Vol. 842
No. 69

Tuesday
17 December 2024

PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS
OFFICIAL REPORT

ORDER OF BUSINESS

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

Corrections that Lords wish to suggest to the report of their speeches should be sent in an email, indicating the column numbers concerned, to holhansard@parliament.uk, or in a copy of the Daily Report, which, with the column numbers shown on the front cover, should be sent to the Editor of Debates, House of Lords, within 14 days of the date of the Daily Report.

This issue of the Official Report is also available on the Internet at
https://hansard.parliament.uk/lords/2024-12-17

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

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

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

Tuesday 17 December 2024

2.30 pm

Prayers—read by the Lord Bishop of Guildford.

Energy Costs for Businesses
Question

2.36 pm

Asked by ***Lord Evans of Rainow***

To ask His Majesty's Government what plans they have to reduce the cost of energy for businesses in the United Kingdom.

The Minister of State, Department for Energy Security and Net Zero (Lord Hunt of Kings Heath) (Lab): My Lords, the Government believe that the only way to protect bill payers permanently, including businesses and non-domestic organisations, is to speed up the transition away from fossil fuels and towards homegrown, clean energy.

Lord Evans of Rainow (Con): I thank the Minister for that Answer, but Britain's energy cost for business is the highest in the G20, with Russia, China and the United States having the cheapest. Gary Smith, general secretary of the GMB union, says that Labour's green strategy is "naive", displays a

"lack of intellectual rigour and thinking"

and will lead to job losses. Does the Minister agree with Gary Smith? If not, why not?

Lord Hunt of Kings Heath (Lab): My Lords, that is not how I recognise our energy policy. The noble Lord will have seen our action plan towards clean power, published at the end of last week, which sets out how we intend comprehensively to move towards clean power by 2030. I just say to the noble Lord that the highest price that businesses paid for electricity was in 2023, under the Government in which he was a member. What that shows is that, if we remain dependent on the volatility of international fossil-fuel prices, we will always be vulnerable to the kinds of spikes we have seen. That is why we need clean power and homegrown energy.

Baroness Winterton of Doncaster (Lab): My Lords, the *Clean Power 2030 Action Plan* is clear, on page 81, that nuclear power has a role to play in achieving clean power by 2030. Will my noble friend the Minister give a little more detail on what the Government are doing to support the development of the technology around small modular reactors, so that they can eventually be built in this country, support British jobs and reduce costs for businesses?

Lord Hunt of Kings Heath (Lab): My Lords, my noble friend is right to explore the contribution that nuclear will play in the lead up to 2030, but of course beyond, which is why we have the building of Hinkley Point C, then Sizewell C when we get to a financial investment decision next year, then the SMR programme and then the AMR programme. As far as small modular reactors are concerned, Great British Nuclear is conducting a technology exercise at the moment; it is in financial discussions with four of the companies concerned. We will come to the issue of spend and public support in the multiyear spending review that is taking place over the next few months.

Earl Russell (LD): My Lords, I am sure the Minister will agree about the importance of making sure that we continue to make efforts to reduce the costs of energy for industry. Some 56% of UK businesses would like to increase their on-site power generation, so what are the Government doing to help industries undertake such actions to help with their renewable energy?

Lord Hunt of Kings Heath (Lab): My Lords, first, of course I very much agree with the noble Earl in wishing to see a reduction in the cost of energy, particularly electricity, for our businesses. We believe that in the long term—and in the medium term, to 2030—clean power is the way to do it. He raises a very important point: one of the responses, as he will have seen in the US, is the linking of heavy energy users, which can be companies such as Amazon, with their data centres, to nuclear power generation through advanced modular reactors. Of course, the other very important issue is getting connections to the grid, which is why the clean power action plan is so important in relation to speeding up those connections.

Lord Alton of Liverpool (CB): My Lords, following the very helpful reply which the Minister gave during the earlier stages of the Great British Energy Bill on the subject of slave labour, can he say what further consideration he has given to the dilemma of purchasing solar panels that have been made in a state accused by the House of Commons of committing genocide and using slave labour in the Muslim areas of Xinjiang?

Lord Hunt of Kings Heath (Lab): My Lords, as ever, I am very grateful to the noble Lord for raising these very serious matters and particularly the plight of the Uighurs in Xinjiang province, which we have debated. He knows from my response in the Great British Energy Bill that we are looking at this very carefully. He is right that there is a tension, and clearly many of our solar panels come from China with all the attendant issues that this involves. But we have established the Solar Taskforce to look into the issue of supply chain, and we will be taking very seriously the points that the noble Lord has raised.

Lord Geddes (Con): My Lords, I have berated my own party over many years on this subject; I shall now enjoy doing so to the noble Lord's opposite. What is the Government's attitude to tidal power, which is indefinite, utterly predictable and costs nothing once installed?

Lord Hunt of Kings Heath (Lab): My Lords, I always enjoy the noble Lord's interventions. I recognise that there is a potential in tidal power, and the noble Lord, Lord Alton, is—can I say—badgering me on this and has had a debate already in the Great British Energy Bill about its potential. At this stage, we remain open to discussions about how that can be taken forward.

Lord Rooker (Lab): Could I ask my noble friend: is fusion energy still 20 years away, as it was 20 years ago?

