee that we could face an unfulfilled opportunity to build a more resilient, innovative and equal union. When I spoke for the Opposition at the introduction of the Second Reading of the Levelling-up and Regeneration Bill, I referred to this and the committee's work and said there was a huge opportunity in the Bill to ensure that we now build on the work of the noble Baroness's committee, the work of the Dunlop review and the review carried out by the former Prime Minister Gordon Brown, and ensure that levelling up across the nations and regions of the UK becomes an absolute of the Bill. It must not be something that needs to be worked on for years after the Bill has passed to make sure its reach is wide enough geographically, ambitious enough to reach every part of the UK equally, and flexible enough to allow for the diversity of economies, geography and demographics that make up our union.

The Minister set out that this legislation is intended to be enabling legislation but, unless there are mechanisms to enable the legislation to take effect, how can we sure that it will be effective across the nations and regions of the UK? Unfortunately, what appear to have been noble aims towards devolution in the White Paper have not been realised in the Bill, which leans towards centralising, controlling the nations and regions from Whitehall, with little real commitment to fiscal or actual devolution. I am sure that that is not what was intended, but it may happen as a result of what is in the Bill. We simply cannot carry on with a model which sees the UK being the most centralised state in western Europe; nor can we see that exacerbated by this Bill and expect that the feelings of communities across our nations and regions that they are ignored, invisible and treated as second-class citizens will get better.

I have been a passionate advocate of devolution for many years because, in local government, we see the strength and energy when local innovation and energy

are harnessed to drive economic, environmental and social development. Too often, however, the powers and funding needed to support this are lacking. There is no better example of this than the experience of local government funding over the last 13 years, which has seen £15 billion stripped out of funding in our communities to be replaced by £2.8 billion of funding from the notorious levelling-up fund. It does not take a mathematical genius to see that this is anything but levelling up.

While some in this House may find parts of Gordon Brown's report challenging—even on this side of the House—the evidence that he cites from Professor Philip McCann, that half the UK population live in areas no better off than the poorer parts of the former East Germany and are poorer than parts of central and eastern Europe and the poorest states of the USA, is irrefutable nationally recognised evidence. The amendments submitted in relation to ensuring inclusivity of the nations and regions of the UK are a vital part of ensuring that we stop developing the potential of just some of the country and make a real irreversible shift in prosperity. As former Prime Minister Brown says in his report, we want Britain to be

"an equal opportunity economy – where, with the right powers in the right places, every community can play their full part in delivering national prosperity."

Later this week, we will be considering progress on the recommendations of the Dunlop report. In 2019, the noble Lord, Lord Dunlop, made recommendations about how to develop relationships, build trust and improve democratic accountability by

"encouraging a better understanding of the respective roles of the UK and devolved governments, and in particular the UK Government's role in serving people across the country."

He urged government towards

"a more predictable and robust process for managing intergovernmental relations".

Of course, there are many elements to delivering this but to completely leave out of this Bill any reference to how levelling up is to be achieved across our nations and regions seems a huge missed opportunity. I hope that the Minister will consider these amendments with favour as the Bill goes through its Committee stage in your Lordships' House.

All the amendments in this group relate to that. They talk about the statement of levelling-up missions being referred to Scotland, Wales and Northern Ireland where the whole or greater part of the responsibility lies with Scottish Ministers or Welsh Ministers or the Northern Ireland Executive. The amendments also talk about consulting with representatives of each devolved Administration as the statement comes into effect—indeed, that the statement would only come into effect once that has been done—and that the statement should be approved by Parliament, in consultation with the devolved Administrations. All these amendments are there to make sure that, across Scotland, Wales and Northern Ireland, as well as the regions of England, there is proper consultation on any element within the Bill as well as the way that the missions are formed or changed and on whether there is a mission statement that is required by a devolved Administration or a local authority where it relates to a devolved function.

As I say, I hope that the Minister is taking account of these discussions, and I look forward to hearing the debate.

Lord Thomas of Cwmgiedd (CB): My Lords, I will speak to the amendment tabled in my name and those of the noble Baronesses, Lady Finlay of Llandaff and Lady Hayman of Ullock. I am most grateful for their support.

The point raised by the amendment goes to a very important constitutional issue. We are not discussing what the levelling-up mission should be but the allocation of responsibilities. It takes us to the heart of the devolution settlements. I have used the word "devolution", and part of the problem arises from the fact that this Bill deals with devolution—there is a whole section on it—meaning devolution to English councils. Maybe the person who started to think about this Bill forgot that devolution in relation to Scotland, Wales and Northern Ireland is something completely different. I think they failed to recall, first of all, that primary legislative powers in respect of many areas to be covered were passed to Scotland, Wales and Northern Ireland and the Governments of those countries. I use the word "Governments", because I think this Government have now got away from the Johnsonian phrase of "Administrations"—no doubt an attempt to belittle them. These Governments have responsibility in very important areas.

I wonder if it might be sensible, for the future, to distinguish between the two senses of the word devolution that this Bill has introduced. Maybe we should talk about "home rule" as part of the union for Scotland, Wales and Northern Ireland, or maybe we should talk about it as "national devolution". We need to distinguish it from English devolution, because that is where the muddle has occurred.

The Minister helpfully sent us the list of subject matters that are to be covered by the mission statements taken from the White Paper. It is quite interesting to look down them and see how they deal with the problem that arises in relation to areas where policy has been partially or completely devolved to the nations of Scotland, Wales and Northern Ireland. One feels that someone, at some stage, should have understood this.

On education, the White Paper says:

"By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90% of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third."

But what of Scotland, Wales and Northern Ireland? Plainly, at that stage, the person who drafted this had their thinking cap on, because they realised they could not do it. But then one goes on to look at well-being:

"By 2030, well-being will have improved in every area of the UK, with the gap between top performing and other areas closing."

As a statement of motherhood and apple pie, I cannot think of anything better, but the draftsman has plainly forgotten that Wales has its own primary legislation on well-being.

One could go through all aspects of the White Paper and pull out the details, but I raise these points because there is here the issue of how you deal with wishing to make statements that are applicable across

[Lord Thomas of Cwmgiedd]
the UK while taking into account that the UK Government have no power over certain areas—they are completely or substantially devolved.

As I understand it, the authors of the White Paper—here I think the problem may have arisen—did not understand devolution. They make the statement, at page 121 of the White Paper, that:

"Unless otherwise specified, the missions apply across the whole of the UK.

But then they go on to say that:

"Devolution settlements mean the policy levers"—

extraordinary words to describe the devolution of substantial areas of government—

"for achieving aspects of these missions are devolved to administrations in Scotland, Wales and Northern Ireland. Because levelling up outcomes for citizens needs close collaboration between all levels of government, a period of consultation on the missions will be undertaken with devolved administrations. The best way forward on sharing learning and comparing progress in these areas will be agreed with devolved administrations."

8.45 pm

What this does not grapple with—and in consequence the Bill does not grapple with—is on one hand the desire to have a levelling-up map across the whole of the UK and on the other the essential need to accept that, in the case of Scotland, Wales and Northern Ireland, the areas of policy that are devolved must be the subject of agreement with the Governments of Scotland, Wales and Northern Ireland. Without such agreement, there is a real prospect that these mission statements will conflict completely with the Scotland, Wales and Northern Ireland Acts of 1998. These, being constitutional Acts in primary legislation, make clear where the responsibility lies.

This is a very important aspect. We are at a time when circumstances show that we may be able to make a great step in holding our union together. I welcome what the current Prime Minister has done in making it clear he wants to uphold devolution to Scotland, Wales and Northern Ireland and to work constructively with their Governments. One can see that the events of last week have given a real opportunity for this to happen. So it seems to me that this is a golden opportunity for this Government to say, "Okay, we understand devolution"—that would be a great step forward—and, secondly, "We will seek agreement with the Governments in Scotland, Wales and Northern Ireland as to how they think there should be missions and what their targets would be, bearing in mind that for those countries that is their responsibility". If we do not do that, we are throwing away a great opportunity and endangering the union. As the revised legislative consent memorandum laid before the Senedd says, at paragraph 51:

"It is not for UK Government Ministers to set targets for these matters in Wales".

On that, it is quite right, as a matter of law.

I should hope that there would be co-operation and agreement, and I am not going to get embroiled in who said what to whom. It is for the Minister to tell us what is being done to seek agreement. Where are we going on this? Are we going to have what my amendment proposes—namely, that these statements will not be made in respect of Scotland, Wales and Northern Ireland unless there is the consent of the devolved Administrations and their legislatures?

If we do not get that, we are plainly into Sewel territory. I think we ought to pause and reflect where we are going with the union. There is this Bill, and there will soon be the retained EU law Bill and the strikes Bill; all contain serious issues in relation to the Sewel convention. We are getting close to the position where it can be said that the Sewel convention is being so undermined that it really is not a convention any longer.

I ask the Government to consider very carefully where we have got to and where they are taking us. The Bill gives them the opportunity to say, "Yes, we acknowledge the fact that, in effect, there is home rule—something completely different from what English councils have—and we will work with the legislatures. We will agree what should be done in a way that will show that this Government are capable and enthusiastic about maintaining the union by accepting we have devolution, where policy powers in these significant areas covered by the Bill were transferred." That is what my amendment seeks to do.

Lord Stunell (LD): My Lords, it is a pleasure to follow the noble Baroness, Lady Taylor, and the noble and learned Lord, Lord Thomas. They have laid some very important foundations for my Amendment 29 which, I think, will take noble Lords into territory they have not explored before.

I want to make it clear that we strongly support the principle of levelling up. We welcome the analysis in last year's White Paper as it strongly supports the case that many of us have been pressing for over decades: when policies and state investment are shackled to rigid short-term cost-benefit analysis, the rich will routinely get the investment and the poor will automatically lose out. I illustrated that by reference to investment in green jobs in the last debate. The White Paper identifies the situation in this way:

"In the UK, the depletion of civic institutions, including local government, has gone hand-in-hand with deteriorating economic and social performance."

I agree with the authors of the White Paper's analysis of what institutional and government changes are needed, which is to strengthen the civic institutions—including local government—as an important step to reversing the deterioration in economic and social performance.

We also support what the White Paper says about the setting of time-bound targets and long-term missions to achieve them. We strongly believe that those missions must be properly established, monitored and held in common democratic ownership—a point that the noble and learned Lord, Lord Thomas, was expressing in slightly different language. That, I believe, is exactly in tune with the spirit and the words of the White Paper but, sadly, it is completely missing from the Bill itself. This amendment is designed to improve the Bill and, in turn, make levelling up a reality, not just a slogan. The focus of Amendment 29 is, therefore, on the missions and how they are to be established and by what process they should, over time, evolve. We heard from the Minister earlier on—for that matter, it was

reinforced by the noble Lord, Lord Lansley—that the view in Whitehall is that it should be controlled, managed, described, evaluated and monitored by Whitehall. The way we are proceeding rather tends to suggest that this is the prevailing consensus, though I hope not.

People are frequently heard to say that the missions are set out in the Bill. In fact, the Minister—in what was, no doubt, a slip of the tongue—said exactly that in the previous debate, though she did subsequently refer to the White Paper. The Bill and the White Paper are not the same documents. This House can change the Bill; whether we do remains to be seen but we can, in principle. We cannot change the White Paper and the missions are set out in the White Paper, not the Bill. There are six capitals set out, and the missions enhance the six capitals; then there are five pillars which are what the 12 missions stand on. I have not actually seen the drawing that shows how this all goes together. Anyway, neither the missions, the capitals nor the pillars are in this Bill.

It has also often been said, sometimes by the Front Bench opposite, that the missions will powerfully hold this and future Governments to account. No, they will not; the Bill says that Ministers can chop and change the missions when they see fit. So far, not one of the 12 missions in the White Paper has been approved by Parliament. Indeed, come the autumn, changed circumstances—it might be poll ratings, it might be a new Prime Minister, it might be almost anything these days—might dictate that additional missions should be promulgated, or existing ones cut or modified.

At that time, noble Lords may or may not be allowed to debate the statement when it comes forward, but we certainly will not be invited to amend it, and nor will any of the democratic institutions around the four nations be invited to do so either, notwithstanding what the White Paper has to say. On page 100 it says:

"Local decision making has tended to generate better local economic performance, as local policies are tailored to local needs. There is an empirical correlation between the degree of decentralisation of decision making and … disparities in economic performance".

I am sure that noble Lords fully understand what that quotation means, but it says in plain words that if you give the decisions to local people, you will get better economic performance.

Unfortunately, that insight has not yet led anybody in Whitehall to consider asking those local decision-makers what missions might work best in their circumstances. That is despite the White Paper setting out one of the five pillars—we have not heard much about the five pillars until a couple of minutes ago—on which this all stands. One of them, set out on page 105, is,

"greater empowerment of local government decision-making".

I hope that the abrupt reversal of the approach set out in the White Paper with what is actually provided to us in Clause 1 is more a result of traditional Whitehall hubris than of a traditional bait-and-switch trick, where we are all so longingly looking at the promised land of levelling up that we fall right into the hole of rigid centralisation in front of us. That is what the mechanism in Clause 1 does.

Whether it is pride or trickery, the fact of the matter is that it is absolutely contrary to the spirit of the White Paper and its recognition that local decision-making produces better results. This amendment is designed to get back to the words and the spirit of the White Paper and to embed the missions in a democratic countrywide consensus that can survive rotating chairs around the Cabinet table or the perils of the ballot box.

I was not at all impressed by the argument advanced by the noble Lord, Lord Lansley, that an incoming Labour Government would want all the reins in their hands. Of course they would; anybody running the Government in Whitehall would always want to have all the decisions at their command, but this will succeed or fail on whether it has broad democratic countrywide consensus. It will not work if it has autocratic, top-down authoritarian delivery and decision-making.

The White Paper helps me again, because it reports on page 111 that out of 35 OECD countries in 2016, the UK ranked 14th in sub-national share of total government investment. Our main comparator countries have twice to four times larger a share of their total government investment spent through the sub-national Governments and regions of those countries. With apologies to the noble and learned Lord, Lord Thomas, I say that, in this phraseology, sub-national includes Wales, Scotland and Northern Ireland. A direct consequence of that unhealthy small share of investment coming via sub-national decision-makers is that most new initiatives are led by central government, because it has all the money. Of course, that includes how it is intended to be under Clause 1 as drafted, setting all the missions and targets by ministerial diktat and without the opportunity for amendment. They are the missions which everyone else—every other democratic institution in the United Kingdom—is to be beholden to for the next seven years without so much as a by your leave from this Parliament.

Everyone recognises that centralisation of initiatives has not worked out well. Historically, there are many examples. The White Paper says on page 111 that joining up central government policies with the needs of places "has been unusual". You can say that again. One size does not fit all. The White Paper points out that one size fitting all is not a recipe for success.

The White Paper goes on to say that it is even worse than that:

"In the UK, where policy is … set centrally, silos can hinder coordination."

There are so many government silos, I have lost count. There are probably 30; it might be more. Of course, those silos fire random policies out at high speed, with very poor guidance systems, and spatter the whole country.

9 pm

That might not matter if, by some touch of fairy dust, all 12 missions were perfectly formed and equally valid for every part of the UK and every local authority in England. However, that is not the case; the noble and learned Lord, Lord Thomas, has pointed out two or three examples. Even the White Paper makes it clear, for instance, that mission 9 is "exploratory" and requires "further work"—although I notice that it still has a delivery date of 2030, just seven years away.

[LORD STUNELL]

The White Paper recognises that Whitehall might need to look for outside help to achieve its intentions, but the Bill completely ignores that hint. The White Paper says:

"Because levelling up outcomes for citizens needs close collaboration between all levels of government, a period of consultation … will be undertaken".

Let us look in the Bill for the mechanism for a period of consultation. It is not completely absent, but it is absent in at least one very important respect, which I shall come to in a second. Our amendment would simply require a process of gaining the consent of the democratic bodies expected to lead and deliver the policies of the missions, with them having the right to sense-check that those metrics and missions are appropriate to their circumstances and, crucially, where they are not, vary them for that area to match its situation.

It is one thing to consult; it is another thing altogether to take any account of the messages you receive as a consequence of that consultation. We need to rebalance the levelling-up process and create a partnership between national, subregional and local government throughout the United Kingdom, making sure that Westminster and the devolved Administrations are engaged as well. That, of course, should be the route followed whenever Ministers are minded to add to, change, delete or reprogramme missions in future. It would make the missions the product of a nationwide process, where their ownership is in the hands not just of the Secretary of State for the time being—we had four last year—but of an established consensus, where those missions and their implementation are tailored to the different circumstances and cultures not just of Scotland, Northern Ireland and Wales but within England as well. Our amendment sets out how that should happen, in terms of consultation with the relevant devolved Administration Ministers and with local government in England.

I take the point made by the noble and learned Lord, Lord Thomas, that there are two sorts of devolution—legislatively, there are two forms. Devolution to the devolved Administrations occurs by putting primary legislation in place and is immutable until there is more primary legislation. Devolution to anything in England is just a figment of fashion at the time; it is not embedded in the legislation we have. That makes it all the more important that when Ministers are expressing a view about what the priorities for those authorities should be, they not only consult them but give them the opportunity to comment and amend, in so far as is reasonably practicable.

I believe that this is an essential step in delivering levelling up. It is wholly consistent with the analysis in the White Paper—which, sadly, Clause 1 most emphatically is not. More to the point, it would build and restore the partnerships that will be essential in the long term if we are ever to get near to the praiseworthy outcomes the Government and ourselves wish to see.

Baroness Finlay of Llandaff (CB): My Lords, I added my name to Amendment 17, which was so well introduced by my noble and learned friend Lord Thomas of Cwmgiedd. I will add a few words to emphasise points he has already made. I should declare an interest here: I co-chair the Bevan Commission, which advises the Welsh Government on health issues.

It is incredibly important to recognise that the Governments of Wales, Scotland and, to a certain extent—one hopes it will be fully restored—Northern Ireland have legislative-making powers. Several Acts of Parliament have given them specific powers that have expanded, and they can write their strategy and the way it will be implemented. That is completely different and goes much further than any regions in England, which are quite separate.

The point of this amendment is to move away from simply consultation, which might sound nice and tokenistic and involve signing off, to actually having proper co-production. It needs to be in the Bill to ensure that whichever Government is in place in future, as this legislation sits on the statute book, the relevant Governments will work together to meet whatever the missions are that are then determined over time.

It is important to look, as has already been referred to, at page 121 of the White Paper, which stresses that

"two of the missions are overarching, outcomes-based measures of success for levelling up".