Noble Lords: Oh!

Lord Hunt of Kings Heath (Lab): My Lords, we are putting some resources into the fusion programme. The years that I have in mind are the 2040s, which are a little less than 20 years away. This reflects our belief that there is very much potential now, and that the UK is in a very strong leadership position on it.

Lord Teverson (LD): My Lords, one of the ways that large businesses reduce their energy costs is by signing up to power purchase agreements, or PPAs. That is only possible for large businesses. Is there a way that Government could make sure that those benefits of more competitive pricing could come down to medium or small businesses, maybe by clustering or some other method, so they can get the advantage as well?

Lord Hunt of Kings Heath (Lab): My Lords, I am very happy to give that consideration. The noble Lord will have noted that we are looking at whether we should introduce a regulatory regime for the third-party intermediaries, because some businesses are affected both by mis-selling and other problems with the current system. The other point I would make is that the Energy Ombudsman's remit is being extended to small businesses within the next few days, and I hope that will also be of advantage to those companies that he mentioned.

The Earl of Effingham (Con): My Lords, the UK is importing record amounts of electricity from Europe. We understand that the EU is to propose limiting access to its electricity markets. How can the Minister ensure that businesses can transition to net zero over time without facing prohibitive energy costs during this process? Surely if supply goes down, costs will go up.

Lord Hunt of Kings Heath (Lab): My Lords, we should not speculate about this until we see actual evidence that it may come to pass. The real way to ensure continuity of supply is to do what we are doing, which is to move as quickly as possible to ensuring that we have homegrown, clean energy. This is what we are seeking to do.

Lord Watts (Lab): My Lords, are we not in a time warp? The problems we now face were created 14 years ago by not having a Government that invested in clean power. Is it not time for them to take responsibility for the mess that they have left for Labour to clear up again?

Lord Hunt of Kings Heath (Lab): My Lords, I think there is rather something in what my noble friend says. We inherited a parlous situation in relation to the public finances and a failure to invest in essential infrastructure. One example was their dithering about nuclear power. Not one nuclear power station came close to being opened in 14 years under the last Administration.

Baroness Finlay of Llandaff (CB): My Lords, following the discussions about tidal power, what discussions have been had with the Welsh Government about using the very high tides in the Severn estuary? Linked to that, what discussions have been had with the Scottish Government about the potential for hydro-electric power?

Lord Hunt of Kings Heath (Lab): My Lords, right at the start of our new Government's Administration, my right honourable friend the Prime Minister signalled that we wanted to reset relationships with the devolved Governments. That is happening. We are in regular discussion with the devolved Governments on energy policies. In the Great British Energy Bill, the consultation requirements are set out in relation to those countries.

Defence: 2.5% GDP Spending Commitment

Question

2.47 pm

Asked by ***Baroness Goldie***

To ask His Majesty's Government, further to the remarks by Lord Coaker on 14 November (HL Deb col 1927), whether they are planning the fiscal event next spring which is to set the pathway to spending 2.5 per cent of gross domestic product on defence to take place before they publish the Strategic Defence Review.

The Minister of State, Ministry of Defence (Lord Coaker) (Lab): My Lords, we remain committed to setting out a road map for defence spending to reach 2.5% of GDP. The strategic defence review is expected to complete next spring. We will set out the pathway to spending 2.5% at a future fiscal event.

Baroness Goldie (Con): I thank the noble Lord, and certainly, we have previously been told that the SDR will spell out what defence needs and that a spring fiscal event will confirm how and when we are going to pay for it. In a Written Statement yesterday, the Chancellor implied that there will not now be a spring fiscal event. Apparently, the OBR will publish in March an economic and fiscal forecast, to which the Chancellor will respond with a parliamentary Statement. This does not seem to be the same as a spending review. We need to cut through this fog of confusion. May I ask the Minister—I am very happy if he wants to double-check the position with the Treasury—will the forecast and parliamentary Statement to which I referred clarify when the 2.5% of GDP spend on defence will apply? If not, what will clarify it, and when?

Lord Coaker (Lab): I thank the noble Baroness for her Question. Of course, I always discuss with the Treasury questions asked by noble Lords and Baronesses. The position remains exactly the same. The defence review will be published, it will lay out the threats we face, and at a future fiscal event the Government will then determine the pathway to spending 2.5%. This is our real commitment.

Baroness Smith of Newnham (LD): My Lords, there is a suggestion that NATO, at its summit in The Hague next June, is going to look at a 3% target. Are His Majesty's Government willing to think about this? If not, are they going to reject what might seem a very necessary change in the light of the global situation?

Lord Coaker (Lab): I thank the noble Baroness for her question. We have been very clear about NATO. Irrespective of the outcome of the American presidential election, European countries would have had to spend more on defence. As a first step towards that, all NATO countries need to meet the 2% target, which 23 out of 32 currently do. Our next step is to reach 2.5% and to set a pathway towards that. That will result in billions of pounds of this country's money, as well as multi-billions of pounds across Europe, being spent on defence. That is the first step we need to take.