These are boosting living standards and pay and improving measures of well-being across every part of the UK. The Well-being of Future Generations (Wales) Act 2015 has been viewed as really ground-breaking and leading the way for Wales—way ahead of other parts of the United Kingdom. It has influenced the way decisions are made in many walks of life, which people living outside Wales are completely unaware of.

The remaining missions are viewed as intermediate outcomes. As has already been said:

"Unless otherwise specified, the missions apply across the whole of the UK. Devolution settlements mean the policy levers for achieving aspects of these missions are devolved to administrations in Scotland, Wales and Northern Ireland."

I really worry about that wording, because it is not strong enough to recognise the strategic responsibilities and the responsibilities of the devolved Governments in making legislation to fundamentally influence the way that people within their own nations live.

My concern is that, if we do not move completely to co-production of the way these missions are to be interpreted, we will end up with increasing fragmentation across the United Kingdom, rather than increasing coming together. As has already been said, one hopes that there is a glimmer of light, that we might actually be back to consolidating as a United Kingdom: the four nations working together really well, recognising differences, respecting different policies and all wanting the best for the well-being of the whole population of the whole of the United Kingdom. That is what levelling up should be about. It should be about benefiting everybody.

If arguments ensue over the way in which something is perceived to be being directed, or not, there will be dissent, which could be a recipe for a disaster—and it is completely avoidable. I therefore hope that the Government will look favourably on these amendments and table an amendment of their own later to ensure that that co-production is in place.

To illustrate this, a comment that really struck me was at the end of the White Paper, where there are all the ambitions for the different regions and nations—they are there for Scotland and they are there for Wales. However, it struck me as slightly odd that they were all put in together, rather than having the devolved nations separately and then the regions of England stated. This is not to criticise the ambitions—we all need ambitions and things to aim for to improve—but I think that the differentiation between Governments who have primary and secondary legislation responsibilities and the ability of local authorities to move money around in different ways needs to be included in the Bill.

Lord Hope of Craighead (CB): My Lords, I have put my name to Amendments 22 and 23, with the name of the noble Baroness, Lady Hayman of Ullock. These deal with the issue of consent, which I think is crucial to the way in which this problem should be addressed.

Living where I do, north of the border, one of the things that I tend to do when confronted with a Bill is to look at the clause near the end which describes its extent. As happened in the case of this Bill, I started at the front and read through Part 1 and then on into the other parts and so on. When I came to the extent provision, I was astonished to find that Part 1 applied to Scotland, Wales and Northern Ireland, because there is not a hint in the wording of Part 1 that these different Administrations exist. They are not mentioned at all; there is no mention whatever of consultation. That is the reason why, when I saw these amendments, I was extremely grateful to the noble Baroness for raising this issue of consent.

I am also a member of the Constitution Committee, which examined the way in which the whole of the United Kingdom is governed. One of the issues we of course looked at was devolution. There were two words at the start of our report which highlighted the message we wished to convey: "respect" and "co-operation". The Government welcomed our report, and I think they recognised the value of these two words. However, look at Part 1 and ask yourself what it is saying about Scotland, Wales and Northern Ireland; I see very little sign of respect and certainly no sign of co-operation at all. That is a matter of extreme concern, which is why I think it is necessary for some reference to be made as to how the relationships between the United Kingdom Government and the devolved Administrations are to be dealt with.

Mention has been made of the nature of devolution to these different parts of the United Kingdom. I should mention one aspect which is special to Scotland: it has tax-raising powers that it exercises. We in Scotland pay our own tax—at a higher rate, I may say—to fund the matters that the Scottish Government deal with. These include health, housing, education and crime, which are all matters listed in the annexe to the White Paper. This raises the question as to how you can possible reconcile the spending aims of the Scottish Government, which are evolved so that they make up their budget for tax-raising, with the United Kingdom spending money in those same areas without consultation. With the prospect of two bodies spending money in the same areas, which they have the power to do, it would be very strange indeed if they did not at least consult with each other to see that they were not duplicating effort. Consultation is not merely a matter of proper governance; it is a matter of common sense.

That having been said, there are aspects of the levelling-up list which I very much welcome. Mention was made at the very beginning of our debate of the extent to which it was hoped that money could be spent in Scotland to level up in that area. There are certainly aspects of the list—well-being, skills, digital connectivity, transport and so on—where money could be spent without, as it were, duplicating effort in areas which are plainly devolved to the Scottish Government. There is at least something here that I welcome, but without the provision of consultation to avoid confusion and duplication of effort, I do not see how the matter can be properly handled. I am very much in support of the two amendments I have mentioned.

9.15 pm

As for consent, I am a little troubled as to whether it is not risking too much to expect the consent of the Scottish Government for areas where the United Kingdom would wish to spend money for well-being which are outside the competence of the devolved Administration. I have mentioned one or two: digital connectivity is not devolved, and "pride in place" and such things are very broad. They are good ideas which probably do not run into the problem of spending money on areas that are devolved. However, to expect the Scottish Government, who believe in independence, to consent to this is I think asking a little too much. I would be a little concerned that, if we put in consent as a necessary requirement, the Scots would be deprived of something that many Scots would want but which the Scottish Government would not like for their own particular reasons.

I am cautious about that, but I am very much in favour of consultation; it is crucial. I hope that the Minister can find a way to put consultation in the Bill in the form which the noble Baroness, Lady Hayman, has suggested.

Baroness Humphreys (LD): My Lords, I apologise for not having spoken at Second Reading of this Bill.

I will speak to Amendments 17 and 29, to which I have added my name. I thank the noble and learned Lord, Lord Thomas of Cwmgiedd, for tabling Amendment 17, which is designed to allow us to debate the role of the devolved Administrations when they believe that the UK Government are acting in areas for which they are responsible. I think that we have had that debate this evening. I thank my noble friend Lord Stunell for tabling Amendment 29, which seeks to ensure that the relevant devolved Administration or local authority is consulted where a mission relates to a devolved function, and that the mission can be amended at the request of the devolved authority.

Unfortunately, this Bill is typical of those laid after 2019. There has been very little engagement by the UK Government with the Welsh Government prior to its introduction in the other place. That is a little disappointing, because the more consensual approach of the current Prime Minister cannot be applied retrospectively to the Bill. His phone call to the heads

[Baroness Humphreys]
of the devolved Governments on his appointment to the role, and his subsequent attendance at the British-Irish Council, have been welcomed and have set a tone which is an improvement on what has been the case for the last few years.

Had there been more dialogue between the two Governments during the early stages of the production of the Bill, the Welsh Government would certainly have made a strong case against their inclusion in Part 1. As they say in their LCM,

"the purpose of the provisions"

relating to reducing geographical disparities

"do not relate to any reserved matters under the Government of Wales Act 2006".

In other words, there is no doubt that the issues regarding missions are not reserved matters, and are therefore within the devolved competence of the Welsh Government.

If one looks at the 12 levelling up missions, one sees that almost every one falls within a devolved competence: economic development, transport, education, training, health, the environment, planning—with some exceptions—culture and housing are all devolved. It seems perverse that the UK Government should choose to legislate in these areas, setting targets and standards where the responsibility and duty to do so already rests with the Welsh Government.

It is not as if the Welsh Government do not have the ability or capacity to write their own version of Part 1. As has already been referred to, the Senedd passed the Well-being of Future Generations Act in 2015, designed to improve the well-being of everyone in Wales and addressing inequalities. It already contains some of the elements of Part 1 of the Bill. The Act provides a legislative framework to improve the economic, social, environmental and cultural well-being for the people of Wales through annual reporting, indicators, milestones and the setting of objectives to shape delivery. Crucially, the Welsh Government have appointed a future generations commissioner to ensure that goals are retained and reported on. That is perhaps needed in the Bill, as was referred to in earlier debates this afternoon.

As an aside, I point out that this Welsh Government have nearly 20 years' experience of designing EU schemes and administering EU funds. The stance taken here by the UK Government ignores their expertise and, quite frankly, could be described as disrespectful. I agree strongly with the Welsh Minister for Climate Change, who said—the noble and learned Lord, Lord Thomas, has already referred to this—

"It is not for UK Government Ministers to set targets for these matters in Wales, nor to report on achieving these to the UK Parliament."

It is the Welsh Government's view that the Senedd could pass equivalent provisions to those contained in Part 1. It is therefore unlikely that the Welsh Minister will recommend that the Senedd consents to the provisions in the Bill.

As usual, my noble friend's amendment is an elegant solution, as it gives the UK Government the opportunity to recognise and respect devolved settlements by agreeing to consult Welsh Ministers and to amend a mission at their request. My preference would obviously be to see both sides around the table, talking about this issue and coming to an agreed position. But, given the distinct lack of engagement by the UK Government with the Welsh Government, I cannot really see this happening. I hope that the Minister will prove me wrong.

The Duke of Montrose (Con): I rise as a Scot who has followed legislation to do with Scotland for many years. I have followed the recommendation of the noble and learned Lord, Lord Hope of Craighead: I have gone to the last paragraph and been astonished at the application of Clause 1 to Scotland.

In particular, I rise because the noble and learned Lord, Lord Thomas of Cwmgiedd, has raised the question of home rule. As I recollect it, my grandfather was one of those who founded a political party calling for home rule in Scotland, which I think we have at the moment. But there is a difference between legislative and locally based government devolution. One is contained in the Scotland Act. If I am not mistaken, something to do with the latter will have a legal basis after the Bill is passed. I remember that some of those promoting the Act on devolution in 1998 were keen to tell us that we were getting a process, not a final destination.

In Scotland, the SNP has set its policy that devolution is just a step to independence. It was determined that it would mean an equivalent to independence in all but name, and it tested that by putting its proposal for a constitutional Bill on independence to the Supreme Court. The judgment has made clear what the Act means and has introduced a less than recent level of expectation in Scotland. I would not like to be in the Government's shoes because they have to act as the prime legislative originator but need to make every effort not to do it in a way that can be taken as being rude.

Baroness Randerson (LD): My Lords, I shall start by responding to a couple of the speeches that noble Lords have made this evening. First, I am delighted to hear references to home rule in this Chamber. Secondly, I wish to clarify that the Welsh Government also have tax-raising powers, and that raises all the issues that exist in Scotland.

I want to address Amendments 17 and 29 specifically and to dwell on the fact that there is an astonishing lack of understanding of devolution in the Bill, as the noble and learned Lord, Lord Thomas, made clear. When I was a Minister in the Wales Office, one of our roles was to go round departments and to remind officials, and occasionally even Ministers, about devolution. Sometimes, we had to gently tell Ministers that their brief was actually Minister for England only. It is some years since then—it is eight years on—and the story of devolution should have permeated more deeply into government. Actually, I do not believe that the people who wrote the Bill did not understand devolution. I think they were probably under instructions not to understand devolution, and that is much more worrying.

Earlier this evening, while many noble Lords here were out grabbing a bite to eat, I had a Motion to Regret before this House. My regret hinged on the fact that the regulations concerned—they were highly technical so I will not go into them—removed the obligation on

the Secretary of State and the Competition and Markets Authority to consult the devolved Administrations. That was an obligation taken for granted when we debated the Subsidy Control Act and the United Kingdom Internal Market Act, the Acts from which the regulations stemmed. Both these Acts interrelate closely with devolved powers over economic development.

Tomorrow, we will debate the minimum service levels Bill, and the Welsh Government report a total lack of prior consultation on minimum service levels, even though the services affected are devolved. Most of the services listed in that Bill are devolved: education, health, fire and rescue and most of transport. So, a lack of consultation is already a theme in relationships between this Government and the devolved Administrations, and that is why these amendments are so important. Levelling up relies largely on economic development, transport and education, which are all devolved issues. If it is to work, it is fundamental that the devolved nations are fully integrated as part of the process because, as the noble and learned Lord, Lord Thomas, explained, the devolved Administrations already have their own primary legislation on many of these topics, and they are obviously not entirely at one with this Bill.

9.30 pm

The pandemic demonstrated to the whole UK on television at 10 pm each night that key services are run very differently in each country, with a different ethos and a different personality. What united them was the common desire to control the virus and minimise deaths. To do that, consultation was vital on a daily basis. There is no reason why the consultation should not be there in the long term on issues of this importance.

Baroness Pinnock (LD): My Lords, we have had a really good debate on something as fundamental as the meaning of devolution. Throughout today we have been thinking about definitions of words. Devolution certainly needs to be redefined by the Government in their Bill. As the noble and learned Lord, Lord Thomas of Cwmgiedd, rightly pointed out, devolution can mean home rule, self-government or something quite different: devolution to the English regions. Throughout the Bill the Government clearly have stepped on the standing of the Governments in Scotland, Wales and on occasion, Northern Ireland, who rightly have legislative rights to determine their own way on many of the missions in the Government's White Paper. That needs to be resolved on the face of the Bill, otherwise confusion will continue to reign.

The second big issue was raised by my noble friend Lord Stunell: devolution to the lowest possible level. What he said was really important. Obviously Whitehall never knows best, but the evidence shows that greater empowerment of local government and local people leads to better economic outcomes. Local decision-making sorting out local problems and finding local solutions gets better results. As he rightly pointed out, the White Paper is a rich source of evidence to support that proposition. True devolution will mean turning the Bill on its head and making sure that local areas are making changes and responding to the progress made, rather than the top-down approach we always get from this Government and others.

Baroness Bloomfield of Hinton Waldrist (Con): My Lords, Amendments 6, 17, 22, 23, 29, 35 and 40 in this group relate to our levelling-up work across the entire United Kingdom and how we work with the devolved Governments on the missions, including their delivery and our reporting. They have been tabled by the noble Baronesses, Lady Hayman of Ullock and Lady Taylor of Stevenage, the noble and learned Lord, Lord Thomas of Cwmgiedd, and the noble Lord, Lord Stunell.

While I note the concerns of the noble Baroness, Lady Taylor of Stevenage, about the centralised nature of the UK, we have been, and remain, very clear that levelling up can succeed only as a shared national project. Evidence tells us that the drivers for reducing disparities span devolved and reserved levers and that all levers need to be deployed for a place to reach its full potential.

As an aside, and because the noble Baroness, Lady Taylor, raised the recent debate on the report of the Common Frameworks Scrutiny Committee, to which I responded, I can reassure her that discussions continue to address some of the issues that were raised in that debate. The levelling-up missions are defined in terms of reducing geographical disparities across the whole of the UK, thereby rendering the obligations set out in the Bill indivisible among the different nations. That is why the extent of the Bill is indeed the whole of the UK.

The UK Government and devolved Governments share a common ambition to deliver the best possible outcomes for people across the United Kingdom: to make sure that they can live longer and more fulfilling lives and benefit from a sustained rise in living standards and well-being. We all want to make sure that opportunity is spread more evenly across the whole country. While the ways we articulate and measure these objectives, and our activities to deliver them, may differ sometimes, these ambitions are shared at the highest level.

As the levelling-up White Paper made clear, we respect the devolution settlements and are keen to work together to share learning and evidence with each other about what works across the UK, making the most of the unique opportunities for learning that devolution affords. In this spirit, officials have actively been seeking the views of devolved Administration officials, including discussing how our mission framework relates to their own frameworks for place-based growth. We can ultimately achieve these ambitions only by working together and by recognising that different levels of government hold different levers to drive change. In many cases, these levers are more powerful when they are aligned. Where there are clearly overlaps, we are keen to step up collaborative working to achieve our common aims, learning from each other and ensuring that we draw links between the work we are doing at all levels. On the co-production that the noble Baroness, Lady Finlay of Llandaff, hopes for, I can reassure her that we will continue this engagement over the coming months. Minister Davison will be meeting with devolved government Ministers in the coming weeks. In parallel, senior policy officials from the Department for Levelling Up, Housing and Communities are meeting with senior officials from the devolved Administrations.

[Baroness Bloomfield of Hinton Waldrist]

As I have said, our missions set our ambitions for the whole of the country. Delivering against these will require close working with the devolved Governments to ensure that everyone benefits. Current geographical disparities do not respect national boundaries within the UK and need to be tackled as a whole. We recognise that some of the missions cover areas that are devolved. The purpose of the missions is not to alter existing areas of responsibility but to align and co-ordinate how different areas of government can work together towards a common goal. We are committed to working with the devolved Governments to align policy and work towards a goal shared by everyone: to reduce geographical disparities across the whole of the UK. We will work to share evidence and lessons from across the country, learning what works and what does not.

This Government, I can reassure noble Lords, are fully committed to the Sewel convention and will continue to seek legislative consent and work with the devolved Governments on all Bills that engage the legislative consent process. I was encouraged by noble Lords' comments about Prime Minister Sunak's reaching out to the devolved Governments so early on in his tenure. I know that there have been issues about engagement with the devolved Governments at an earlier stage in the Bill, and I am disappointed to hear that recent Bills have not had that early engagement, but I will continue to raise this issue in the Secretary of State for Wales's ministerial meetings. I do take on board the hope of the noble and learned Lord, Lord Thomas, that this is a golden opportunity for the UK Government, and I hope he is reassured that we are actively engaged in making devolution work and avoiding the disaster that the noble Baroness, Lady Finlay, worries about.

Amendment 29, tabled by the noble Lord, Lord Stunell, also requires that English principal councils be consulted on any missions relating to their functions. I reiterate that the Bill is designed to establish the framework for missions, not the content of missions themselves. The framework provides ample opportunity to scrutinise the substance of missions against a range of government policies. We agree with the noble Lord, Lord Stunell, that there is no one-size-fits-all approach and that areas will want to choose the right model for them. Local government in England is a vital partner in taking forward the levelling-up missions. Local and combined authorities play a critical role across all the missions, and our mission on local leadership—which sets out our aim for every area of England that wants one to have a devolution deal by 2030—will see further powers, funding and flexibilities devolved to local leaders who are best placed to address the unique opportunities and challenges that exist in their places.

In light of these efforts and commitments, my acknowledgment that this is very much a work in progress, and our conversations with all the devolved Governments, I ask that the noble Baroness withdraws the amendment.

Lord Thomas of Cwmgiedd (CB): Before the Minister sits down, I will make a request of her. I have been encouraged by her generous and soothing words, but when we get to this point on Report, does she think that it will be possible for the Welsh, Scottish and UK Governments and the Northern Ireland Executive to write to tell us where they have got to on an agreement, because we need to know? If they have got somewhere, I would say hurrah, but if they have not, maybe we need to think again about some form of amendment. I live in hope, and I hope that the Minister will be able to ensure that these words will be addressed to the other Governments as well, so they can make transparent what we all want: co-operation and agreement.

Baroness Bloomfield of Hinton Waldrist (Con): As the noble and learned Lord already knows, I travel hopefully, so I will take his comments back to the department.