Lord Houghton of Richmond (CB): My Lords, arguably, one of the most difficult tasks of government is to determine the level of expenditure and therefore capability needed to reduce external threats to the country to an acceptable level of risk or tolerance. Therefore, how can it be right or logical to predetermine that 2.5% of GDP is the appropriate level of expenditure needed to achieve tolerable security? Does the Minister not agree that it is more sensible to remain open-minded as to what the level of resources required will be until after the SDSR has reported and the true risks to the nation are better understood?

Lord Coaker (Lab): I thank the noble and gallant Lord his question. He will know that one of the parameters of my noble friend Lord Robertson's defence review is to look at the threats and at the capabilities needed within the envelope of 2.5%. Any country would have to determine what it believes it can afford and is necessary. The defence review will come forward with the threat assessment, and then it will be for the Government to determine, with the defence panel, how we meet those threats going forward.

Lord Robathan (Con): My Lords, I have a high regard for the Minister—that may damn his career—and he will know that I was not entirely supportive of the previous Government's defence spending. However, the time is now: the war is raging in Ukraine and, as he knows, it is getting worse and worse. Furthermore, as was just pointed out, the arbitrary figure of 2.5% of GDP is not nearly enough. We need to prioritise defence spending and to really up it—perhaps double it, for goodness' sake—to where we were back in the Cold War, when we held the deterrent to keep Russia at bay.

Lord Coaker (Lab): Let us be clear: there is no question of the deterrent not being renewed. This is the problem we have: we have heard the figure of 3%, and now the noble Lord seems to be suggesting 5%. I know that he is committed to defence, as we all are, but there is a question about how much we spend on it. This Government have made a commitment to setting a pathway to 2.5%. In these debates, we should also recognise the huge contribution our country has made to defending peace and democracy in Ukraine, under both the previous Government—the noble Baroness, Lady Goldie, and other former Ministers—and this Government. Sometimes, as well as asking why we do not spend more, we should also recognise what the previous Government did and what this Government are doing for Ukraine. That gives a bit of perspective.

Earl Attlee (Con): My Lords, does the Minister agree that when we rearmed in the 1950s, we deterred aggression and avoided conflict?

Lord Coaker (Lab): I absolutely agree with the point about deterrence, and I have been making it in various debates. The noble Baroness, Lady Goldie, has been present at those debates, and the noble Lord, Lord Dannatt, asked me about this during the previous Urgent Question we had on defence. We need to re-establish deterrence. We need people to know that there are lines which, if crossed, will result in consequences. Perhaps we have not given the priority to deterrence that we should have, but the noble Earl is right that it must play an appropriate part in future. Countries know that, with our allies, we stand up for certain things and that if those lines are crossed, there will be consequences.

Lord Harris of Haringey (Lab): My Lords, I refer to my interests as set out in the register, as chair of the National Preparedness Commission. Do we not have to look at defence holistically? It has to be a whole-of-society response that includes the resilience of the nation to all sorts of attacks and measures that undermine our future. Unfortunately, that is about the scale of not merely of our Armed Forces but our investment in other resources to ensure that we are resilient. The reality is that the 2.5% figure is probably not enough just for conventional forces, let alone for that whole-of-society resilience. I hope the Minister is considering that and will discuss it with his Treasury colleagues.

Lord Coaker (Lab): I thank my noble friend Lord Harris for his question. It is not just me who is considering that; the whole of government is considering the need for homeland resilience. Indeed, my noble friend has asked me about this issue on a number of occasions. Part of the remit of the defence review is to look at what we should do about homeland resilience; that is an important step forward. What do we do to prepare the population for the threats we may face in future? What about hybrid warfare? What about, as we have seen in Ukraine, attacks on critical national infrastructure? What about some of the other data breaches we have seen? These are wholly important issues to which we have perhaps not given the priority needed. My noble friend is absolutely right, and the

[Lord Coaker]
defence review is looking at this. Homeland resilience will have to be a proper part of how we take our defence and security further in future.

Lord Craig of Radley (CB): My Lords, do the Government accept that there is a practical limit to the amount of additional funds that can be spent in one particular financial year? Do they agree that 3% is an amount which could be spent, and should be, in view of the situation in which we now find ourselves?

Lord Coaker (Lab): The noble and gallant Lord, Lord Craig, makes the point about the additional money that he and other noble Lords believe is required. The Government's commitment is to set a pathway to 2.5%. I remind the noble and gallant Lord that, on top of the money we have already provided for next year, we have an additional £3 billion in the Budget next year. We are setting a pathway to 2.5%. That is why the Government recognise the need to spend more on defence and security, and that is what we will do.

Lord Harlech (Con): My Lords, I declare an interest as a serving Army Reserve officer. Army cadet forces are vital to social mobility and community cohesion. I implore the Minister to speak with colleagues in the Department for Education about reversing the 50% cuts to the Army cadet force budget.

Lord Coaker (Lab): First, I congratulate the noble Lord on his service and all that he has done. He makes a good point about the importance of the cadet service. We all recognise the importance of cadets and their valuable contribution to social mobility, social cohesion and the rest. Certainly, I will reflect on the importance of that and see where we go to in discussions with government colleagues.

Lord Wallace of Saltaire (LD): My Lords, if the strategic defence review recommends and the Government accept that we need to spend more on defence because of the deteriorating international environment, can the Minister assure us that the additional spending will be taken out of additional taxation and not out of cuts to domestic programmes such as education, prisons and local government, and that the Government will come clean to the public that this is what they are doing and therefore, the additional taxation will be necessary?

Lord Coaker (Lab): I do not think that I am going to answer that. We have no plans with respect to additional taxation. I am trying to sound like my right honourable friend the Chancellor now.

On the serious point the noble Lord makes, the defence review will come forward and will put forward the threats we face as a nation and how best to meet them. We have set out the Government's expenditure plans. I gently say to noble Lords who talk about the need for increased spending that it is important that we spend it on the right things, the things that will make a difference. Waiting for the defence review for us to determine how we best meet those threats is a sensible policy option.

Schools: Music and Drama Access

Question

2.58 pm

Asked by ***Baroness Ramsey of Wall Heath***

To ask His Majesty's Government what steps they intend to take to ensure that all pupils in state schools have access to music and drama.

Baroness Anderson of Stoke-on-Trent (Lab): I thank my noble friend for her Question, which seems particularly apt given that it is Christmas week and so many children are involved in pantos and choirs. One of the aims of the independent curriculum and assessment review is to deliver a broader curriculum, so that pupils do not miss out on subjects such as music and drama. The Government have committed to ensuring that all students can study a creative or vocational subject until they are 16, reflecting this in accountability measures, and to launching a new national music education network to help families, children and schools access music opportunities, as was in our manifesto.

Baroness Ramsey of Wall Heath (Lab): My Lords, the latest OECD PISA assessment shows that UK 15 year-olds have among the lowest life satisfaction. Fewer than two-thirds feel that they belong at school, in contrast with an average of three-quarters in other countries. Many studies have shown how creativity can enhance young people's welfare and well-being. Will my noble friend the Minister ensure that proper consideration is given in Professor Becky Francis's curriculum review, which she referred to, to the provision of creative subjects such as music and drama for all secondary state school pupils, not just the relatively few who study them in preparation for external examinations?

Baroness Anderson of Stoke-on-Trent (Lab): It is essential that our education system enables children and young people to develop the knowledge, skills and attributes required to thrive and be ready for life and work. The independent curriculum review will ensure children enjoy a richer, broader, cutting-edge curriculum that gives them strong foundations in core subjects and the opportunity to enjoy creative subjects. This will build on our commitment to high standards, ensuring that no child or young person is left behind. It is our goal that the arts are accessible to all and not the preserve of a privileged few.

The Earl of Clancarty (CB): My Lords, does the Minister recognise that the single most significant thing that the Government can do to boost the arts is to scrap the EBacc?

Baroness Anderson of Stoke-on-Trent (Lab): I thank the noble Earl for his question; the civil servants will be delighted that this was raised. As we are undertaking a curriculum review and looking at everything in the round, I look forward to coming back with an update in due course after we publish the curriculum review next year.

Lord Wigley (PC): My Lords, in my generation, many schools in England recruited music teachers from Wales. Is the Minister aware that, between 2014 and last year, there was a drop of over 40% in the number of A-level pupils in Wales studying music, which now threatens the viability of some university music departments? Will she please liaise with her colleagues in the Department for Education and Senedd Cymru to try to seek urgent initiatives to avoid such a disastrous outcome?

Baroness Anderson of Stoke-on-Trent (Lab): I thank the noble Lord for his question. This is a devolved matter, but it is something that we work closely with the Senedd on. To reassure the noble Lord, there are challenges with recruiting music teachers in England, Wales, Northern Ireland and Scotland. Last year, under the previous Government, we managed to meet only 21.8% of the recruitment target for arts teachers and music teachers. That is why this Government have announced an increase in teacher trainer incentives for 2025-26 and will be paying a £10,000 tax-free bursary to teachers who sign up to teach art. We look forward to engaging with our colleagues across all the nations to see how we can share best practice.

Baroness Whitaker (Lab): My Lords, not only does exposure to music—and there is evidence of this—improve children's well-being, as my noble friend Lady Ramsey says, but it has a direct effect on their ability to learn other subjects. It is really crucial to their education.

Baroness Anderson of Stoke-on-Trent (Lab): I thank my noble friend and completely agree with her. I live in Stoke-on-Trent and engage actively with my local schools. Fundamentally, we have to ensure that any curriculum and extracurricular activities, and our investment in arts and culture, allow children to dream, and that they are rounded students who can engage properly in society afterwards.

The Lord Bishop of Guildford: My Lords, as a young teenager, I was privileged to play in the National Youth Orchestra, a group which drew together musicians from a wide variety of socioeconomic backgrounds, many of whom have gone on to contribute substantially to the creative arts in the country. Given that music is being squeezed out across many parts of the state sector, what steps will the Government take to ensure that able musicians have access to the best possible quality tuition and opportunity, not least with specialist music schools, regardless of their ability to pay for it?

Baroness Anderson of Stoke-on-Trent (Lab): My Lords, I thank the right reverend Prelate for his question and I envy his talent, which I do not share. There are multiple programmes that the Government are doing, not least the music hub partnerships, which cover each area of England and were developed on the recommendation of the noble Baroness, Lady Fleet—we thank her for her work. Some £79 million pounds per year is spent on those hubs, and £25 million will be spent next year on capital projects. Spending on the music and dance scheme, which supports 2,000 students, will be £32 million going forward.