Baroness Taylor of Stevenage (Lab): My Lords, I am grateful to all noble Lords who have contributed to what has been a thoughtful and interesting debate on this very key topic on the Bill. I will come back to the words of the noble and learned Lord, Lord Hope, from the Constitution Committee, about respect and co-operation, which are absolutely key to making this work across the four nations and the regions of the UK. I add my support to the suggestion from the noble and learned Lord, Lord Thomas, who asked the Minister if, when we get to Report, we could have a letter from the nations of the UK discussing what has been done and the level of co-operation on this subject. That is a very helpful suggestion, for which I am grateful.

We have heard a really clear explanation of what brought these amendments forward: our concern about devolution being completely different for nations which have their own law-making powers and, in some cases, tax-raising powers, and how important it is to distinguish between that and what are, in fact, powers of competency offered to local government under the same word, "devolution". We have to be cautious of that. The noble and learned Lord, Lord Hope, warned us to be cautious about how consent can be achieved, that consultation is always a better option—I agree—and how funding will be allocated for the purpose of areas outside of competencies. On the experience of local government around funding, we need to be very careful about the boundaries we set between funding for areas that are the subject of law-making in our nations and the funding for areas of competency that come under Bill. We would all want to be cautious about that.

I am grateful to the noble Baroness, Lady Humphreys, for her explanation of what is happening in Wales. There is a lot to learn from Wales: earlier, we heard a powerful speech about child poverty, the future generations commissioner—about whom we have already heard—and the way that, in Wales, a well-being provision is set in law. These are very good lessons for us to learn from, and I hope that we will not miss that opportunity.

The noble Baroness, Lady Humphreys, also urged the Minister to get around the table. I am encouraged by the Minister's comments on what has taken place so far, but it has not been very clear, as we have gone through the preparation for the Bill, what has happened. That is why I support the suggestion from the noble and learned Lord, Lord Thomas, that we have some indication of how that is being worked on.

We must not miss this opportunity—it has been described as a golden opportunity, and I think it could be—to strengthen the union, and not fragment it,

by imbedding the missions in a countrywide and democratic consensus. From what the Minister has said, that seems to be the Government's intention. I hope that is what will happen because, if it does not, it will be subject to fragmentation.

I spoke about learning from the nations of the UK. I am sure that as well as the specific Welsh examples we have heard here today, there will be examples from Scotland and Northern Ireland that we can learn from, as well as from the English regions. I hope that will be part of the levelling-up experience going forward.

We should not miss the opportunity to instigate a proper debate about the quality of public service delivery, from departments delivering non-devolved services as well as examples of quality where they are delivered in the nations where power is devolved—that will be really important. We do not want to go forward with "one size fits all". I am still concerned about some of the centralising aspects of the Bill. They come later in the Bill and no doubt we will hear about them in future discussions. However, there is very little in the Bill on funding, which concerned me. We need to know more about the national development plans and how they link in with local plans because, across our nations and regions, that could have the potential to be a centralising factor if we are not careful. Around the models of devolution, I hope they will be flexible to allow areas to have the type of devolution that is wanted and that works for those areas. In addition, there does not seem to be any clear mechanism to draw together the work of government departments in the work of levelling up. I hope that that is set out somewhere clearly, but it did not seem very clear as we went through the stages of preparing for the Bill.

There are some real opportunities here, but there are some real pitfalls that we could fall into—I think they were described that way earlier. As we aim towards levelling up, we fall into the crater of centralisation, making things more centralised in this country, which is the last thing we need. It has been articulated very clearly in this debate that if we really are to level up the country, the best decisions are made at local level. I am a passionate believer in that, and I want to see that work, whether it is in our four nations or in our regions. I hope we can continue to work towards that. There will be more work to do on this, as has been articulated very clearly by the Minister, therefore I beg leave to withdraw my amendment at this stage. However, I am sure there are further discussions to be held on this over the coming weeks and months.

Amendment 6 withdrawn.

House resumed.

Electronic Trade Documents Bill [HL]

Reported from Committee

The Bill was reported from the Special Public Bill Committee without amendments.

House adjourned at 9.47 pm.

Grand Committee

Monday 20 February 2023

Financial Services and Markets Bill

Committee (5th Day)

Relevant document: 23rd Report from the Delegated Powers Committee

3.45 pm

The Deputy Chairman of Committees (Baroness Garden of Frognal) (LD): My Lords, if there is a Division in the Chamber while we are sitting, the Committee will adjourn as soon as the Division Bells are rung and resume after 10 minutes, but self-evidently we are not expecting a Division.

Clause 27: Review of rules

Amendment 78

Moved by ***Baroness Bowles of Berkhamsted***

78: Clause 27, page 40, line 14, after "rules" insert "or a thematic review"

Baroness Bowles of Berkhamsted (LD): My Lords, it is a pleasure to open day five in Committee on the Bill. First, I will relay apologies from my noble friend Lady Kramer, who is not in her place, having had knee surgery last week. She is recovering well and will return as soon as she has permission from her surgeon.

Several of today's groups concern accountability, both how regulators are accountable to Parliament and then, as with this first group, what that accountability to Parliament means. Is it more than a hot-seat grilling every now and then? What happens to the output of that accountability?

Here I challenge the Government, who have made much of the regulators' accountability to Parliament in the consultations but then, during the passage of the 2021 Act, said that that accountability has nothing to do with government. We can all see through that. The examples that the Government have set are: failing to reply to committee reports in the allocated time; failing to find parliamentary time for debates on committee reports; and even failing to attend Lords committees, including such important committees as the Economic Affairs Committee and the Industry and Regulators Committee, which engage in financial services matters, and on both of which I and other noble Lords present have served for many years—so we know what we are talking about.

The question is: do the Government want to be part of this scrutiny or not? Do they want the regulators and Parliament to form their own arrangements together and maybe gang up on the Government? I have had experience of organising that in order to challenge the European Commission, and I can see similar seeds being sown here. This is the last chance saloon for the Government to stand by their advertising on parliamentary scrutiny.

I have eight amendments in this group, but it is really four for each of the FCA and PRA instances. I can be brief on the detail. They all relate to the independent reviews of regulators' rules that can be commissioned by the Government. Amendments 78 and 145 insert into the Government's powers of review the possibility to seek thematic review as well as reviews of specific rules. They do not compel the Government to do this; it is an empowerment. The Government would still have control over what they choose to implement, but it seems a reasonable power to have. The noble Baroness, Lady Noakes, has supported this amendment so, to go by the commentary that has been made, if we two agree then there must be something in it. It may well be that a thematic review would in fact be more useful for general issues rather than having to identify specific rules, which might not be comprehensive. I would want this if I were the Government.

Amendments 81 and 148 are related and more prescriptive, in that they require the Treasury to establish a rolling programme of thematic reviews and report annually to Parliament on that programme and any changes made to it in the light of other reviews that might be carried out for other circumstances. They also require a work programme for the next three years, along with indicative timetables. The Government would still have control of the programme, but a programme is required.

I have tabled these amendments because somebody should be, if you like, regulating the regulators. My attempt during the passage of the previous Bill to establish an oversight body failed to inspire the Government. These amendments highlight that all the responsibility therefore falls on government, and it is what a responsible Government might be expected to do.

Amendments 79 and 164 include parliamentary committee requests as a potential trigger for the Government to commission an independent review. Again, this is not a compulsion, as the power to seek that independent review would still reside with the Government. The Government claim that there is parliamentary oversight of regulators; this would be a small step in recognition of that, while respecting the work of committees and the evidence that they collect.

Finally, Amendments 80 and 147 require the person appointed to do the independent reviews to be approved by the Treasury Select Committee, as well as by the Treasury. If Parliament is to be regarded as having oversight, these are the kinds of things that endorse that status. I beg to move.

The Deputy Chairman of Committees (Baroness Garden of Frognal) (LD): The noble Baroness mentioned Amendment 164 but I wonder whether she meant Amendment 146, because Amendment 164 is in a later group.

Baroness Bowles of Berkhamsted (LD): Yes, I think that is correct.

Baroness Noakes (Con): My Lords, I support Clause 27 and, in particular, its new Clause 3RC of FSMA, which allows the Treasury to require the regulators to review their rules. As the noble Baroness, Lady Bowles of Berkhamsted, said, I have added my name to her Amendment 78 because it is important to widen out the scope of the reviews which the regulators will have

[Baroness Noakes]
to carry out. I also support her Amendment 145 for the same reason and should have added my name to it as well, so that we cover both the PRA and the FCA.

A lot of the things that regulators do are grounded in the specific rules that they apply, which is the focus of new Clause 3RC, but it should also be possible for the Treasury to tell the regulators to review, for example, the cumulative impact of rules as they affect innovation or new market entrants or any particular segments of the financial services industry. The Bill as drafted simply does not give the Treasury that power.

My Amendment 79A in this group seeks to involve more parties in the review-initiation process. At the moment, it involves only the Treasury and the regulators. My amendment is designed for other voices to be heard and responded to by the Treasury; it would require the Treasury to "consider any representations made" by various sources. I have included all the statutory panels attached to the regulators, including those created by the Bill. These panels ought to have good insights into how the rules work in practice and their opinions on which should be reviewed should be heard, so my amendment says that the Treasury must consider representations from representative bodies, which would include all trade and consumer bodies involved in the sector.

My noble friend the Minister may well say that the Treasury will of course consider any representations made to it in respect of the review of rules and that it is quite unnecessary to put that into statute. I accept that, but only up to a point. The relationship between regulators and their sponsoring departments is often much too close and certainly has the potential to shut out anything that might be uncomfortable for either the regulators or the sponsoring department, or both. That is why the second leg of my amendment requires the Treasury to "inform the body" making the representations if it decides not to require a review.

I do not believe there should be any power for outside bodies to tell the Treasury what it should do, but there needs to be something to counteract the imbalance of power that the Treasury has. Transparency is often the best remedy and it is, in effect, what I propose in my amendment by requiring the Treasury to respond with reasons for not pursuing a particular review. If Ministers do not like the idea of transparency by the Treasury, my noble friend will need to be very persuasive when winding up this debate.

Lord Tunnicliffe (Lab): My Lords, I will not make any specific comments on this group but I will comment on all that we are doing today—certainly the first three groups, all of which seem to me to have a common theme: the accountability of the Executive to Parliament. The degree of consensus between the amendments is almost historic. I said to my researcher, "I think I am in support of all today's amendments." She said, "You mean other than ours?"

Noble Lords: Oh!

Lord Tunnicliffe (Lab): I will not get carried away—I will probably declare neutrality and opt out—but this issue is so important. I suspect that this Bill is much more constitutional than we expected when we first picked up the document. It is about filling in the space between primary legislation and secondary legislation in all these difficult areas relating to financial services. Members of the Committee have done a great job of putting together a series of proposals.

As far I can see, the proposals in this grouping are to use, in different ways, the age-old device of requiring reports. I can see the value of that. My own experience is that, because time goes on, they are not as effective as one might hope; however, once again, that is down to the membership of Parliament in particular. I support the general thrust of this group but I see it as part of our looking at the first three groups and, with or without the Government's co-operation, working together after the end of Committee and before Report to try to achieve a common thrust that, if necessary, we can vote through in order to make the important step forward in the relationship between the Executive and Parliament that is so needed.

Lord Harlech (Con): My Lords, the Government agree that the regular review of rules after implementation is essential to ensure that they remain appropriate and continue to have the desired effect.

The Bill makes a number of substantial changes to the regulators' framework to ensure that such reviews will be an integral part of the regulators' functions going forward. In particular, Clause 27 inserts a new provision into FSMA that will require the FCA and the PRA to keep their rules under review. To supplement this duty and ensure that there is a mechanism to require the regulators to conduct reviews of their existing rules where needed, Clause 27 also inserts a new power into FSMA for the Treasury to direct the regulators to review their rules where the Treasury considers it is in the public interest. Clause 46 inserts similar provisions into FSMA for the Bank of England in relation to its regulation of CCPs and CSDs.

I will speak first to Amendments 78 and 145 in the name of the noble Baroness, Lady Bowles. I assure her that the powers inserted into FSMA by Clauses 27 and 46 of this Bill already allow the Treasury to require these regulators to review a range of rules, entire regimes and interrelated rules, as appropriate, where that is in the public interest.

I turn next to Amendments 79 and 146, also in the name of the noble Baroness, Lady Bowles. In order for the Treasury to direct the regulators to review their rules, certain criteria must be met. One of the key criteria is that the Treasury considers the review of the rule or rules in question to be in the public interest. It will be important for the Treasury to work with parliamentary committees to understand the evidence base for whether it is in the public interest to exercise the power.

Lord Forsyth of Drumlean (Con): I am most grateful to my noble friend; I apologise for not having been able to attend all the Committee's meetings. Can my noble friend help me by defining "public interest"—that is, how it will be defined?

Lord Harlech (Con): I understand what my noble friend is getting at and think that, when each issue is put to the Treasury, it will consider whether or not it is in the public interest.

Baroness Noakes (Con): I think that is merely restating the problem. Could my noble friend have another go?

Lord Harlech (Con): I will write with a full definition of what constitutes "in the public interest".

4 pm

Lord Forsyth of Drumlean (Con): I am most grateful to my noble friend and do not want to detain the Committee, but the whole point of the noble Baroness's amendment is to avoid exactly this kind of debate. To my mind, what is in the public interest suggests a very substantial test, leaving the regulators to mark their own homework.

Lord Harlech (Con): Like I said, I will speak to the department and write with a definition of what constitutes "in the public interest".

Parliamentary committees can already conduct their own inquiries and hearings, call for papers, and call for individuals and organisations to give evidence. The power in Clause 27 seeks to complement, rather than substitute or detract from, the important role played by parliamentary committees. It will be important for the Treasury to work with parliamentary committees to understand the evidence base for whether it is in the public interest to exercise the power.

On Amendment 79A, from my noble friend Lady Noakes, as with parliamentary representations, it will be important for the Treasury to consider the views of the regulators' statutory panels and representatives of those affected by the rules. However, it would be inappropriate for the Treasury to provide a running commentary on the individual representations made. In addition, the FCA and the PRA have committed to ensuring that there are clear and appropriate channels for industry and other stakeholders to raise concerns about specific rules. These channels will be set out in the regulators' policy statements on rule review, required by Clause 27, in due course.

Baroness Noakes (Con): Could my noble friend explain why it is inappropriate to have transparency on why the Treasury chooses not to pursue representations that have been made to it by bodies that clearly have an interest in and experience of the matters under consideration?

Lord Harlech (Con): I do not think I said that it would be inappropriate; I said that it would be inappropriate to provide a running commentary, not that there would be no comment on individual representations. Again, my understanding is that it will be done on a case-by-case basis.

Baroness Noakes (Con): Could my noble friend explain that a little further? If I am a panel, consumer body or one of the trade bodies and I make a representation to the Treasury, what can I expect from the Treasury?

Lord Harlech (Con): I am sorry; at this stage, I will have to take that back to the department and write to my noble friend.

On Amendments 80 and 147, tabled by the noble Baroness, Lady Bowles, the new rule review powers inserted by Clauses 27 and 46 concerning the appointment of an independent person are in line with the practice of other powers in the regulatory framework. For example, the appointment of Dame Elizabeth Gloster to investigate the FCA's regulation and supervision of London Capital & Finance plc was approved by the Treasury. The Government do not consider that it would be appropriate to require that appointment to be subject to approval by a parliamentary committee, which, as I have mentioned, can already undertake its own inquiries.

Amendments 81 and 148 were also tabled by the noble Baroness, Lady Bowles. The primary role of the Government in the regulatory framework is to ensure that the regulators operate effectively and in accordance with the framework, as set out by Parliament in legislation. Where there is a case for external review of the rule-making of the regulators, the Bill provides powers to enable this.

Section 1S of FSMA and Section 7F of the Bank of England Act 1998 already permit the Treasury to appoint

"an independent person to conduct a review of the economy, efficiency and effectiveness"

of how the FCA and the PRA use their resources. In addition, Section 77 of the Financial Services Act 2012 allows the Treasury to direct an investigation into relevant events, such as the FCA's regulation and supervision of London Capital & Finance plc.

The Bill further strengthens these accountability arrangements with regard to specific rules through Clauses 27 and 46, allowing the Treasury to direct the regulators to review their rules. In addition, as we have already discussed in this Committee, Clause 37 inserts new provisions into FSMA which permit the Treasury to direct the FCA and the PRA to report on performance where that is necessary for scrutiny of the discharge of their functions. Clause 47 modifies FSMA so that these provisions also apply to the Bank of England in relation to its regulation of CCPs and CSDs.

Finally, as I have already mentioned, Parliament is already able to conduct thematic reviews where it considers these necessary. Clause 36 is designed to support this scrutiny by requiring the regulators to notify the Treasury Select Committee of their consultations and to respond to representations to consultations by parliamentary committees. We will discuss noble Lords' views on the operation of those specific provisions later today.

With that, I hope I have provided sufficient reassurance to the noble Baroness to withdraw Amendment 78, and that she and my noble friend do not move the remaining amendments when they are reached.

Baroness Bowles of Berkhamsted (LD): My Lords, I am afraid that the Minister has not given me any reassurance. I think the only thing I have learned is that the Treasury is all at sea and does not understand what parliamentary scrutiny is actually about. It has to have effects and consequences. It is no good saying that Parliament can do its own inquiry and its own report and it is a very pretty document—yes, quite a lot of people praise such reports from time to time—but nothing happens. The attitude of the Government is

[Baroness Bowles of Berkhamsted]
that these reports can be completely ignored, that there is nothing in them that they wish to do—they do not want anybody else to have any ideas. That is a poor state of affairs.

There are some things that the Treasury does all right. I agree that, for example, when it appointed Dame Elizabeth Gloster to investigate the FCA, it appointed a good person and there has been a good report. I think that in general the people who have been appointed by the Treasury have been reasonably okay, but that does not mean that the responsible committee should not be able to have a view. I can think of instances in other departments where totally unsuitable people have been appointed to do some reviews.

What is wrong with Parliament having a say? I do not think that the constitutional point, as made by the noble Lord, Lord Tunnicliffe, has been understood. We still do not know how high a barrier this "public interest" is. The public interest is just what the Treasury thinks from time to time, by the sound of it. I do not think that there are sufficient safeguards there for when the regulators, as the noble Lord, Lord Forsyth, said, are, in essence, marking their own homework. This is something that has gone wrong in the past.

Yes, Section 1S is there but it is not used often enough. It is a last resort when you have had a whole history of errors and similar things happening and then there is a review. The whole idea of regular review is to make sure that you can intervene before big things happen, that there is the ability to nudge if something is heading off in the wrong direction. You can say that the review is, "All clear: it's going well". Why is there such a fear of them?