Baroness Hooper (Con): My Lords—

Baroness Keeley (Lab): My Lords—

Lord Dobbs (Con): My Lords—

Lord Kennedy of Southwark (Lab Co-op): My Lords, there is plenty of time, so we will hear from the noble Baroness on the Conservative Benches next.

Baroness Hooper (Con): My Lords, does the Minister not agree that this choice should not be limited to music and drama, and that dance should be included?

Baroness Anderson of Stoke-on-Trent (Lab): I thank the noble Baroness and I completely agree.

Lord Storey (LD): My Lords—

Lord Dobbs (Con): My Lords—

Lord Kennedy of Southwark (Lab Co-op): We will hear from the Lib Dem Benches next.

Lord Storey (LD): My Lords, creative subjects in schools have been in decline, I am afraid to say. You just have to look at the figures for, for example, drama, the importance of which for oracy, emotional development and learning is so important. Of course, as a country, our creative industries are a great success story. When the curriculum review is completed, it will be about not just the subjects but the examination requirements. If you do not include creative subjects in the examination subjects then head teachers will think that they do not need to include that subject and can save money. Will the Minister look at the recommendations from the Select Committee on the 11-16 curriculum, which unanimously agreed that the EBacc should be cancelled?

Baroness Anderson of Stoke-on-Trent (Lab): I thank the noble Lord and reassure him that our independent review is about the curriculum and assessment. We look forward to the recommendations that will come forward in due course. I agree with the noble Lord that this is a success story, with £124 billion as part of our economic development and 2.4 million jobs. We need to make sure we get this right.

Baroness Wolf of Dulwich (CB): My Lords—

Lord Dobbs (Con): My Lords—

Noble Lords: Cross Bench!

Baroness Wolf of Dulwich (CB): My Lords, in the years before we had a national curriculum, this country was a world leader in the amount of music and drama that took place in its schools, and there were worries at the time that we introduced it that everything that was not mandated would be excluded. Could the Minister comment on whether the curriculum review that is going on will look not only at what should be mandated to schools but at whether they will have any space to do things that are not decided in Whitehall?

Baroness Anderson of Stoke-on-Trent (Lab): The terms of reference of the curriculum and assessment review currently being undertaken have been published on the government website. There is an onus to encourage how we look to make sure that students have the right skills sets and tools in the round, including music, art and drama.

Baroness Barran (Con): My Lords, the Minister talked about the Government delivering a cutting-edge curriculum, which slightly puts gloom in the hearts of those of us who have watched the cutting-edge curriculum in Scotland implode and children there suffer as a result. Maybe she could spell out to the House why the same will not happen here.

Baroness Anderson of Stoke-on-Trent (Lab): I am very disappointed in the tone of the question. We have requested and engaged Professor Becky Francis to come forward and look at this in the round. We are using evidence gathered by the last two reviews on education and culture, which the noble Baroness was involved with. We look forward to working with key partners as soon as we have the outcome of the review. What is delivered next will be of key importance.

Baroness Hazarika (Lab): My Lords, it is very important to get music and drama into the classroom. Does my noble friend the Minister agree that it is also very important to get kids into museums, art galleries, theatres and concert halls so that, from a young age, all children, particularly those from disadvantaged backgrounds, feel that they can enjoy these cultural spaces? What plans are there for visits from schools to cultural institutions?

Baroness Anderson of Stoke-on-Trent (Lab): I thank my noble friend for her question. Through Arts Council England, we are investing £444 million each year into arts throughout England in our national portfolio, and 79% of the portfolio is targeted at activity specifically for young people and for children. With regard to school trips, which many children will be undertaking this week, while we do not set an expectation on them, we value the added cultural experiences that they give, celebrate them and encourage every school to participate.

Georgia

Question

3.09 pm

Asked by ***Baroness Brinton***

To ask His Majesty's Government, following the Foreign Secretary's statement on 9 December concerning attacks on protesters and journalists by authorities in Georgia, whether they plan to sanction those involved in the elections in that country.

The Parliamentary Under-Secretary of State, Foreign, Commonwealth and Development Office (Lord Collins of Highbury) (Lab): My Lords, in his statement on 9 December, the Foreign Secretary called for violence towards protesters and journalists in Georgia to stop. Until Georgian Dream halts its move away from European democratic norms and freedoms, the United Kingdom is suspending programme support to the Georgian Government, restricting defence co-operation and limiting engagement with representatives of Georgian Dream. It would not be appropriate to speculate about future sanctions designations, as to do so would reduce their impact.

Baroness Brinton (LD): I am grateful for the Minister's response. Georgian Dream, the pro-Putin party of unconstitutional actions and democratic backsliding, last Saturday appointed a new President, having cancelled the people's presidential elections. Protests continue to grow in towns and cities across Georgia, but security threats and police violence against protesters—including killings—are growing and worsening daily. Will the Government seriously consider following the examples of Estonia in sanctioning Georgia's Prime Minister and 13 officials, and of the European Council, which yesterday agreed to suspend visas for all Georgian officials?

Lord Collins of Highbury (Lab): I think the noble Baroness will know that I will repeat that it would not be appropriate to speculate on future sanctions designations, as to do so would reduce their impact. I repeat what my honourable friend Minister Doughty said yesterday when he

"reiterated in the clearest terms to Georgian Dream representative … that police violence and arbitrary arrests in Georgia are unacceptable".