We will continue this discussion, because there are many formulations in which this can be done. If the Government do not want to have responsibility for it, maybe there has to be some kind of independent body to do it. While Parliament may be ready and willing to do it, what is the point when you are going to ignore what Parliament says? That is not parliamentary scrutiny; scrutiny must have a purpose and must lead to a result.

As this stage is exploratory I will, of course, withdraw my amendment but, as we go through the rest of this group, I hope that some enlightenment will dawn on the Treasury that these are not issues that can be just left. There is a body of opinion around the Committee, on all sides and none, that something has to be done. Most certainly, I will support things returning on Report.

Amendment 78 withdrawn.

Amendments 79 to 81 not moved.

Clause 27 agreed.

Clause 28: Treasury power in relation to rules

Amendment 82 not moved.

Clause 28 agreed.

Clause 29: Matters to consider when making rules

Amendments 83 and 84 not moved.

Clause 29 agreed.

Clauses 30 to 32 agreed.

Amendment 85 not moved.

Clauses 33 to 35 agreed.

Amendment 86

Moved by ***Baroness Noakes (Con)***

86: After Clause 35, insert the following new Clause—

"The Financial Services Regulators Committee of Parliament

(1) There is to be a body known as the Financial Services Regulators Committee of Parliament ("the FSRC").

(2) The FSRC is to consist of nine members who are to be drawn both from the Members of the House of Commons and from the members of the House of Lords.

(3) Each member of the FSRC is to be appointed by the House of Parliament from which the member is to be drawn.

(4) A person is not eligible to become a member of the FSRC if the person is a Minister of the Crown.

(6) A member of the FSRC is to be the Chair of the FSRC chosen by its members.

(7) Schedule 7A makes further provision about the FSRC."

Member's explanatory statement

These new Clauses, together with a new Schedule 7A, create a joint committee of both Houses of Parliament to oversee the FCA, PRA and the Payment Systems Regulator.

Baroness Noakes (Con): My Lords, in moving Amendment 86 I will also speak to the other amendments in my name in this group. I am grateful to the noble Baroness, Lady Bowles of Berkhamsted, the noble Lord, Lord Vaux of Harrowden, and my noble friend Lord Trenchard for adding their names to the lead amendment.

As has already emerged again this afternoon, there is clear agreement in this Committee that Parliament needs to exercise more oversight of the financial services regulators than has been the case in the past. The proximate cause is that huge new rule-making powers will be granted to them by the Bill, but a number of other issues, which noble Lords have raised in connection with the Bill and doubtless will continue to raise through Committee, also point to the need to put more effective accountability arrangements in place.

The Government have been on something of a journey on this. Their consultation on the future financial framework in October 2020 basically said that the existing arrangements involving the Treasury Select Committee in the other place were fine; your Lordships' House did not even get a mention. By the time the Government's final proposals came out in November 2021, they rode in behind the views of the Treasury Select Committee, which, by then, had reported that it was well equipped to carry out the accountability role. It subsequently set up a sub-committee for this purpose.

The November 2021 document did acknowledge that there were serious debates in your Lordships' House during the passage of the then Financial Services

Bill 2021, in particular the view expressed by a number of noble Lords that a Joint Committee of both Houses was the appropriate way forward. I think many of us felt then that the expertise that noble Lords would be able to bring to that accountability should be harnessed. The Government, however, said that this was a matter for Parliament. Well, we now have an opportunity for Parliament to express its views and determine the issue in this Bill.

My Amendments 86, 87, 88 and 156, together with the other amendments in my name that are consequential, would create a Joint Committee of both Houses. I have called it the financial services regulators committee, or FSRC. This would not technically be a Select Committee of Parliament, but the only difference between a committee of Parliament set up by statute and one set up by Parliament itself is the absence of parliamentary privilege, which I do not see as a crucial feature of any accountability oversight committee.

The main amendments in this group are based on the precedent of the Intelligence and Security Committee, a committee of both Houses of Parliament set up by the Intelligence Services Act 1994 and given stronger powers by the Justice and Security Act 2013. It is a committee that has demonstrably worked well on a joint basis.

4.15 pm

Amendment 86 would set up the FSRC with nine members. Although it is not specified in the amendment, I would expect the majority of its members and its chair to be Members of the other place; that is how it has worked in practice with the ISC. Amendment 87 sets its remit as the

"administration, policy and operations of"

specified regulators, which is similar to the ISC wording and is intended to allow a broad range of inquiries.

Subsection (2) of the new clause proposed by Amendment 87 specifically mentions examining consultations issued by the regulators, which would cover the use of the rule-making powers. Proposed new subsection (3) covers any reports issued by the regulators under Clause 37—that is, when the Treasury directs the regulators to report. The FSRC must be able to range widely if the financial services regulators are to be held to account in any meaningful sense. This certainly does not require the committee to examine every set of rules or report that emerges from the regulators but it does require it to focus on some of the more important things.

When we debated the new competitiveness and growth objective during one of our previous days in Committee, many of us were keen for Parliament to hold the regulators to account for meeting that new objective. As noble Lords pointed out, the regulators equally need to be held to account on meeting all the other objectives and duties in the bizarre hierarchy that FSMA establishes for the PRA and the FCA, including having regard to the regulatory principles. The FSRC would not lack things to look at; its key challenge would be focusing its time well.

Amendment 88 deals with how the FSRC would report to Parliament, which would be substantially how Select Committees currently do so. Lastly, Amendment 156 proposes a new schedule explaining various procedural matters, including how the FSRC is to be funded. This, too, follows the ISC model.

My noble friend Lord Forsyth has tabled some amendments on the involvement of your Lordships' House. They appear in the next group of amendments but, at this point, I would like to say a little about why I chose to frame my amendments around a new committee set up by statute rather than tinkering with Clause 36 to ensure that the Select Committees of your Lordships' House, as well as the Treasury Select Committee in another place, could be involved.

The key issue here is resources. Most Select Committees in your Lordships' House operate on pretty slender resources. They have a clerk, a policy analyst and some level of support staff. For reasons best known to those who make decisions in your Lordships' House—I have no idea who they are—a decision was made two years ago to set up the Industry and Regulators Committee. It overlaps in the areas around financial services and the Treasury with the existing Economic Affairs Committee.

When the Industry and Regulators Committee started work, it made a bid for resources for a sub-committee to look at financial regulators because it was already known that this Bill, with its transfer of rule-making powers, was coming down the line. That was turned down by the powers that be so your Lordships' House has two thinly resourced committees with overlapping responsibilities. I do not think that either could do anything of substance to shift the dial on the accountability of financial services regulators.

I do not know what resources are available to the Treasury Select Committee in the other place but I have observed that Select Committees in the other place are better resourced than our own. They may well be able to acquire sufficient resources to do the job thoroughly but my view is that the most secure path to proper parliamentary accountability is through a newly formed Joint Committee that can exploit the undoubted expertise that exists in this House; that is what my amendments in this group seek to achieve. I beg to move.

Lord Forsyth of Drumlean (Con): My Lords, it might be helpful for me to speak now as my noble friend referred to my amendment, which is in the next grouping. My noble friend has always been cleverer than me; I absolutely, 100% support what she puts forward in this amendment. I have an inkling that the Minister will say, "Ah, but we cannot be instructing Parliament on what to do"; that is why my amendments are in the next group, which we may or may not come to.

My noble friend is presenting the Committee with a Rolls-Royce, whereas my amendment is a Trabant, but it provides an opportunity to do what this amendment would do: set up a powerful Joint Committee of both Houses that is properly resourced. In my view, that is the right solution. I entirely agree with everything that my noble friend said. It seems to me that for the Government to resist this is a great mistake because it actually damages the position of the regulators. The regulators themselves would benefit from having proper scrutiny and accountability.

[Lord Forsyth of Drumlean]

It is important to remember what this Bill is doing, which is extraordinary. It is taking all our financial regulation, giving it to a bunch of regulators who are not in any way democratically accountable and leaving it to them to decide what they will change, at what pace and everything else. It is absolutely essential that there is parliamentary scrutiny. My noble friend is right in the structure that she is proposing, where the elected House will have a pre-eminent position, but it strikes me as very foolish in this legislation to exclude from any role of scrutiny the House of Lords, which, at the risk of flattering members of the Committee and others, contains people with considerable experience and expertise in this area who could add an enormous amount to the regulators in carrying out their duties.

I seem to recall at an earlier stage—my noble friend Lady Noakes follows these things much more closely than I do—the regulators themselves saying that we need to have proper parliamentary scrutiny in order for us to be certain that we carry the degree of consensus and support that is necessary in the regulatory framework. I hope that my noble friend the Minister will accept this amendment. Then we will be able to make enormous progress because we will not need to discuss my amendment.

Lord Vaux of Harrowden (CB): My Lords, after a number of days in Committee and at Second Reading, it is clear that the major theme of scrutiny of the regulators has emerged and that we have an extraordinary level of cross-party agreement on the Bill—almost unprecedented, as the Minister will see if she turns around and looks behind her.

This is so important because, as the noble Lord, Lord Forsyth, just said, the Bill transfers huge amounts of power to the regulators but does very little to provide Parliament with the means to scrutinise what they do. This has been raised by a number of parliamentary committees, including the EU Financial Affairs Sub-Committee, of which I was a member before it was wound up, and the European Union Committee, among others. The Bill does give strong oversight, scrutiny and direction rights to the Treasury but that is not the same as parliamentary scrutiny.

The Minister said this at Second Reading:

"It is also imperative that the regulators' new responsibilities are balanced with clear accountability to the Government and Parliament. I assure noble Lords that the Government recognise the importance of parliamentary scrutiny of the work of the Treasury and the regulators."—[*Official Report*, 10/1/23; col. 1332.]

However, nothing in the Bill does that. All the Bill does at the moment is make requirements for the regulators to notify the Treasury Select Committee of the consultation and for the regulators to respond in writing to responses to any statutory consultations from any parliamentary committee.

I am sorry, but that is not the same as providing for genuine parliamentary scrutiny of the activities of the regulators. Are the regulators meeting their objectives? Are they protecting consumers from excessive risk and fraud? Are they ensuring stability? Are they carrying out their activities efficiently? Are they encouraging growth and competitiveness? Are they acting in accordance with the climate change rules? Are they horizon scanning for future risks and so on? Nothing in the Bill, as currently drafted, provides for real parliamentary scrutiny as I would understand it.

I am afraid that the noble Baroness has form in this respect. Perhaps I could take her back a few months to the discussions we had around the UK Infrastructure Bank Bill when we queried her reference to parliamentary scrutiny of various documents within that. To paraphrase, she suggested that the more informal parliamentary scrutiny, such as the ability to ask Oral Questions and such like, was sufficient. We seem to be heading down the same way with this Bill. It is not acceptable.

The other day, the noble Lord, Lord Bridges, set out with his usual clarity the three things required for effective scrutiny of the regulators. To paraphrase, they were reporting, independent analysis and parliamentary accountability. There are various amendments in this group and the next group dealing with the third of those: parliamentary accountability. I have added my name to those in the name of the noble Baroness, Lady Noakes, which aim—as she has explained—to create a bicameral committee that will focus specifically on scrutiny of the financial regulators.

I have long argued that financial regulation is such a large subject, so complex, and dealing with such an important sector of our economy, that it deserves a committee dedicated to it. It is just too big to be able to be meaningfully scrutinised by a committee that covers a wider subject area, such as the Treasury Select Committee of the Commons, the Economic Affairs Committee or the Industry and Regulators Committee, as we heard a minute ago. I strongly support the idea of creating a new bicameral committee that will focus specifically on this subject.

Importantly, Amendment 87 from the noble Baroness tries to widen the scope of parliamentary scrutiny. It says that:

"The FSRC—

the new committee—

"may examine or otherwise oversee the administration, policy and operations of"

the various regulators and may examine any consultations and reports issued by them. I am slightly nervous about the word "oversee" as I worry that might imply interference in the independence of the regulators. More importantly, I also want to add that the new committee should consider the impact of the regulators, in addition to administration, policy and operations. As I have said before, it is really important that the scrutiny is forward-looking, that we are horizon scanning for future risks, so I would widen the amendment further rather than it just being backward-looking. As I say, I wholeheartedly support the principle of a new, properly resourced bicameral committee with a much wider remit than the narrow focus that the Bill currently provides to the Treasury Select Committee. As we have heard from the noble Lord, Lord Forsyth, the involvement of this House is incredibly important. There is enormous expertise throughout the House.

I recognise that there are other ways of achieving proper parliamentary scrutiny, as we can see from the various other amendments in this and the next group in the name of the noble Lord, Lord Forsyth. I am not going to get too religious about this. It is clear that

there appears to be near-unanimity on the importance of strengthening the arrangements for parliamentary scrutiny of the regulators and of the Treasury, as the Minister said at Second Reading, given the greater responsibility this Bill pushes on to the regulators.

In the interests of time, I am not going to speak on the next group. It would just be repeating what I am saying now. But I hope the Minister will take it as read that I support the theme and concept in the next group. just as I do within this one. What I hope will now happen is that the Minister and all interested Peers can get together between now and Report to try to come up with something mutually acceptable that we can all get behind. Is that something the Minister can facilitate?

Baroness Lawlor (Con): My Lords, it is a pleasure to follow the noble Lord, Lord Vaux of Harrowden, and I support the amendments in this grouping proposed by the noble Baronesses, Lady Noakes and Lady Bowles, the noble Viscount, Lord Trenchard, and others, for the reasons which have been explained. I have an indirect interest in this subject, which I declare. As a founder and research director of Politeia, I have been involved in publishing some analysis on the question of regulation and, indeed, contributed myself on a problem which is very great in Britain now, that of accountability, and more generally this regulatory state into which we have slipped.

My Amendment 175 should be seen as complementary to this grouping. Its aim is slightly different but complementary; it is designed to focus scrutiny ex ante on the rules proposed. The focus is on new, adapted or maintained regulations that are due to come into operation and to consider how consistent, predictable and transparent they will be, as well as how much they will be in accord with the law. Given the fast pace of how the sector works and the speed with which, by necessity, regulators must act and decide things, it is important that we have this external check before rules come into operation. The regulators will have the power to intervene and make new rules within the broad terms of the law, if they judge that they should, without the searching analysis and testing that are needed beforehand. The sector will in most senses be a guinea pig for this process.

4.30 pm

For this reason, I propose Amendment 175 in my name, which proposes having a committee of both Houses to scrutinise the work and decisions of the regulators in respect of both the corpus of EU rules for which they are responsible and what they are proposing. This committee would

"consider the regulators' consistency with the law, and their transparency and predictability in applying the law";

it would also report to Parliament. The committee—this is important—could also call on independent, specialist legal advice; the noble Lord, Lord Vaux, among others, mentioned the importance of independent advice. Such a committee could call on independent specialist advice, including legal advice, to guide it and, in this way, help the regulators avoid poor decision-making that could have an adverse impact on the overall aims of this Bill.

There is already a working example of such an arrangement in the US. Congress is given a limited time—60 days when it is in session—to disapprove any given rule by a government agency. The Congressional Review Act empowers Congress to review by way of an expedited legislative process new federal regulations issued by government agencies and, by the passage of a joint resolution, to overrule a regulation if it judges it necessary. Once repealed, the CRA prohibits the reissuing of the rule. However, if Congress approves or does not disapprove the rule, it comes into effect.

I should add that I support the amendments proposed by my noble friends Lord Lilley and Lord Forsyth because I think it is important to have external legal scrutiny of what is going on. My proposal aims for greater consistency with and predictability under the law before the rules become operative; as the CRA indicates, this would not cause undue delay to rules becoming operative. The aim is to avoid the potential for poor rules—that is, rules that lack transparency and predictability or are inconsistent with the law—being applied before that happens so that all concerned, including Parliament, those in the sector and the regulators themselves, can avoid the obstacles and consequences of operating in the dark.

Lord Thomas of Cwmgiedd (CB): My Lords, I will make three brief points in support of this amendment.

First, from a constitutional perspective, it is essential that the accountability is to Parliament. It is subdelegated from us. It seems inconceivable to me that any legislative body should give power to a body that is not accountable to it. That is the first constitutional point.

Secondly, it seems to me that the Treasury is not the right body to do this job—partly for the reason I have given and partly because some of the objectives that are already in the Bill span areas way beyond the Treasury's competence. One can certainly see on climate change, for example, a real worry that, if the Treasury is left in charge, there will be all kinds of considerations—short-term, mainly; certainly not long-term—that will not be able to examine precisely whether the regulators are doing what they should be doing.

Thirdly, we cannot ignore the vast pace of change. It is difficult to stand back and appreciate that many of the things we have developed over the centuries are having to be changed within a few years. The financial markets is one area where change is enormous, such as in dematerialisation and the use of digital assets. This morning we debated electronic trading documents in this Room. Therefore, we need such a body. I am afraid that whoever joins this committee will find it very hard work but that is no excuse not to set it up, because it must be absolutely on top of things and gingering the regulators. I hope the regulators will come to see that this is good. We cannot have delay and, without a special committee to do it, that is what will happen.

Lord Bridges of Headley (Con): My Lords, I will make a couple of points quickly. In so doing, I once again declare my interests as an adviser to and shareholder in Santander and, more appositely, as current chairman of the Economic Affairs Committee.

[Lord Bridges of Headley]

I want to pick up on the noble and learned Lord's excellent points. If I may be very frank, I was disappointed that in the Minister's response to the previous group he consistently referred to accountability to the Treasury. We are talking here about accountability to Parliament. This is what matters; it is what concerns so many noble Lords who take a great interest in this debate. There is just nowhere near enough of that in the Bill. I am very disappointed by the tone and approach that the Government seem to be taking, so far, to what I see as a highly constructive set of amendments, especially my noble friend Lady Noakes's amendment, which I entirely support. I have two brief points to make about the committee structures of this House and of the other place.

As we have seen and are already seeing, the remit of committees here and in the other place is not set up to handle and scrutinise the avalanche of regulation coming out from all the regulators. It is nowhere near adequate to handle the consultations, let alone everything else. They do not have the resources either. It is imperative that the Bill is amended to reflect this. I very much hope that when my noble friend responds she will give this amendment some warm words of support, go away and think of ways in which she might support it. I will be speaking again in support of my noble friend's other amendments.

Lord Sharkey (LD): My Lords, I strongly support the amendment in the name of the noble Baroness, Lady Noakes, and observe that the Government have said, more or less consistently, that it is for Parliament to decide what form of scrutiny it requires. This acknowledges the importance of the issue. This is Parliament, and the amendment sets out a clear way ahead to establish parliamentary oversight. If the Government mean what they say, they will not oppose these amendments. They might join in a constructive discussion of how to make them better, but they will not oppose these amendments if they are to be at all consistent.

It is worth noting, though, that accountability and scrutiny are not quite the same. Even if we were to pass the amendments in the name of the noble Baroness, Lady Noakes, we would need to take a closer look at the delegated powers mechanisms that the Bill contains. As things stand, Parliament will have no meaningful say in whatever the new rules may be. Unless I have misunderstood, the proposed financial services regulators review committee will not be able to intervene as the new rules become law. We will need to think about that carefully as we make progress with the Bill.

Lord Tunnicliffe (Lab): Can I say a couple of words about regulation and regulators? This is usually a political divide and I am proud to be on my side of it. I believe that society is the richer for good regulation; I am against bad regulation but in favour of good regulation. When one has good regulation, the problem is often that it is poorly executed. These financial regulators do the execution, so processes to hold them better to account have to be a good thing. That may include the distasteful fact—it may or may not emerge—that they are underresourced. Certainly, this sort of debate will bring out those sorts of issues.

I have to be careful here, but my general view is that this is really a rather good group. I shall consider it carefully and discuss it with colleagues across the House between now and Report to decide on the extent to which we will support it. I strongly recommend that the Minister does as asked and enters discussions with us, to see how much of this can be agreed and included in the Bill. We had a similar tussle two years ago when we did a big chunk of this and tried to draw in the regulators more. The regulators put down on paper that they were willing to talk to us more. The problem was that we did not have mechanisms in the House to take advantage of that. This would be a game-changer, by breaking through into that area and creating processes to have proper accountability and scrutiny—supervision is the wrong term—of these enormously powerful regulators, which are vital to the success of our financial markets, in terms of both opportunities and appropriate restraint to avoid catastrophes.

Baroness Bowles of Berkhamsted (LD): My Lords, I strongly support the proposals for a Joint Committee. As ever, the noble Baroness, Lady Noakes, has researched this well. I know she has been looking at it for a long time, because we talked about it back when we debated the 2021 Bill. I commend the thoroughness with which she has done that. I also welcome the amendment by the noble Baroness, Lady Lawlor. One thing about that proposal is that it would be slightly larger at 12 members, instead of nine. It is a different committee, as has been explained. I have done this kind of scrutiny and we really need to think what volume of it there will be—especially now, post Brexit.

After the financial crisis, when I was chair of ECON in the European Parliament, we did 40 pieces of major financial services legislation—directives or, if that Parliament wanted them to be more direct, regulations. That is a huge number, and the volume of rules that came out from them is even more huge. It is an enormous task for the regulators doing those rules and for those who have to scrutinise them. My committee, which did that scrutiny work in the European Parliament, had the advantage of doing the legislative side first and then moving on to the rules. Nevertheless, it had some 60 members so could specialise in small groups, rather as we do with a Committee of the whole House; we self-select a group. Some people would do banking, some would do funds and some insurance. There would be a happy band, probably only five or six, who developed extra expertise in the self-selecting sub-committees. Of course, within that idea of self-selection, you could run parallel informal sessions at the same time.

With our small committees, we will not have the ability to do that. There is no way we can emulate it, as we have already said. Nevertheless, we should think about the size of the committee we might want. I thought having 12 was better than nine, but maybe the number has to be odd. If you go to 13, that is not a happy number so let us up it to 15. Maybe that is as far as we can push it.

I think that a lot of the work of such committees will not be everyone wanting to get in on questioning somebody. An awful lot of such work is an awful,

dreadful grind of going through document after document, and documents explaining the documents, then asking somebody what the hell it all means anyway. That is time-consuming. We should have a few more people concentrating on that, maybe with the opportunity to specialise. If we rotate the committee membership frequently we might lose that expertise, although in this House at least we do not seem short of people who can turn their minds to these kinds of things. I know that that is more of a comment, but maybe we can bear it in mind as we debate among ourselves what we will do on Report.

4.45 pm

Like the noble Lord, Lord Bridges, I support amendments in the next group about independent rather than parliamentary scrutiny. I do not see the two as mutually exclusive; we need both. Maybe the balance, depending on what you get in one, will be slightly different in the other, but both will be absolutely necessary if we are to do the job thoroughly.

I have tabled amendments. If those from the noble Baroness, Lady Noakes, are Rolls-Royces and those from the noble Lord, Lord Forsyth, are Trabants, some of mine are maybe only wheels, but we need all these possibilities to show what parliamentary scrutiny and, as my noble friend Lord Sharkey said, accountability mean.

The test put forward in reply to the first group was all about the public interest. I accept that the Government and Ministers always have to look to the public interest, but ultimately what greater test of and what greater body for the public interest do we have in this country than Parliament? That is where the sovereignty, if you like, of public interest lies. If you are not going to let Parliament in on the act then you are not acting in the public interest.

The Parliamentary Secretary, HM Treasury (Baroness Penn) (Con): My Lords, the Government are keenly aware of the interest in Parliament in the appropriate committee structures for scrutinising the regulation of financial services and will listen to the debate that we have on all the different groups very carefully. However, as noble Lords have noted, and I note myself, Parliament is of course responsible for determining the best structure to scrutinise the regulators.

As other noble Lords have also recognised, this debate has been had across different parts of Parliament over previous years, including during the Government's consultation on our proposals. As my noble friend Lady Noakes said, the Treasury Select Committee considered this question in its report of June 2022, *Future Parliamentary Scrutiny of Financial Services Regulations*. That resulted in the establishment of a new sub-committee for scrutiny of financial services regulations. I also note that the All-Party Parliamentary Group on Financial Markets and Services published a report in February 2021, which recommended the creation of a Joint Committee.

I note that my noble friend modelled her amendment on the provisions relating to Parliament's Intelligence and Security Committee, which is a Joint Committee set up on a statutory basis. Let me say to the Committee that the requirements applying to the ISC are quite unique, given the extreme sensitivities concerning the operation of the intelligence services. A large part of the provisions related to the ISC are about limiting its scrutiny powers to ensure that the intelligence services can operate and that the information they require to do their jobs is appropriately protected in those circumstances. The financial services regulators do not handle such sensitive information so the Government consider that a similar approach in statute is unlikely to be required in this instance. As I have said, it is not for the Government to impose an approach on Parliament.

I recognise the contributions from noble Lords saying that, by amending the Bill to create a Joint Committee, Parliament would be expressing its view. However, the point I would make in relation to that is that Parliament has the capability to set up Joint Committees without the involvement of government; they are usually established by Standing Orders in both Houses. This process does not require legislation. Introducing a Joint Committee at this stage of the Bill would be a significant change to the structure of the scrutiny of financial services. There is already a mechanism by which Parliament can establish such a Joint Committee should it wish to do so. Through this Bill, the Government intend to ensure that Parliament has the information it needs to conduct effective scrutiny of regulators, whatever structure it determines to be correct for doing so.

Clauses 36 and 46 and Schedule 7 require the regulators to notify the Treasury Select Committee of their consultations and draw the committee's attention to specific sections, including those that deal with how the proposals advance the regulators' objectives and how they have had regard to the regulatory principles. Those references to the TSC are in line with wider requirements elsewhere in existing financial services legislation, which establish that committee as the main committee for financial services matters. However, I note the wide range of sincerely held views on this matter and the fact that a number of different committees have previously been involved in scrutinising the wide breadth of financial services regulation.

Lord Forsyth of Drumlean (Con): I am trying to follow the logic of my noble friend's argument. If her argument is that Parliament can set up committees so there is no need for legislation, why is it necessary to reference the Treasury Select Committee in the legislation?

Baroness Penn (Con): In the legislation, the Government are seeking to formalise and make explicit some of the ways in which committees can have their work facilitated. I recognise that this Bill refers to the Treasury Select Committee. That is the case in existing financial services legislation; for example, Schedule 1ZA to FSMA requires that the person appointed as the CEO of the FCA must appear before the TSC before their term can begin. Also, when appointing independent reviews of ring-fencing and proprietary trading, as required by Sections 8 and 10 of the Financial Services (Banking Reform) Act 2013, the Treasury was required to consult the TSC.

Lord Vaux of Harrowden (CB): I am struggling with the logic here. If it is the case that scrutiny by the Treasury Select Committee is in previous legislation,

[Lord Vaux of Harrowden]
why is it wrong to change that and enhance the scrutiny in this way? Logically, the two seem to be the same thing.

Baroness Penn (Con): Perhaps I could finish my point; we will also come to this issue in the next group. In seeking to ensure that the relevant committees of Parliament have the information that they need to do their jobs, the Bill references the TSC, but I acknowledge that other committees in Parliament have done this role in the past or may wish to do it in future. That is something we will want to reflect on in our discussions of both this group of amendments and the next one. I recognise the point that has been made to me and will, I think, be made to me again in our debate on the next group. Although there is precedent for the TSC—indeed, it has set up its own sub-committee on this matter—I completely see the value of contributions of committees from this House or, if Parliament determined it, Joint Committees. We want to reflect carefully on how we can ensure that we are able to facilitate that also.

The noble Lord, Lord Vaux, invited me to reflect on this discussion and discuss with noble Lords between Committee and Report if and how we can take the thoughts and ideas further. That is something that I would be very happy to do. We will reflect on the points raised during this debate and consider them carefully before Report.

I wanted to make two points regarding this group. First, it is for Parliament to determine its committee structure and it has the ability to determine that, including the establishment of a Joint Committee, through existing procedure. Establishing a Joint Committee through statute is the exception rather than the rule and reflects the specific circumstances of the Intelligence and Security Committee. It is, I think, the only committee that has been established by statute in the last 100 years or so.

The other point, which we will discuss further, is that although we do not want to determine the correct committee structure, we do want to ensure that committees have the information they need to do their work. We have put clauses in the Bill to reflect that but, as I believe we will come on to, we will want to consider whether they fully reflect the work done in both Houses to scrutinise the regulators.

Baroness Bowles of Berkhamsted (LD): I do not know whether the Minister is going to come on to this, but I hope she will also say something about what I called the consequences of scrutiny and what my noble friend called accountability. We can set up all the committees we like within the permissions of the parliamentary structure, but the point is what the Government then do and take notice of. There is no point in doing it otherwise. That is what we want to hear: how are they going to, as I would say, put wheels on it so that the reports are acknowledged? We are not saying that the Government or the regulators have to take everything but they at least need to comment and such things. Will the Minister say something about that, please?

Baroness Penn (Con): On that point, the noble Baroness referred to the Government responding, but we are broadly discussing the committee's scrutiny of the regulators and the Government's role as well. The Bill provides a specific power to ensure that the regulators respond to representations made to them by parliamentary committees in response to their consultations. That clause is not limited to the Treasury Select Committee but applies to any parliamentary committee that makes a representation.

I look forward to debating the next group, which continues the theme, but for now, I hope that my noble friend will withdraw her amendment.

Baroness Noakes (Con): My Lords, I thank all noble Lords who took part in this debate—with the possible exception of my noble friend the Minister.

I think we were pretty much at one in this Committee on the importance of setting up proper accountability arrangements for the financial services sector. I make no apology to my noble friend Lord Forsyth for trying to design a Rolls-Royce solution. The financial services sector is the biggest contributor to the national economy. What regulators in the financial services sector do has a huge impact, not just on the players in the financial services sector but on the whole economy. For that reason, we have to take this extremely seriously. It is at this point, when we are about to make a very radical change in the scope and responsibilities of those regulators, that we should consider this all very carefully.

The noble and learned Lord, Lord Thomas of Cwmgiedd, is absolutely right: this is about the importance of accountability to Parliament, and we must not forget that. That is what we have been trying to do.

5 pm

I should say that I am not wedded to the drafting. I lifted the ISC drafting and tried not to make too many changes, other than to knock out the things that were designed for the ISC, reflecting the fact that it deals with the security services and the intelligence community. If the committee needs to have more members, I accept that; I also accept that the wording of "oversee" is up for grabs. But the basic proposition that there should be an important Joint Committee of both Houses of Parliament overseeing the regulators in this hugely important sector is not, I think, at issue within the Committee.

I have to say that my noble friend was unconvincing on why we should not use this Bill to settle this issue once and for all. It is just too easy to say, "Oh, well, it is for Parliament to determine." Parliament has this opportunity—the Bill—to determine the way forward. I think it would be irresponsible of Parliament, given the importance of the issue, not to take the opportunity presented by the Bill to settle this.

My noble friend referred to a wide range of views existing on this matter. There is not a wide range of views existing on this matter—certainly not in this Committee. I think we are pretty much agreed; nor do I agree that it is too late to introduce something such as this into the Bill. This issue has been around since the time we looked at the 2021 financial services legislation. This is not new. It was just a matter of time before we had to consider this level of granularity—what it would need to go forward. I do not believe it is responsible of the Government to say, "Just leave it to Parliament to work out."

I was extremely disappointed by my noble friend the Minister's response, but I acknowledge that she has left the way open for the kind of constructive discussion between now and Report that other noble Lords have called for in the debate. We need that discussion and it needs to involve all sides of the Committee. This is not a party-political issue; it is something on which this Committee has a settled view, pretty much, and the issue is how best to implement effective accountability of the regulators in the financial services sector. With that, I beg leave to withdraw.

Amendment 86 withdrawn.

Amendments 87 and 88 not moved.

Clause 36: Engagement with Parliamentary Committees

Amendment 89

Moved by ***Lord Forsyth of Drumlean***

89: Clause 36, page 50, line 30, leave out "chair of the Treasury Committee of the House of Commons" and insert "chairs of the relevant committees of Parliament"

Lord Forsyth of Drumlean (Con): My Lords, perhaps I should repeat the declaration of interests I made at Second Reading. I am regulated by both the FCA and the PRA and am chairman of a publicly quoted bank, Secure Trust Bank. In tabling this amendment, I anticipated my noble friend's response to the previous group. I have Amendments 89, 93, 97 and 109 in this group; Amendments 89 and 97 are the guts of it. Basically, they would enable Parliament to set up a committee—a Joint Committee or its own committee or whatever.

In making her case for the last set of amendments, my noble friend Lady Noakes pointed to a key point, which is about resources. The noble Baroness, Lady Bowles, has talked about the scale of the task that is being put before the regulators. It is hard to believe that without some kind of statutory backing, the huge resources that will be required to do this task and to do it effectively are likely to be forthcoming. I think that is in the nature of things. Certainly, my experience as chairman of the Association of Conservative Peers has been that getting any change in this place is a lifetime task. I just do not see Parliament being able to rise to the challenge.

If my noble friend cannot countenance writing into the statute book that there should be a Joint Committee of both Houses, which I believe is the right solution, these amendments at least provide for that. It is evident from this quite short debate that every member of this Committee thinks that this is desirable, although I quite understand why my noble friend's briefs say that it is not.

I do not wish to be rude about the Treasury Select Committee in any way but, as a former chairman of the Economic Affairs Committee—I am sure my noble friend Lord Bridges agrees—I have not detected within the Treasury Select Committee the kind of commitment that we see in the Select Committees of this House. That is because their members have constituency and other responsibilities. You can see that in the committee's attendance and in the way in which it operates. As the noble Baroness, Lady Bowles, pointed out, this is a monumental task.

Now, I hate all this consensus so I will introduce a degree of controversy. I voted for Brexit. I voted for Brexit because I believe in Parliament taking back control over our regulations. I did not vote to give all the European regulations, over which we have had insufficient parliamentary scrutiny and control, to a bunch of regulators who are not subject to any parliamentary control. From the Government's point of view, when they keep being asked "What did Brexit ever do for us?" to refuse even minimal accountability over our most important earner and job creator is extraordinary.

We should listen very carefully to the points made by the noble and learned Lord, Lord Thomas, in the debate on the previous group: this is a central constitutional matter. Without wandering into a Second Reading debate, throughout the Bill we have endless examples of where power is being taken away from Parliament by the Executive without being subject to scrutiny.

I am actually speaking to my amendments, in the hope that, at the very least, my noble friend will say that, as I made the case against my noble friend Lady Noakes's amendments on the basis that it is for Parliament to decide, these amendments enable Parliament to decide what it should be. At the same time, I recognise that they do not deal with the issue of resources although—believe it or not—it is entirely up to Parliament how much resources its committees adopt. It is not within the Treasury's control; Parliament votes resources to the Treasury, not the other way round.

My noble friend is a very effective and much respected Minister at the Dispatch Box but, if I were a Minister faced with a Committee as unanimous as this, knowing the views that were expressed at the Second Reading on the Bill, I would not hope to proceed without making a major concession in this area. Not doing so would make it more difficult for the passage of this legislation.

It is a great experience for me to have the noble Lord, Lord Tunnicliffe, and the noble and learned Lord, Lord Judge, support an amendment in my name. I am not used to this degree of consensus. That in itself ought to make my noble friend aware that she needs to take this away and come back with a government amendment that establishes a Joint Committee.

I will deal with the argument about the ISC, which my noble friend said is unique. It is indeed. It is a unique committee, because the powers that are operated by the security services are great. The powers that are operated by the regulators are great. We can argue that this is about confidentiality—it certainly is—but it is also about ensuring that people who wield great power are held to account, and that is missing from the Bill, as so many have said during this debate.

The other point I make to my noble friend is that yes, it is true that it is the only statutory committee that has been established, but we have made a fundamental change in taking financial regulation away from the European Union, where it was subject to considerable

[Lord Forsyth of Drumlean]
scrutiny—a moment of praise from me for the European Union and the wonderful work that the noble Baroness did as chair of ECOFIN. Whatever criticism one might make of the regulations, there was proper scrutiny, and that is completely absent here. Are we really going to say that we as a Government have delivered Brexit by making sure that there is little democratic accountability and less than was achieved in respect of the European Union?

In responding, I ask my noble friend to accept the amendments, but go further if she can.

The Deputy Chairman of Committees (Baroness Garden of Frognal) (LD): My Lords, I have to inform the Committee that if Amendment 89 is agreed, I cannot call Amendment 90 by reasons of pre-emption.

Lord Bridges of Headley (Con): My Lords, I am grateful to my noble friend Lord Forsyth for tabling this amendment. As he said, there has been an outbreak of consensus on this point overall, and the fact that the noble Lord, Lord Tunnicliffe, and the noble and learned Lord, Lord Judge, have also put their names to the amendment, shows what we have heard time and again on this Bill: that it does not go nearly far enough to increase parliamentary accountability and scrutiny.

As I said in a previous debate, and as my noble friend mentioned, we need to improve this Bill in three ways. First, we need to ensure that the regulators publish more data about their own performance. Secondly—this is an amendment we will come to on another Committee day—we need to create a new source of independent analysis of regulators' actions and performance. Thirdly, by this amendment, as with those in previous groupings, we need to ratchet up parliamentary scrutiny.