He said:

"The UK will consider all options to ensure those responsible are held accountable".

Lord Callanan (Con): My Lords, I want to back up the point made by the noble Baroness, Lady Brinton. The UK has always been widely admired in Georgia for the support we have offered to that country since it was freed from the shackles of the Soviet Union. Earlier today I was in contact with a friend of mine in Tbilisi—a former Member of Parliament. She said the situation is getting worse every day. Police brutality against innocent civilians is horrible. More than 500 people have been arrested. The Georgian Parliament is passing laws significantly restricting people's freedom. The US and EU member states are imposing personal sanctions or visa restrictions against the ruling party's leadership. I understand the point the Minister made earlier, but the UK is in danger of being left behind here. Will he please consider sanctioning people in Georgian Dream immediately?

Lord Collins of Highbury (Lab): I will not repeat it a third time because the noble Lord knows exactly what the Government's position on sanctions is. The shocking scenes of violence towards protesters and journalists by the Georgian authorities are unacceptable and must stop. We are working with our allies to ensure that we can convey that message in the strongest possible terms. We are determined to uphold what is, after all, the constitutional position of Georgia. When I was

there 18 months ago I saw that it has strong constitutional rights and very good laws, which are being breached by its Government. It is right that we stand up and point that out.

Lord Anderson of Swansea (Lab): My Lords, we have close links with Georgia, and as a country we therefore have some clout. The European Union has more clout. What level and type of co-operation do we have with the European Union in respect of Georgia?

Lord Collins of Highbury (Lab): My noble friend is absolutely right and we are in regular contact with international partners, including the EU and the US. We are collaborating multilaterally, including on support for joint statements through the OSCE, the Council of Europe and the United Nations, where we have consistently called for human rights to be respected. We will work in consultation and in collaboration with our allies, because that is the most effective way we can ensure that they listen to us.

Lord Harries of Pentregarth (CB): The scores of thousands of people peacefully protesting on the streets of Tbilisi are very impressive. They include religious leaders—Jewish, Muslim and Christian—walking together. Does the Minister agree that Georgia is a crucial tipping point and that Putin is doing all he can to manipulate the situation there? I was very glad to hear that His Majesty's Government are prepared to do "all" things. Will he please keep us informed of what those things might be? We must keep on as hard as we can, as the noble Baroness, Lady Brinton, and the noble Lord, Lord Callanan, asserted.

Lord Collins of Highbury (Lab): The noble and right reverend Lord is right. The people of Georgia are making absolutely clear their opposition to Georgian Dream's decision to pause the country's further moves towards a European future—a decision that directly undermines the constitution of Georgia. By the way, the Georgian people are making their position clear not just in Tbilisi but throughout the country. We will offer whatever support we can. I will keep the House informed of all our actions and ensure that we convey very strongly how we are co-operating with others to make our position clear. Russia and Putin have a reputation of interfering in democratic processes, and we need to challenge that.

Lord Blencathra (Con): My Lords, I welcome the noble Baroness, Lady Brinton, to the Council of Europe, which she will join in January. Three weeks ago I led a debate in Gdańsk on how disabled people could observe elections in other countries. I did that myself four weeks ago in Georgia, where we ran into a little trouble—my vehicle was sabotaged and a bunch of heavies were not very happy at our observations. It was not so much the individual intimidation at the polling stations that mattered but the way it was orchestrated at a high state level by the Georgian Dream party—which said it would outlaw the opposition party, and therefore intimidated all those who voted for it—and criminals.

On the day there were 3,000 video cameras, featuring in every polling station. The report that my PACE team made stated that these cameras gave the impression, "We know who you are, we know who you voted for and we are coming to get you". But trying to find the people to sanction is very difficult, so I ask the Minister to please keep looking to find the Georgian Dream leaders who were responsible for that high level of state-orchestrated intimidation. They are the guilty ones, rather than individual thugs at the polling stations.

Lord Collins of Highbury (Lab): I thank the noble Lord for his contribution. The important thing is that the United Kingdom supports the preliminary findings of the OSCE ODIHR's report on parliamentary elections in Georgia on 26 October, for which we contributed 50 short-term observers in a monitoring mission. That report found "misuse of administrative resources", a "highly polarized" campaign environment, as the noble Lord quite rightly pointed out, and widespread "intimidation" and coercion against voters. That, along with the impact on civil society of Georgia's law on transparency of foreign influence, are not the actions of an open, democratic society and run contrary to international standards. More importantly, they run contrary to the constitution of Georgia itself.

Lord Purvis of Tweed (LD): My Lords—

Lord Foulkes of Cumnock (Lab Co-op): My Lords—

Lord Kennedy of Southwark (Lab Co-op): We will hear from the Lib Dem Benches next.

Lord Purvis of Tweed (LD): The Government were aware that the United States and the EU would be placing visa restrictions on these individuals. The UK now finds itself in the invidious position where these individuals would be able to travel here but not to the EU or the United States. Without prejudicing any decisions on future sanctions, surely the Minister can say that these individuals should not travel to the UK because that would not be conducive to our public good.