I see this amendment—I use this word carefully—as a backstop. My noble friends who have Brexit dispositions may take exception to the word, but it is absolutely a backstop to what we need to achieve here, given the reservations that my noble friend the Minister made about my noble friend Lady Noakes's previous amendment. As I have said before, and as my noble friend just mentioned, the Treasury Select Committee is an admirable body. We all know that it has created a new sub-committee to scrutinise consultations published by the regulators but, as many noble Lords will be aware, although consultations are very important, they are just one aspect of the regulators' work. Furthermore, there are numerous consultations. I spent a joyous few minutes counting the number of consultations published last year by the FCA, PRA and the Payment Systems Regulator; I counted 75.

Finally, as my noble friend pointed out, there is expertise in this House. I will spare the blushes of those in this Room, but there is enormous expertise not just here or on the Economic Affairs Committee or the Industry and Regulators Committee but in numerous other aspects. That expertise should be mobilised effectively and systematically to scrutinise this avalanche of regulation. For those reasons alone, it is critical that the Bill ensures that this House—not just the other place—is seen as a key means of increasing scrutiny and accountability.

Before I end—I know that others want to speak—I say just this: increasing accountability and scrutiny should not be portrayed as a means of undermining independence. I very much hope that no one thinks that. The scrutiny of our regulators and their accountability to Parliament should and indeed must go hand in hand with their independence. This is not just to ensure that regulators are accountable, nor simply because there should be no regulation without representation, but because if regulators wield great powers, as my noble friend said, they must be seen to account for their actions in public, and those actions must be seen to be scrutinised and judged by Parliament to be appropriate and within their remit. The point is that doing so increases the legitimacy of the regulators themselves. That is why this debate is not arcane but highly relevant to the power and the position that regulators hold.

I was grateful to hear my noble friend the Minister's constructive tone in her response on the previous group, so I end by asking her a very simple question; it requires only a yes or no answer. Does she think that this Bill contains sufficient measures to increase parliamentary scrutiny of the regulators in the light of the powers that those regulators are now getting—yes or no?

5.15 pm

Lord Naseby (Con): My Lords, I have a couple of quick comments. I have had the privilege of being across the two Houses for coming up to half a century. In my judgment, this Bill, which has a clear objective of growth—a brand-new element that has not been laid on financial services before—means that Parliament needs to show leadership. We are not often asked to show particular leadership but, with this substantial change, we in Parliament need to show leadership. That is what this amendment is all about.

Baroness Bowles of Berkhamsted (LD): My Lords, I have two rather modest amendments in this group. They are again part of my drawing attention to the fact that there needs to be accountability to Parliament. All they would do is insert that, when a regulator does its consultation and is giving the notification to Parliament, it should mention and draw attention to the fact that issues have been covered by a parliamentary report. I know that the regulator will already have responded to a parliamentary report but it might have been some time sooner.

This is a relevant issue. Any sensible regulator would probably make the comment anyway but that does not mean you cannot put little pieces into legislation here and there that just remind people of the status of parliamentary reports. That is what these two amendments would do, with one for the FCA and one for the PRA. When those notifications come to Parliament, they would have to indicate when they have been covered by a parliamentary report. They would not have to say that they agree with it; one presumes that they would comment on it.

I will not say anything more about the scrutiny—I have said a lot already—other than that I basically agree with everything that everybody has said. We are all agreeing with one another. When the Minister has

meetings to work out what concessions can perhaps be made, they will have to be substantial, not a little tweak. They will have to recognise the importance and magnitude of financial services—including the great power that they have, as has been said—and move towards what must be great accountability to measure up to that great power.

Lord Tunnicliffe (Lab): My Lords, I hope I will be forgiven for not going through my various amendments. Their essence seems to be in the general direction of this group of amendments and I think it highly likely that, between now and Report, the supporters of this group will knock together a cohesive set of amendments to achieve our common objective. I know that the noble Lord, Lord Forsyth, finds it painful but we are agreeing with each other on this group.

One of the problems of society is that people grow old in waves. We are already running out of people who have forgotten about the last financial crisis. It was by a hair's breadth that the economic system in the world did not fail. It took some brave decisions, in this country in particular and in the United States, to save the world from an economic catastrophe. This is different from the Intelligence and Security Committee but in no way is it less important. It is crucial to this nation.

We are suggesting that we in this House should be a backstop. That is not particularly surprising because that is what we do all the time. When the Government do not have a working majority, I believe that they are much more alert to what happens in this House because, suddenly, they are all there, they have their majority, they have got something through the House of Commons but then it runs into the Lords and new questions are asked. People spend a lot of time worrying about particular points. Yes, our role is a backstop, but we could not be one as the Bill is drafted at the moment because it sees two levels: the House of Commons level and the House of Lords level. This Bill brings us into parity of access. It is not nearly as comprehensive as the proposal from the noble Baroness, Lady Noakes, but it is a basic matter of equity to bring this on to a level playing field.

My next point concerns the issue of volume. The volumes will be very significant. One of the best things that the House of Lords does is its committees, where people actually put the time in. I really am quite pleased that I avoided becoming an MP. I only aspired to it before I knew what it was all about. Once you are an MP—I hope that ex-MPs will interrupt me if I am wrong—the first thing it is all about is getting re-elected. That requires a lot of work in the constituency and all that sort of thing. That is all part of the democratic process but the volumes need the sort of people who are in this House—as the noble Baroness, Lady Bowles, said, they almost self-select—to put the effort and energy in.

Scrutiny is not a negative process. Too often, in the way we run bits of society, it is a single heroic leader passing down the rules, but very good organisations encourage dissent in their top teams—not external dissent but internal dissent where people ask, "Do you really mean that? Have you thought through the consequences of that?" The effect of those processes is extremely benign. Either things get changed for the better or people understand what they are saying better and are able to present it better. Scrutiny is an extremely positive thing.

The mood that has got us here today has been around for years, I would say. We need a discontinuity; this group of amendments is the minimum discontinuity that I believe this House will tolerate. We will all be working across the House over the coming weeks to put together something that cannot be resisted. I hope that the Minister does not floor us by coming forward us early on in discussions with some sensible concessions to embrace the direction of this group.

Baroness Penn (Con): My Lords, first, I will briefly speak to the government amendment in my name in this group—I feel I should—before turning to the substantive measures raised by the debate.

Amendment 151 corrects a minor drafting error in Schedule 7 to the Bill. The current drafting requires the PSR, when notifying the Treasury Select Committee of consultations, to set out how the proposals are compatible with the regulatory principles. However, the Financial Services (Banking Reform) Act 2013, which established the PSR, requires it to have regard to its regulatory principles. The Government are therefore bringing forward this amendment to Schedule 7 to align this Bill with that Act. The amendment also aligns the requirements on the PSR with those imposed on the FCA and the PRA through Clause 36 of the Bill.

I turn to the amendments tabled by my noble friend Lord Forsyth and the noble Lord, Lord Tunnicliffe. Through FSMA and, in respect of the PSR, as I just noted, FSBRA 2013, Parliament sets the regulators' objectives and gives them the appropriate powers to pursue those objectives. I therefore agree with this Committee that Parliament has a unique and special role in relation to the scrutiny of the FCA, the PRA, the PSR and the Bank of England.

I also agree that effective parliamentary scrutiny provides a valuable service for consumers, firms and the regulators themselves. It can help ensure that the regulators' resources are appropriately targeted to consider appropriate democratic policy input from Parliament and bring important public policy considerations into focus.

I recognise noble Lords' point that regulators in this sector are in a somewhat unique position and the approach that we take to financial services regulation is somewhat unique in the level of delegation that we give regulators in their rule-making. The Government's approach, through our FRF consultations and this Bill, is an attempt to recognise that somewhat unique position and role of regulators in this sector, their wide remits and their position as independent public bodies that are accountable to Parliament.

As I mentioned in the debate on the previous group, I will set out the rationale for the Government's approach in the Bill and our consultations. Our intention is to ensure through the Bill that the Treasury Select Committee has access to the information needed to best scrutinise the work of the regulators. The requirements for the regulators to notify the TSC in Clause 36, and the PSR in Schedule 7, are in line with requirements elsewhere in FSMA that establish the TSC as the main

[Baroness Penn]
committee for financial services business. This is intended to support more effective accountability and scrutiny of the regulators by Parliament as a whole.

The Bill requires that notifications sent to the TSC must be made in writing. As is usual practice, the Government expect this correspondence to be published. It will therefore facilitate broader awareness of the regulators' consultations and enable relevant Lords committees to consider the matter. The clauses also require the regulators to respond in writing to formal responses regarding their consultations received from any parliamentary committee. The Government recognise the significant interest of this House and Committee in ensuring that all committees conducting regular scrutiny of financial services are adequately notified of the regulators' consultations to ensure that they have the information required to conduct that scrutiny.

As I said in the previous debate, parliamentary scrutiny is first and foremost an issue for Parliament to consider. It is not for the Government to determine the best structure for ongoing scrutiny of the financial services regulators, but we do have a role in setting out the suitable mechanisms by which the regulators must give Parliament the appropriate opportunity to scrutinise the work of the regulators in taking forward their functions. I would like to reassure noble Lords that the Government have heard the points made in the debates today and that ahead of Report we will carefully consider the views expressed today.

I recognise the level of consensus among speakers in this Committee. My noble friend picked up my point and said that there was not a range of views on this issue. In the debate on the previous group—and we have touched on it in this debate—in some respects we are talking about the establishment of a Joint Committee of both Houses. If you look across both Houses, there is a range of views about how this should be taken forward. I will listen very carefully to the views of this Committee as we conduct our scrutiny of the Bill at this end—in our House—but, when I made that point, I was maybe pointing to the whole of Parliament, not just our end of it.

5.30 pm

I turn to Amendments 95 and 107 from the noble Baroness, Lady Bowles. The Government recognise that it is important to ensure that regulators appropriately consider parliamentary representations and recommendations. That is why the provisions inserted into FSMA and FSBRA by Clauses 36 and 48, and Schedule 7, place a requirement on the regulators to respond to representations made to their consultations by parliamentary committees. As noted before, this requirement applies to representations by any parliamentary committee. The regulators will therefore already be required to set out how they have considered recommendations by parliamentary committees. The Government feel that this amendment would be duplicative of enhancements to the framework that the Bill already makes.

With that, I would like to reiterate two, or perhaps three, things: the importance placed by the Government on the accountability of the regulators to Parliament; the care with which we have sought to reflect that in the Bill and our approach; and my willingness to engage with noble Lords, in particular on the role of this House in scrutinising their actions and reflecting on this issue, with all members of the Committee who wish to, ahead of Report.

Lord Forsyth of Drumlean (Con): My Lords, my noble friend referred to the range of views and the House of Commons. I hope that this does not get into a kind of turf war between the House of Commons and the House of Lords. The reason I say that is that if I look at the scrutiny the Bill got in the other place, it is not impressive.

The noble Lord, Lord Tunnicliffe, said that he does not regret not becoming a Member of Parliament. When I was first elected as a Member of Parliament in 1983, it was exceptional to have a guillotine in consideration of legislation. Now everything is timetabled in the House of Commons and when you say that it results in almost zero scrutiny, the response one gets is, "Ah, yes, but that's because all parties agreed that only that time was necessary". That is why this House spends so much of its time looking at badly drafted legislation that has not even been considered.

If we think about the work that this House has to do and the burden of the legislation that comes our way, it is particularly acute at the moment. I certainly find it difficult to keep up with all the legislation that we are at present being asked to look at. I would like to be speaking today on the legislation in the Chamber but cannot because I am here, and so on. The idea that the main purpose of the House of Commons is scrutiny is completely wrong—accountability, yes, because they are elected. They are accountable to the voters, unlike all of us here.

At the heart of, if I may say so, the Treasury's misreading of this situation is its not distinguishing between accountability, scrutiny and independence. Yes, we want the regulators to be independent and to have scrutiny, but we also want accountability. They need to be able to explain why they have done or are proposing certain things. To argue that that is achieved by getting them to send a copy of their latest consultation documents, which they might have spent two years thinking about, and that they will respond to letters and representations from committees that are overloaded and focused on long-term scrutiny is just—I am sorry to use the word—fatuous. It does not begin to meet the challenge created by the decisions to leave the European Union and to give the responsibility for these regulations to the regulators.

My noble friend the Minister keeps referring to the legislation that was passed in FSMA. As my noble friend Lord Bridges has said, that was then and this is now. This is a complete sea-change in what is required, and the Bill does not meet the test. My noble friend Lord Bridges asked the Minister to answer the question with a yes or no. Listening to her speech, I thought that was definitely a "yes"—that she does think the Bill provides sufficiently for parliamentary scrutiny and accountability. There is no one else in this Room, who is a Member of this House, who thinks that.

It is not enough to say, "I hear what you say and we will come back at Report stage." I can see a car crash here. I can see us getting into a fight, which might be

represented as a turf war between the Commons and the Lords, but is actually about ensuring that our regulators have the credibility that will come from effective scrutiny and that we get regulations that have been properly accounted for. At the end of the day, it will be for the House of Commons to decide what should happen.

That is the central role of this House. Frankly, it is insulting to this House to say, "Don't worry your heads about this. The House of Commons and the Treasury Select Committee are the designated bodies to deal with scrutiny on an unprecedented scale." It is the scale of the thing that I do not think is understood. A little voice in my head says that the Treasury sees itself as providing the scrutiny. Well, how do we hold the Treasury to account for the scrutiny? The argument may be that we do so by asking Oral Questions or Written Questions, but I have heard a few recently and the answers, frankly, do not persuade me that we have effective scrutiny through that route even in this House. I will not give examples as that would be embarrassing to those concerned.

I thought my noble friend the Minister might say, "I'll grab this as a lifeboat because it is the very least that can be done," but, actually, my noble friend is sticking to her guns. I agree with the noble Lord, Lord Tunnicliffe, that, if the Government are not prepared to bring forward amendments, we will have to find agreement on a suitable amendment. I think the Government will be defeated; there are very strong feelings on this. I say to my noble friend that she should go back to the Chancellor and to her colleagues and ask whether they really want to get into an unnecessary fight about something that any reasonable person would see is essential for the proper conduct of the financial services in our country, on which we so depend. I beg leave to withdraw the amendment.

Amendment 89 withdrawn.

Amendments 90 to 112 not moved.

Clause 36 agreed.

Clause 37: Reporting requirements

Amendments 113 and 114 not moved.

Clause 37 agreed.

Amendments 115 to 122 not moved.

Clauses 38 to 40 agreed.

The Deputy Chairman of Committees (Lord McNicol of West Kilbride) (Lab): We have had a request from the Minister for an adjournment for 10 minutes, which I am going to grant. The Committee stands adjourned until 5.51 pm, when we will proceed with Amendment 123.

5.42 pm

Sitting suspended.

5.52 pm

Clause 41: Cost Benefit Analysis Panels

Amendment 123

Moved by ***Lord Holmes of Richmond***

123: Clause 41, page 57, line 22, at end insert—

"(c) be provided with any information or data that the Panel requires in order to fulfil its duties,

(d) publish the agendas and minutes of meetings of the Panel, and

(e) make publicly available its recommendations in full, including, but not limited to, the evidence base and analysis it used to make its recommendations, the assessed costs and benefits of the FCA's activities and the range of representations made by Panel members to those recommendations."

Member's explanatory statement

This amendment would require the FCA to provide its CBA Panel with the necessary data and information to undertake its duties and ensure that the Panel's recommendations were made publicly available.

Lord Holmes of Richmond (Con): My Lords, it is a pleasure to start this fourth group on day five of Committee. As it is the first time that I have stood up today, I declare my interests in financial services as set out in the register.

I will speak to my Amendments 123, 129, 130, 132, 138 and 139; I thank my noble friend Lady Noakes for co-signing them. In essence, what they try to get at is pretty simple: to enable the CBA panels to be effective in the mission they purport to be set up to achieve.

I present to the Committee a new financial instrument: the ISA. Noble Lords might think that they are familiar with the ISA, but this ISA is "independence, scrutiny and accountability", which we have heard so much about today and previously in Committee. I gift this particular ISA to my noble friend the Minister. Treat it as a woodworking router or some such device. If we take independence, scrutiny and accountability and apply them throughout the Bill, will she agree that, if current clauses do not stack up, they should be kicked out, improved and changed before Report?

With the CBA panels we currently have a conceptually useful form of ISA approach. However, the difficulty is that, as we have heard with so many other provisions in the Bill, as currently constructed they are the plaything of the regulator, again enabling the regulator to mark its own homework—or, even more so, to simply respond to whatever the CBA panels might say with, to put it in common parlance, "Whatevs".

Importantly, rather than, for example, the membership of the panels, their agendas and outputs being down to the regulators, this suite of amendments can, in effect, empower a CBA panel to do its job effectively for all our benefit. Consider the membership: would it not be good if at least some of those members came from the sectors, with clear, recent and relevant expertise to bring to bear on the matters at hand?

If Amendment 123 and other amendments in my name—and others in this group, which all have a similar purpose—were agreed, it would enable these panels to operate far more effectively. The panels could also take a cumulative view on the impact of

[Lord Holmes of Richmond]
regulatory change. They could have a power of pre-regulatory scrutiny to consider the impact and force the regulator to think again before such regulations are brought into being. They could look at and opine on the overall economic impact of regulatory change. Having such an approach would make it far clearer and more transparent for all to see, when the costs are out there, whether there is necessarily any benefit from a particular change.

When my noble friend the Minister responds, will she agree that the CBA panels are a good thing, but it would be a great thing to fully enable and empower them to pass the ISA test? I beg to move.

Lord Lilley (Con): My Lords, I did not speak on the previous group of amendments, but I endorse everything that my noble friend Lord Forsyth and the consensus of speakers said on that issue. I also strongly support what my noble friend Lord Holmes has spelled out, in not only proposing his amendment but providing an overview of this whole group.

We all agree that regulators must meet the objectives set by Parliament, but should do so in a cost-effective way, without erring, as regulators can, on the side of overburdensome regulation that makes life simpler for them without consideration of the costs to others. As drafted, the Bill requires both the FCA and the PRA to have two panels that undertake cost-benefit analysis. That is excellent but, as with much else in the Bill, it allows the regulators to mark their own homework or, at least, to appoint most of the panel of examiners who will mark their homework for them.

My Amendments 124 to 128 and 133 to 137 do, in essence, three things. They ensure, first, that all the members, not just the chair, are appointed by the Treasury rather than by the regulators; secondly, that they are independent; and, thirdly, more specifically, that they are not employees of the FCA or the PRA. I hope they find acceptance from the Government and this Committee. They are not contentious and are quite simple. They are within the spirit of the Bill, but simply tighten it up and make sure that what the Government appear to want is achieved without allowing the regulators to take over the process and run it in their own interest.

Baroness Noakes (Con): My Lords, I have added my name to the amendments in this group in the name of my noble friend Lord Holmes of Richmond, and I endorse everything that he said in introducing them. I should also have added my name to my noble friend Lord Lilley's amendments, because I agree with everything that he said in respect of them.

I congratulate the Government on embedding cost-benefit analysis panels into the architecture of the PRA and FCA. That is a very good thing. These amendments, which focus on transparency and independence, are intended to be helpful and to make the implementation of cost-benefit analysis panels more effective so that we can properly rely on their contribution to regulation. I hope that my noble friend the Minister will welcome these amendments.

6 pm

Baroness Bowles of Berkhamsted (LD): My Lords, again, I have a few niche amendments in this group. I have never been entirely comfortable with statutory panels. I understand their origins as wise men—undoubtedly, they were supposed to be men then—and that they formalise and take into the structures the voices of experienced people, but I am concerned that either they become about favoured sons or daughters or there is a potential to capture the people on the panels. Neither am I necessarily convinced that having them fragmented is all that sensible, because if you discuss things that may be relevant to big business in isolation from the public interest and smaller business, the big picture that is then put together is left to the regulator.

Those are the issues in my mind as I propose my amendments. I was not going to unpick the panels, but I suggest that every panel should have to have on it some representation of the public interest. That is probably already there on the Consumer Panel, but it is not on some of the others. Amendments 141 and 142 are to make sure that, even when you are dealing in a more specialised context, somebody is there putting the pieces together with regard to the bigger picture. I am not saying that they are supposed to keep intervening and doing the consumer bit when you are on the big business bit, but this is part of making sure that you are not too compartmentalised.

For a similar reason I have, in Amendment 143, proposed empowering Parliament to nominate one person to panels. This is part of Parliament representing the public interest. I am not saying that a parliamentarian should be on that panel, but it could choose to do that. In its wisdom, the European Parliament once chose to do that to me, and to some extent I wish that it had not, because it was a lot of work. When we started having these positions through appointment from the ECON committee, the Commission initially did not like it, then eventually it decided that it did rather like it because it helped to join up the processes and open up transparency and communication channels.

That is the point of suggesting that there be a parliamentary nominee. Again, it is just to make sure that we do not have sameness all the time, with the nominations coming from the same place. That is one way that it could be addressed. If others have other ideas to address the same problem, I am quite happy that those be incorporated, but those were the points of my Amendments 141 to 143. I think I am in common cause with the noble Lord, Lord Holmes, who does not want the panels to be the plaything, if you like, of the regulator, and with the noble Lord, Lord Lilley, who thinks that they are appointing their own examiners. I am trying to address the same problem. Whoever's amendments we work with, the message again is that we need some change in this area.

Lord Flight (Con): My Lords, the big change over the last decade has been the explosion in the number of people and the costs of those working in the regulatory context. I would have hoped that this debate and further consideration would look at what really adds very little to this Bill but costs a fortune in terms of people.

Lord Ashcombe (Con): My Lords, before I start, I declare my interest an employee of Marsh Ltd, the insurance broker.

I again find myself supporting my noble friend Lord Holmes. These amendments would ensure that the cost-benefit analysis panels are better equipped to undertake the necessary scrutiny of the regulators' work by ensuring their independence from the regulators. As the Bill stands, all the powers are given to the regulators in controlling the membership, agendas and outputs of these panels, thus allowing the regulators to set and mark their own homework, as people have said.

These amendments would ensure that the CBA panels have the necessary independence from the regulators by giving them powers to set their own agendas and work programmes. Where appropriate, the work of the panels should be made public. The amendments would ensure that the panels have the powers and authority to gain access to the data and impact assessments on which the regulators propose to make their decisions, including a cumulative cost-benefit analysis to understand the cumulative impact of regulation. The panels would have powers to have two existing representatives—or a number that noble Lords so suggest—in order for the views of the prevailing market to be heard. Importantly, the CBA panels would be given the freedom to offer a view on the overall economic impact and effect on UK competitiveness of regulatory changes, including scrutiny over the regulators' reporting on the competitiveness objective. Finally, the panels should have the ability to undertake pre-regulatory scrutiny of rules, with the ability to challenge the regulators and seek a response to new regulations coming into force.

Lord Tunnicliffe (Lab): My Lords, I think I want to commend the Government on actually bringing in the concept of cost-benefit analysis panels. Generally speaking, the amendments in this group elaborate on that and probably make them better balanced. I will certainly be interested to hear the Government's reaction to them.

We have Amendments 131 and 140 here, which would require the FCA and the PRA respectively to put on their CBA panels

"at least three individuals with experience and expertise in the field of economic crime, with one drawn from the public, private and third sectors"

and to consider

"any economic crime risks posed"

by any new rules they propose. These amendments have come from thinking at the other end and from the organisation Spotlight on Corruption. I thank it for contributing its expertise, and Emma Hardy MP for pursuing the amendments in the Commons.

These amendments are part of our overarching push to highlight the Government's weaknesses on economic crime, mainly fraud. There are serious concerns from consumers and stakeholders across the board about the slowness of regulators in preventing and tackling the vast amount of economic crime in the system. The size of the prize is vast. Money laundering is estimated to cost the UK £100 billion a year and fraud costs us £137 billion a year. The regulators need to do much more. I hope the Minister will agree that having panel members with specific expertise in economic crime is one way to ensure this, given the perverse ingenuity of the criminals they are up against.

Baroness Penn (Con): My Lords, perhaps it would be helpful to start with a bit of context behind the Government's approach to the statutory panels and the new cost-benefit analysis panel established in the Bill. I will then turn to the specific amendments.

The FCA and the PRA are required by FSMA to maintain statutory panels as part of their general duty to consult. As noble Lords have noted, these panels play a vital role in supporting the PRA and the FCA in developing regulatory proposals. As noble Lords have also noted, robust cost-benefit analysis—CBA—is an important part of the regulators' policy-making process. It helps the regulators to understand the likely impacts of a policy and determine whether a proposed intervention is proportionate.

Respondents to the October 2020 future regulatory framework review consultation recognised the value of cost-benefit analysis but expressed some concern about the rigour and scope of the regulators' analysis. Several respondents also supported enhanced external challenge as an effective way to improve the quality of the regulators' cost-benefit analyses. Clause 41 addresses these concerns by introducing requirements for the FCA and the PRA each to establish and maintain a new statutory panel to support the development of their CBAs. Clause 47 includes a requirement for the Bank to consult the PRA cost-benefit analysis panel in relation to its FMI functions, while Schedule 7 includes a requirement for the Payment Systems Regulator to consult the FCA cost-benefit analysis panel. The new CBA panels will have a crucial role to play in providing challenge to regulatory proposals and ensuring sufficient scrutiny of the regulators.

I turn first to Amendments 123, 129, 130, 132, 138 and 139, tabled by my noble friend Lord Holmes, and Amendments 125, 126, 134 and 135, tabled by my noble friend Lord Lilley. The Government agree that the composition of the regulators' panels is important for ensuring that they can effectively fulfil their role as a critical friend to the regulators. In particular, the Government consider that the CBA panel should benefit from those with experience of working in authorised firms.

During the debate in the Commons, the importance of ensuring that the regulators' statutory panels, including the new CBA panels, are made up of a diverse range of independent experts was highlighted. In response, the Government introduced Clause 44, which requires the FCA, the PRA and the PSR, when appointing persons to their statutory panels, to ensure that all members are external to the FCA, the PRA, the Treasury, the PSR and the Bank of England. The regulators' existing panels are currently made up of external members so this requirement will ensure that the approach is standardised and maintained on a long-term basis. In addition, the Government expect the FCA and the PRA to publish responses to the CBA panel's representations at appropriate intervals, although it would not be appropriate to fix in legislation specific deadlines for independent regulators that may not be deliverable in practice.

[Baroness Penn]

Turning to Amendments 131 and 140 from the noble Lord, Lord Tunnicliffe, I assure the Committee that the Government are committed to tackling economic crime, as we have discussed in previous debates. This is also a priority for the regulators. For example, since 2015, the FCA has prioritised its strategy to ensure that firms take adequate steps to prevent them being used for financial crime.

Section 1D of FSMA sets out the FCA's market integrity objective while subsection (2)(b) makes it clear that, in advancing that objective, the FCA must ensure that the financial system is

"not being used for a purpose connected with financial crime".

The Government therefore expect that consideration of economic crime will feature in the regulators' considerations when conducting a CBA. This is reflected in the FCA's existing published guidance for CBA, which sets out that, when considering the rationale for a regulatory proposal, it should be clear what type of market failure or harm it seeks to address—including, for example, economic crime.

6.15 pm

I move next to Amendments 124, 133, 127, 128, 136 and 137, tabled by my noble friend Lord Lilley, and Amendments 141 to 143, tabled by the noble Baroness, Lady Bowles. To support their open and collaborative approach, the Government consider that the recruitment practices for the statutory panels should typically be the responsibility of the regulators, who are best placed to determine individual appointments. However, to increase transparency around their processes, Clause 43 introduces a requirement for the FCA and the PRA to publish a statement of policy in relation to the recruitment of members of their statutory panels. The current requirement for the Treasury to approve the appointment of panel chairs but not that of other panel members provides a proportionate mechanism for the Government to have oversight of the regulators' appointments to these critical roles, which influence the panel as a whole, while respecting the regulators' operational independence.

I hope that my noble friend Lord Holmes will be able to withdraw his amendment and ask other noble Lords not to press their amendments when they are reached.

Lord Holmes of Richmond (Con): My Lords, I thank everyone who has spoken in this group; indeed, I thank my noble friend the Minister for her response. At the beginning of that response, she set out very clearly the role and purpose of these panels—a role and purpose that could only benefit from much that is in the amendments in this group.

This is an area to which we will return. To pick one example, if good people, even independent people, come through such an approach—as I am sure they will—as currently drafted, they will not be independent appointments; that is clear, and that is just one example. We will need to return to a number of these issues for the sole purpose of making the panels as effective as they can be; this will lead to better regulation, help the regulator and benefit the wider sector. For the time being, however, I beg leave to withdraw Amendment 123.

Amendment 123 withdrawn.

Amendments 124 to 140 not moved.

Clause 41 agreed.

Clauses 42 and 43 agreed.

Clause 44: Composition of panels

Amendments 141 and 142 not moved.

Clause 44 agreed.

Amendment 143 not moved.

Clause 45: Exercise of FMI regulatory powers

Amendment 144 not moved.

Clause 45 agreed.

Clause 46: Bank of England: rule-making powers

Amendments 145 to 148 not moved.

Clause 46 agreed.

Amendment 149

Moved by ***Baroness Bowles of Berkhamsted***

149: After Clause 46, insert the following new Clause—

"Recommendations to FCA and PRA: systemic risk

In section 9Q of the Bank of England Act 1998 (recommendations to FCA and PRA), after subsection (2) insert—

"(2A) The Financial Policy Committee may make recommendations to the Pensions Regulator, FCA and PRA about financial stability and systemic risk from investment strategies in Pension Funds, including concentration, risk modelling, margin, collateral and stress testing.

(2B) The Financial Policy Committee may request a joint annual report from the Pensions Regulator, PRA and FCA about investment strategies in Pension Funds, and the outcomes of any risk modelling and stress testing, and to highlight aspects of investment or otherwise that may present a risk to financial stability or systemic risk.

(2C) The report must be sent to relevant Parliamentary Committees.""

Baroness Bowles of Berkhamsted (LD): My Lords, this is probably an appropriate time to remind the Committee that I am a member of the international Systemic Risk Council and a director of the London Stock Exchange. My three amendments in this group are inspired by the events of last September, when it became necessary for the Bank of England to intervene in the gilt markets, and by the subsequent inquiries into and analysis of liability-driven investment, especially leveraged liability-driven investment.

The Lords Industry and Regulators Committee recently published a 22-page letter to Ministers—it is more like a mini-report—following its investigations into LDI. Among its suggestions was that, like the PRA and the FCA, the Pensions Regulator should come under the "comply or explain" category for recommendations made by the Financial Policy

Committee; I am aware that this suggestion was also floated in the Economic Affairs Committee's session with Sir Paul Tucker. This is exactly what my Amendment 149 would do, together with the necessary context—in this case, regarding

"systemic risk from investment strategies in Pension Funds, including concentration, risk modelling, margin, collateral and stress testing."

I have also included specific mention of the FCA and the PRA, both to clarify their roles in relation to systemic risk from pension funds and to emphasise that pension funds need to be considered in that context because it is inevitable that there will be far more correlation and groupthink than there would be among other groups of funds. The collective size of pension funds and their substantial role in gilt investment is not going away; the specifics of the Pensions Regulator's rules and accounting standards relating to pension scheme valuation have driven and will drive that correlation, even if adjustments are made. It would take too long to cover all the things that have come to light but one reason why such an amendment is necessary is to clarify that it is an ongoing source of systemic risk that must be routinely monitored.

It is true that, in 2018, the Financial Policy Committee noted the fact that leverage in pension funds was greater than in hedge funds. It also noted the substantial concentration—indeed, almost a cornering of the market—in index-linked gilts. The claim is that the FPC then worked with TPR, the FCA and the PRA on stress tests. Further analysis by TPR in 2019 highlighted again that there was significant borrowing and leverage in large defined benefit pension funds but, again, it left out analysing the smaller end of the market, where operational challenges were greatest. TPR said that it could not impose on the small schemes, while we heard from L&G in the Industry and Regulators Committee that it got the okay for its pre-existing buffer of 100 basis points.

Frankly, nothing got changed. Nothing was done on leverage. The Bank sat happily by as sponsor companies effectively ran off-balance sheet hedge funds in their pension schemes. Nothing was done about the concentration in index-linked gilts and—guess what?—when the glitch came due, to the mini-Budget, the part of the market that was cornered found it had nobody else to sell to. So, it was a pretty bad job all round. Meanwhile, many are patting themselves on the back because the mark-to-market valuations, following accounting standards based on gilt discount rates, make it look as if liabilities have dropped more than the drop in asset valuations, so they say that the losses do not matter. It is, of course, an illusion: the pensioners are paid out of real assets and the losses will be paid for, down the line, by the sponsor companies and the taxpayer via tax relief. That will be measured in very many billions.

To put in some real figures, pension schemes had assets of £1.8 trillion. Losses are put at £400 billion by the Pension Protection Fund; others reckon it may be £500 billion. The ONS will tell us the actual figure next month. That £400 billion or £500 billion has to be replaced, whether through sponsor contributions or growth. All that will be tax advantaged in some way, thus a loss of maybe some £100 billion to the public purse, without any increase in pensions from which tax would be recouped. None of this is escaped through buyout.

Whether you are a back-patter or a sharper analyst, we cannot afford a repeat and routine reliance on Bank of England intervention. There has to be increased diligence. As part of that, the specific need for the Financial Policy Committee more thoroughly to consider pension funds should be up there in lights and in legislation. That is the basis for the proposal in my Amendment 149.

It will be noticed that I have then amended my own amendment with Amendment 149A, which would also bring accounting standards and the endorsement board under the auspices of the Financial Policy Committee. This is not a totally off-the-wall suggestion because the Bank of England used to have a role in accounting standards back in the day, before Basel standards took over for banks. Nowadays, the Bank is not interested in accounting standards because it does its own calculations. That is, in fact, a quote from an important person at the Bank, who I will not embarrass today because it was made privately, but Andrew Bailey also told the Treasury Select Committee that he did not understand arcane pension fund accounting.

However, accounting standards can substantially affect the economy, financial stability and systemic risk, and there is no systemic oversight. After the financial crisis in the US, Bob Herz, then chair of the Financial Accounting Standards Board, asked to be given accountability to Congress. In the UK, we accept international standards created by the IASB, a private body, after review by the unaccountable endorsement board, which has no financial stability or systemic risk remit or experience.

Liability-driven investment and concentration in gilt investment was driven by the predominant use of gilt discount rates in accounting standards for valuing pension scheme liabilities on corporate balance sheets. The volatility that gave to corporate balance sheets drove towards investments that would match and counteract that volatility—that is, towards gilts and, in particular, away from equities. Indeed, as given in evidence to the Work and Pensions Select Committee, the extent of this is such that the London Stock Exchange listings are the most foreign-owned and most subject to foreign takeovers of any major exchange.

Matching accounting standard valuations has dominated thinking to the extent that the FTSE group of 100 CFOs has written to the Work and Pensions Select Committee, essentially saying, "We'd rather invest in gilts than in ourselves." Meanwhile, as I have said, the "nothing to see here" illusion in the attitude to pension scheme funding—despite asset losses and because the gilt-linked discount rates on liabilities has made them look smaller—prevails even at the Bank of England over its own pension scheme.

6.30 pm

There will be no easy resolution of these issues through accounting standards, due to polarised thinking which treats them as decided and the mark-to-market battle as fought long ago. Taking pension schemes off balance sheet again would mean that the liabilities

[Baroness Bowles of Berkhamsted]
could be hidden again. There will always be trade-offs and new responses. There will always be herd behaviour when everybody is trying to do the same thing, advised by the same people, wiggling to the same rules and accounting standards. So who can take a comprehensive, systemic look at unintended consequences if not the Financial Policy Committee?

Hence my suggestion is to reignite the role for the Bank of England to also consider the effects of accounting standards, not least so that it can again understand and spot these issues earlier. I very much doubt that it has that expertise at the moment. If it did, I would expect it to see through the pension fund better-off mirage and be very curious about the different liability valuations in IFRS 19 for company pension schemes and in IFRS 17 for exactly the same liabilities in insurance companies. This question is not answered simply by "insurance companies have capital", because company pension schemes have sponsors and therefore access to new capital, which insurance companies do not. The Bank of England therefore needs to understand these issues, be alert to systemic risk and, if need be, make suggestions and its own preparations.

Finally, my third amendment, Amendment 159, requires that the Bank of England, the PRA and the FCA start to put in place measures relating to financial stability and systemic risk where there is a significant or specific risk to the UK. It is prefaced by

"While maintaining commitment to developing international standards"—

but, for too long, we have heard the excuse that we are waiting for development of international standards for non-bank financial institutions. It was the first excuse that was trotted out by the FCA and the Bank at the start of the leveraged LDI crisis. It was probably why, having spotted issues in 2018, they did not do very much, still chatting with chums in international fora. We should not have to wait when there are UK-specific issues. Given their reluctance to move alone, as if they do not trust themselves, the regulators need instruction before the next crisis to get on with it for UK specifics, including defined benefit pension funds.