Lord Collins of Highbury (Lab): The noble Lord has made the point precisely—of course it would prejudice any future designations. I will not be tempted into doing that, because it would harm the impact. I repeat what my honourable friend said yesterday: we

"will consider all options to ensure those responsible are held accountable".

I repeat that we are absolutely working in collaboration with the United States and the EU to ensure that whatever we decide in the future has maximum impact.

Lord Foulkes of Cumnock (Lab Co-op): My Lords, the noble Lord, Lord Blencathra, asked an excellent question. With no disrespect to the European Union, does my noble friend the Minister not agree that it is the Council of Europe, of which Georgia is a member, that is important in dealing with this matter? Surely the Minister should work with the UK delegation to the Council of Europe, which is now headed by my

[Lord Foulkes of Cumnock]
noble friend Lord Touhig, and the Secretary-General, to see what pressure can be brought through that organisation.

Lord Collins of Highbury (Lab): My noble friend is absolutely right. As I said in an earlier response, we have supported the joint statements through the OSCE, the Council of Europe and the United Nations, where we have consistently called for human rights to be respected. I am certainly prepared to sit down with our noble friend to talk about how we can take this matter further.

Bus Services (No. 2) Bill [HL]
First Reading

3.20 pm

A Bill to make provision about local and school bus services; and for connected purposes.

The Bill was introduced by Lord Hendy of Richmond Hill, read a first time and ordered to be printed.

Road Traffic Offences (Cycling) Bill [HL]
First Reading

3.21 pm

A Bill to amend the Road Traffic Act 1988 and the Road Traffic Offenders Act 1988 to create criminal offences relating to dangerous, careless or inconsiderate cycling and cycling without compulsory insurance, in particular applying to pedal cycles, electrically assisted pedal cycles and electric scooters; to publish an annual report on cycling offences; and to require a review of the impact of the dangerous use of electric scooters on other road users.

The Bill was introduced by Baroness McIntosh of Pickering, read a first time and ordered to be printed.

United Front Work Department
Commons Urgent Question

The following Answer to an Urgent Question was given in the House of Commons on Monday 16 December.

"The first duty of any Government is national security, and we therefore welcome the court's decision to uphold the Home Office's position with regard to the exclusion of H6, who can now be named as Yang Tengbo. The Special Immigration Appeals Commission concluded that there was a 'basis for the conclusion' that H6

'had been in a position to generate relationships with prominent UK figures which could be leveraged for political interference purposes by the CCP (including the UFWD) or the Chinese State'.

Where there are individuals who pose a threat to our national security, we are absolutely committed to using the full range of powers available to disrupt them. When we encounter foreign interference or espionage, whether it stems from the United Front Work Department or from any other state-linked actor, we will be swift in using all available tools, including prosecutions, exclusions, sanctions and diplomacy, to keep our country safe.

Given the potential for further litigation, it would be inappropriate for me to say any more, but it is important to recognise that this case does not exist in a vacuum. As the director-general of MI5 made clear in October, we are in the most complex threat environment that he has ever seen. Alongside the threat from terrorism, we face ongoing efforts by a number of states, including China, Russia and Iran, to harm the UK's security. Our response is among the most robust and sophisticated anywhere in the world.

The National Security Act 2023, which was supported by Members on both sides of the House and which strengthened our powers to protect the UK, is central to our protection against states that seek to conduct hostile acts. To date, six individuals have been charged under the new Act, and the Government have been working hard on the rollout of a crucial part of it: the foreign influence registration scheme, or FIRS. We will say more about that soon, but we intend to lay regulations in the new year and commence the scheme in the summer.

The Government have also set out our approach to China, which will be consistent and strategic. We will challenge where we must in order to keep our country safe, compete where we need to, and co-operate where we can—for example, on matters such as climate change. That is acting in the national interest, as the Prime Minister reiterated earlier today. However, the threats we face from foreign states are pernicious and complex. The work of our intelligence agencies is unrivalled in mitigating them, and I want to take this opportunity to pay tribute to them for the amazing work that they do to keep our country safe. Today, as ever, they will be pursuing those who wish to do us harm, including those from foreign states. We support our intelligence agencies in their efforts, and we always will—and they will know that at any point when the UK's national security is at risk, we will not hesitate to use every tool at our disposal to keep our country safe".

3.22 pm

Lord Davies of Gower (Con): My Lords, the Government have recently decided to pivot back towards closer ties with China, with the Prime Minister saying he intends to pursue a "pragmatic" relationship with it. The advice from the security services has been clear: the foreign influence registration scheme, which has been delayed by this Government until next year, will deter Chinese spying only if China is designated in the enhanced list of threats to the UK. First, will His Majesty's Government commit to placing China on the enhanced list of threats when that scheme arrives next year? Secondly, will they do so regardless of the new Prime Minister's increasing desire to have close relationships with China?

The Minister of State, Home Office (Lord Hanson of Flint) (Lab): The first answer is that the Government will take a long-term, consistent approach to China and the dealings we have with it. It is important that

we co-operate where we can on international matters such as climate change, and compete where we need to on business and on trade. When UK national security is at stake, it is really important that we challenge robustly any influence or actions by the Chinese Government on security matters. This House needs to understand that.