I thought a Brexit benefit was meant to be agility and speed, not atrophy, waiting even longer for even less democratic international solutions. If our regulators are not up to addressing systemic risk in UK-specific matters, find people who are and put the requirement in legislation, so it is something to point to. I am afraid that is the measure of the loss of confidence that I have, but the amendment is a perfectly rational addition to clarify that we do not have to wait for international action to solve homegrown problems. I beg to move.

Lord Davies of Brixton (Lab): I broadly support the proposals in these amendments, although I have doubts and I do not think this is the final answer—I suppose that is what I am struggling to say—in part because I have yet to be convinced that the Bank of England is the appropriate holder of the knowledge on these issues. It is a highly contested area; there are strong views and a range of views.

It is not clearly understood, except perhaps by the noble Baroness who moved this amendment, that there is total confusion between different standards involved in assessing a pension fund. There are the technical provisions under the solvency legislation; the accounting standards set by the accounting bodies so that the sponsor has some idea of the ongoing liabilities to the pension fund; and the standards set by the Pension Protection Fund. They are all important, but they are not the funding standards. The funding standard is the assessment of what money is required to be paid into the scheme to fund future benefits, and none of those other three funding standards is designed to produce that result.

The technical provisions are not a funding standard, just a way of assessing whether further contributions to the scheme are required; they do not tell you what those contributions should be. Similarly, the accounting standard does not tell you how to fund the scheme; it is purely for the purposes of the sponsor, so it has some idea of its financial standing. The standards set by the Pension Protection Fund, which are a specific insurance-type approach, are certainly not a funding standard.

The problem is that there is total confusion, and I am not sure that we can look to the Bank of England in its present state of knowledge, or the financial responsibility committee, to make that assessment. The issue is: who is going to promote this debate and arrive at a conclusion?

Another point that needs to be clearly understood is that pension funds are distinct from insurance offices. They are two financial institutions of a completely different nature. Over the last 20 years we have edged to a situation in which pension funds are expected to behave as though they are insurance companies.

I support the amendments, but I raise some doubts as to whether we can really look to the Bank of England and its committee to provide the clarity that is so sorely needed on these issues.

Baroness Noakes (Con): My Lords, it is a pleasure to follow the noble Lord, Lord Davies of Brixton, because he knows rather a lot about this area—far more than I and perhaps many other members of this Committee.

I added my name to Amendment 149 in this group from the noble Baroness, Lady Bowles, and have little to add to what she said on it. It was genuinely shocking to find out about the risks to financial stability that existed through the use of LDI strategies last September. Even more shocking was the fact that the Financial Policy Committee knew about them but had done very little about it. These amendments would not solve the problem but at least remind the FPC what its job is supposed to be: to identify areas of risk to financial stability and do something about it.

I did not add my name to the noble Baroness's Amendment 159 because giving wide-ranging responsibilities around financial stability and systemic risk to three separate bodies is just a recipe for confusion and inefficiency. It is perfectly true that none of the three covered itself in glory during the LDI episode, but I do not think the answer is in this amendment.

I am also deeply sceptical about giving the FPC any role in relation to accounting standards, as proposed in the noble Baroness's Amendment 149A. While individual accounting standards are often flawed, the

underlying concept behind accounting standards is sound, because it is trying to ensure that financial statements are prepared in accordance with a consistent and coherent set of principles, and not driven by non-relevant preferences or by events. In a sense, the amendment is trying to shoot the messenger of what accounting standards are bringing in terms of the message.

Accounting standards can have real-world consequences—for example, when what is now IAS 19, which has already been referred to, was introduced, it was almost certainly one of the factors that led to the demise of defined benefit schemes in private sector companies. But that is not a reason for not applying the accounting standard. So, too, if any accounting happens to amplify financial stability risks, the problem is with risk management, not with the accounting. That should be the focus of the FPC, risk management, not the formulation or approval of accounting standards. But as I said, I firmly support Amendment 149.

Lord Sharkey (LD): My Lords, I add briefly to my noble friend's comments on the need for a proper and joint assessment of systemic risk in pension funds and their management strategies. I think the need is urgent, as the LDI debacle has shown. Indeed, there is continued turmoil and unrest in the sector. I notice that Risk.net reported last Friday that UK pension funds are exploring legal claims against LDI managers, their fiduciaries who they tasked with running the LDI strategies. Five law firms have told Risk.net that they have been approached by pension schemes invested in both pooled and segregated funds to investigate whether legal action can be taken against the relevant managers.

There are apparently also questions being asked, not surprisingly, about whether fund managers had fully explained to trustees the risks associated with LDI, a point raised by the chair of our Industry and Regulators Committee in his brief letter of 7 February to Andrew Griffiths. It is a point that has a direct bearing on the generation of systemic risk.

Lord Davies of Brixton (Lab): I intended to make a second point about risk. Everyone tends to think about risk in terms of systemic risk—the finances of the country come under some pressure—but there is another risk that is not given sufficient attention, which is the risk that pension funds will fail to deliver the benefits that people expect to receive. That risk is given insufficient attention, but I hope it will be covered if there is a system where someone is given responsibility to look at risk. There is the risk of not getting out the benefits expected, as well as the risk to the financial system.

Lord Tunnicliffe (Lab): My Lords, I do not particularly understand the technicalities that have been alluded to in this debate. I will just say a word or two about the bigger issue here, which is the problem that human beings as individuals and institutions have with handling low-probability, high-consequence risk. We know that younger human beings, particularly, gamble their lives on it in how they behave.

Of course, I was very close to this because, in 1988, I took over London Underground, which had just killed 31 people. In a sense, the syndrome that led to that was, "Well, it won't happen". The defence was that it was unforeseen—that is, the circumstances that led to that catastrophe were unforeseen. Yes, it was unforeseen because it was not looked for. It was not unforeseeable. That is the issue.

Anybody or any organisation—public bodies, in particular—that is responsible for big risks has a duty to pursue the low-probability, high-consequence risks. I think it was the noble Baroness, Lady Noakes, who said that this is about risk management. It is much deeper than individual bits and bobs. We have had centuries of knowing just how high the consequences of systemic risk can be. If these amendments can address this problem in the financial world, I hope that the Government will give them a fair wind.

6.45 pm

Baroness Penn (Con): My Lords, as the Chancellor has set out previously, it is vital that lessons are learned from both the recent disruption in the gilt market and the vulnerabilities in leveraged funds that this exposed. Pensions and, more specifically, liability-driven investment—LDI—funds are regulated by a number of different bodies. In the UK, the Pensions Regulator oversees pension schemes and the FCA supervises fund managers that manage LDI funds. Many LDI funds are based overseas; authorities in these jurisdictions are responsible for supervising the funds themselves.

In accountancy, the Financial Reporting Council is responsible for regulating auditors, accountants and actuaries, whereas the UK Endorsement Board works internationally to agree accounting standards and adopts these for use by UK companies. More broadly, considering the financial system as a whole, the Bank of England's Financial Policy Committee—the FPC—is responsible for monitoring and addressing systemic risks to promote financial stability in the UK.

It is therefore right that the FPC has played and will continue to play an important role in ensuring that vulnerabilities in LDI funds are monitored and tackled. The Government welcome the FPC's *Financial Stability Report* from December as an important milestone in the "lessons learned" process. The Government and the Bank of England agree that the FPC's existing powers and duties remain appropriate and are sufficient to monitor and address the systemic risks associated with pension funds and their investment strategies.

Regarding Amendments 149 and 149A, the FPC already has broad powers of recommendation, as set out in the Bank of England Act 1998. It can make recommendations to the PRA and the FCA on a "comply or explain" basis and can make recommendations to any other persons it deems necessary to fulfil its objectives, including the Pensions Regulator, the Financial Reporting Council or the UK Endorsement Board. The FPC is also able to make recommendations to the Treasury, including in relation to the regulatory perimeter. These powers are used by the FPC to ensure that it can effectively monitor and/or address systemic risks, including those that may arise from pension funds and their investment strategies or accounting standards.

Additionally, the FPC must keep its recommendations under review and publish an assessment of the effectiveness of the committee's actions in its financial stability reports. These must be published twice per year and

[Baroness Penn]
laid in Parliament, allowing for further public scrutiny with regard to the impact of any recommendation made by the FPC, including whether it was complied with.

The FPC's proactive approach to reviewing and addressing systemic risks was demonstrated in December when the FPC recommended that regulatory action be taken as an interim measure by the Pensions Regulator in co-ordination with the FCA and overseas regulators to ensure that LDI funds remain resilient to the higher level of interest rates that they can now withstand, and defined benefit pension scheme trustees and advisers ensure these levels are met in their LDI arrangements. The FPC has welcomed, as a first step, the recent guidance published by the Pensions Regulator in this regard. The FPC can also make recommendations in relation to reporting and monitoring requirements for LDI funds and pension schemes. The FPC's financial stability reports then provide a public assessment of risks to UK financial stability.

With respect to Amendment 159, the Government agree it is essential that appropriate risk oversight and mitigation systems are in place, including for non-bank financial institutions. Sections 9C and 9G of the Bank of England Act 1998 stipulate that the FPC is responsible for identifying, monitoring and taking action to remove or reduce systemic risks, with a view to protecting and enhancing the resilience of the UK financial system. This responsibility includes risks emanating from all parts of the financial system, including the broader system of non-bank finance such as defined benefit schemes. It is right that this responsibility sits with the FPC which is able to prioritise its work as necessary to improve financial stability. The FPC has well-established processes for achieving this task, working closely with the FCA and the PRA.

Lord Vaux of Harrowden (CB): The Minister seems to be telling us that it has all the powers it needs and that everything is fine, and yet it happened. What went wrong and how do we fix it, if not this way?

Baroness Penn (Con): There is ongoing work to look at that question. There has been an interim finding, as it were, setting out a number of recommendations. At the moment what they do not do, in my understanding, is set out the need for increased or different powers. But the noble Lord makes the correct point that we then need to understand whether those powers were used in the most effective way to prevent something like this from happening in the first place. The point I was seeking to make was that, so far in its work in reviewing what went wrong and why, it was not a question of a lack of powers or the inability in its remit to make certain recommendations. That is not to say that that work has concluded or that all the action that we need to take after reflecting on what happened has concluded either.

I was talking about the FPC's powers and responsibilities to look at risks emanating from all parts of the financial system, including non-bank finance. It has the powers to recommend and, under Section 9H of the 1998 Act, also to direct the FCA and PRA to implement certain measures as specified by Parliament in order to further its objectives. Furthermore, as the IMF noted last year, UK authorities have often taken the lead in international efforts to improve the surveillance of risks beyond the banking sector.

In dealing with Amendment 159, looking at the risk from the non-banking sector in terms of financial stability and echoing my words to the noble Lord, Lord Vaux, the Government's position is not that those risks are all fine, managed and under control. It is that the FPC has the powers it needs to deal with those risks where it can at a domestic level. In the Chancellor's annual remit letter to the FPC, he reiterated the importance of prioritising work with international partners to address the vulnerabilities associated with non-banks. The FPC welcomed this recommendation. I say to the Committee that we agree that this area has been identified for more work at an international level but, alongside this co-ordinated international work, the Bank will continue to take unilateral action to reduce domestic vulnerabilities where it is effective and practical to do so.

Lord Tunnicliffe (Lab): Will the FPC go out of its way to seek out risks—not risks known at the moment or even evolving risks, but the possible risks that could lead to a catastrophic effect?

Baroness Penn (Con): My understanding is that that is what the FPC does. One of the mechanisms by which it does it is through its stress tests; it operates regular stress testing of the banking system and has also undertaken assessments of the non-bank system. For example, in the latest *Financial Stability Report* in December 2022, it included a specific chapter on market-based finance. In 2023 it will run for the first time an exploratory exercise to test the resilience of the financial system against a scenario focused on the risks associated with market-based finance. This is one route by which it seeks to explore and seek out what those risks could be, to help inform understanding of those risks and future policy approaches that should be taken to mitigate them.

As I have said, much of the work needs to take place at an international level, but I accept the point made by the noble Baroness, Lady Bowles, that we also need to take unilateral action at home to reduce domestic vulnerabilities where it is effective and practical to do so. That work is ongoing.

I hope I have dealt with the noble Baroness's amendments and reassured noble Lords that the Government are conscious of the risks—including systemic risks—that can be posed by the non-banking financial sector. With the FPC, we are undertaking further work to ensure that we can better understand and explore those risks, and take domestic action where possible to mitigate them, but also lead the work internationally to ensure a co-ordinated response.

Baroness Bowles of Berkhamsted (LD): I thank all noble Lords who have spoken in this debate. I will reply to some of the points, but I will start with the Minister's response. I am a little disappointed in two things. The main point of these amendments is to draw attention to the fact that, while the Bank of

England and the FPC maybe had the powers to do things, they did not do them. As the noble Baroness, Lady Noakes, and I said, they did not do them after having spotted that the problems were there.

They did something pretty de minimis—some stress tests that basically followed what the industry was already doing—and left out the smaller end of the market. Had they put their thinking caps on, they might have realised that that is exactly where you would have problems with providing collateral. They did not do it because the Pensions Regulator said, "We can't put this onus on the small schemes". Maybe that was a comply or explain type of answer, but they just took it as given.

The fact is that, once again, they are shutting the stable door after the horse has bolted. I am saying that they need to be more proactive. They have to stop being scared. This was not an issue where, by doing something first, we would have put ourselves at a competitive disadvantage with industry in other countries; that is why you do "hug a mugger" or "let's do international rules". I understand it for insurance companies, where there is big competition and if we do something and they do not do it in Europe, there will be issues.

By the same token, if you think you are ever going to get something agreed about insurance companies globally, you will hear some rude expressions. For starters, in the United States it is state-based, and they do not do Solvency II, so it will be very difficult to get that agreement on non-bank financial institutions, which basically means insurance companies. There is absolutely no reason to prevaricate and hide behind NBFI when you are taking about our specific defined benefit pension schemes. It is just an excuse, and I do not buy it. I do not buy it from the Minister, the Chancellor, the regulators or the Bank of England.

7 pm

The Bank has to be proactive, not reactive. That is the whole point about systemic risk; you stop it before it happens. You do not say, "Oh, look; there it is. Let's watch how it grows. Oh dear, it's happened."

Did the Minister listen to what I said? This has probably cost us £100 billion in revenue that over time will not be going to the Exchequer. The deal with pension funds is that you get the tax relief up front but then the pensioners spend the money and you get some tax back, but this created a £500 billion hole that we have to fill again. The pensions are not getting any bigger, so we are giving all that extra tax relief to the company and on the investment profits, but the pensions coming out the other end will still be the same because we are dealing with this loss. This was an expensive mistake. The 2018 report has graphs showing the huge amount of leverage in pension funds and the leverage in hedge funds. It hits you in the face if you open it, but nothing was done.

I very much accept what the noble Lord, Lord Davies, said. There is a big difference between pension funds and insurance companies. I spent an awful lot of time in Brussels having to argue the case for that, but the point about the pension funds is that, because some of the pension schemes are smaller, they are lightly regulated. In fact, the European rules basically say that because the oversight is lightweight, which it is compared with financial services, the investments are meant to be vanilla. That is the European regulation that we were supposed to be following, but we did not. We messed with it at the behest of insurance companies.

The Government's response to the consultation says, "Yes, we'll let you go on doing these things you want to do—leverage, repo-ing, borrowing, and so on", which means that in pension schemes we now have things going on that were the strategies used in insurance companies, without that kind of supervision and risk management. That is just untenable, so we have to watch it and find a solution. I do not think it is sufficient to say, "Well, they have the powers." We have to make it clear, and the way to do that is to mention that they have this oversight of pension funds.

If you scour through all the evidence given to committees and the letters that have gone out, it is a little iffy here and there from the FCA about whether it has pension funds. Yes, it has funds, but it does not really have pension schemes. It did not have to worry about the full suite of the effect of it. If there is such a large concentration of gilts, it has to be something that the Bank of England takes proactively, so I stand by the first of my amendments in this group, Amendment 149, as something that needs to be put on paper to make sure that there is no backsliding.

I may not have got the amendment on accounting standards quite right. I am not saying, "Go mess with the accounting standards." What I was really trying to convey is that the regulators must have an understanding of the standards and their consequences to be able to take them into account. The Bank must understand the drivers of anything that is in the financial system. It is wrong to try to pretend that pension funds are somehow different; they are part of the financial system. There is £1.8 trillion of defined benefits but we are going to have other issues in other parts of the pensions market. When there are trillions of pounds involved, you have to take it seriously when that is all going to move at once. It could be just the same with things invested under defined contributions. There is also the economic effect of the accounting standards and what they have done for the capital markets in London. They have destroyed them. I feel quite strongly about that, which is why I declared my interests again, but I can leave it aside.

I accept that there might be powers. I accept that they can say anything to any regulator so the governor's eyebrows can wiggle. I am not sure that these days the governor's eyebrows wiggling is as strong as it used to be. For the Pensions Regulator to be specifically within "comply and explain" would be the right thing, so I maintain that I am morally right in my Amendment 149. I think that I may not have framed Amendment 159 exactly right; I put all the regulators in there because I believe that, for financial stability, they have got remits. That is why they are there, but noble Lords could cross them out and just have the Financial Policy Committee, which they sit on, instead.

There needs to be something, especially if the encouragement from the Chancellor has been to prioritise working with our international partners. Again, that tips the balance the wrong way. We must prioritise

[Baroness Bowles of Berkhamsted]
doing the things that are here and now and are indigenous and happening in the UK in defined benefit pension schemes. Of course, I will withdraw my amendments because they are exploratory, but much needs to be done here. I hope that the Treasury will take that to heart. I know that the Minister may not think that pension funds are all hers—that is, that they are over in the Department for Work and Pensions—but this issue needs to be looked at or we will find ourselves here again. I will certainly think about returning with at least one amendment on Report.

I beg leave to withdraw the amendment.

Amendment 149 withdrawn.

Amendment 149A not moved.

Clauses 47 and 48 agreed.

Schedule 7: Accountability of the Payment Systems Regulator

Amendment 150 not moved.

Amendment 151

Moved by ***Baroness Penn***

151: Schedule 7, page 156, leave out line 43 and insert—

"(b) demonstrate that the Regulator has had regard to the regulatory principles in section 53 when preparing the proposals,"

Member's explanatory statement

This amendment ensures that the notification provisions align with the duty in section 49(3) of the Financial Services (Banking Reform) Act 2013 for the Payment Systems Regulator to have regard to the regulatory principles set out in section 53 of that Act.

Amendment 151 agreed.

Amendments 152 to 155 not moved.

Schedule 7, as amended, agreed.

Amendment 156 not moved.

Clause 49 agreed.

Clause 50: Consultation on rules

Amendments 157 and 158 not moved.

Clause 50 agreed.

Amendment 159 not moved.

Committee adjourned at 7.09 pm.