The noble Lord mentioned FIRS. We inherited the Act that passed in 2023, which was jointly supported by the then Official Opposition and His Majesty's Government. That scheme is under development now. We anticipate having it in place by summer next year. Within that, we will take action accordingly to designate specific countries if the United Kingdom's security is threatened. We will make decisions on that and announce them to the House in due course. I hope I can reassure the noble Lord that the United Kingdom takes all threats seriously and will be robust in its actions on those threats, including from any nation state that seeks to advance its aims in a subversive way versus the interests of the United Kingdom.

Lord Purvis of Tweed (LD): My Lords, both the intelligence services and the courts have decided that the individual in the news recently has acted against

"the safety or interests of the United Kingdom".

This is the legal test in Section 66 of the National Security Act 2023, which the Minister's noble friend Lord Coaker and I and others scrutinised in great detail in this House. Surely the Government will apply this test not on economic grounds but only on the safety and security interests of the United Kingdom. Can the Minister assure me that the timing of any decisions about placing countries on that list will not be affected by the visit of the Chancellor of the Exchequer to Beijing? This is a legislative process, so it is not simply a case of announcing the Government's view to Parliament. It is for Parliament to legislate, so all information should be provided with regard to those countries. Clearly, China should be part of that. When will we receive the orders for consideration with regard to the enhanced list?

Lord Hanson of Flint (Lab): The enhanced list will be brought forward, as will FIRS, for summer next year. If there are issues that we wish to bring forward on an enhanced list, we will do that but not announce it strictly in advance. I anticipate early in the new year looking at some of those issues in more detail. The noble Lord asked whether we take economic factors and visits by British Ministers into consideration. We do not. The most important issue is the security of this United Kingdom, and if there are threats we will take action. A pragmatic approach is still necessary, however. There are areas of co-operation with countries of all types that have difficult records and which potentially seek harm to the United Kingdom. There are areas where we need to examine those, and we will take a pragmatic approach. As the Prime Minister has said, we will co-operate where we can, challenge where we can, and do business where we can, but national security is paramount.

Lord Beamish (Lab): My Lords, FIRS came out of a recommendation from the Intelligence and Security Committee in its Russia report in 2020, and whether the enhanced tier was workable was questioned by many of us on the ISC, including myself. Does my noble friend agree that, irrespective of whether a country is designated into that second tier, individuals will still have to register if they are promoting the interests of a foreign nation? Does he also agree that our security services have an extensive network of monitoring Chinese activity in this country, which is outlined in the ISC's report in 2023?

Lord Hanson of Flint (Lab): I declare my interest that I was on the Intelligence and Security Committee at the time; I was one of the authors of the Russia report that my noble friend mentions. It is extremely important that we examine the issues that he has raised. We know about this matter because the security services notified the Home Secretary in the previous Government that the individual in the news this week following the court case was a person of interest to the security services and that we should designate him accordingly. That is why it is coming to the public domain. The question of tiers and the question of actions are ones that we will consider, and we will make announcements in the interests of the security of the United Kingdom when those matters are ready to be announced. I hope that assists my noble friend.

The Lord Bishop of St Albans: My Lords, we are all aware how complicated it is trying both to maintain our defence and security and to continue to trade. At the same time, there are some profound human rights issues going on. Reports have just emerged that the Chinese Government have demolished an important centre—the Rebiya Kadeer Trade Center—in Urumqi, Xinjiang. What representations have His Majesty's Government made to support the people there, whom the other place has claimed have been subject to genocide?

Lord Hanson of Flint (Lab): I assure the right reverend Prelate that the UK Government take human rights seriously and will, when necessary, make representations and consider action against a regime, be it China or otherwise, that abuses those rights as a matter of course. That is part of domestic foreign policy, and it will be taken into account in all our dealings. The question raised was predominately around the security interests of the United Kingdom, which we keep under consistent review, and we will take action if information is brought to our attention. I go back to my noble friend Lord Beamish; the security services are across this in every way, shape and form. They have warned about this publicly and are providing information constantly to Ministers about performance on these issues. We will take their advice about when the UK faces a specific threat and take into account human rights issues at the same time.

Lord Alton of Liverpool (CB): My Lords, I thank the noble Lord for the work he did on the Intelligence and Security Committee. Will he reiterate to your Lordships' House the findings of that committee that 40,000 members of the United Front Work Department had penetrated

"every sector of the United Kingdom economy",

[Lord Alton of Liverpool]
including our universities? Why then does the Prime Minister still refuse to officially declare China a threat, while Ken McCallum as head of MI5 says that infiltration is on an "epic scale"?

Lord Hanson of Flint (Lab): The Prime Minister is taking an approach that is in the interests of the United Kingdom. That approach is about challenging where necessary and referring strongly when we have security information, as we have done this week, but looking at where there are areas of potential co-operation, because we cannot avoid the fact that China is a major player in a number of areas of influence and we have to look at how we can co-operate with it on areas where we have mutual interests. However, I take the point. The noble Lord knows, because it is in the report that I was party to with my noble friend Lord Beamish, that a significant number of states have offensive opportunities towards the United Kingdom. We need to take cognisance of that. That is what the security services are doing each and every day. When information comes to light, we will take action. In the next few months, we will complete FIRS and bring proposals to both Houses to meet those threats.

Baroness Blackwood of North Oxford (Con): My Lords, I have heard that the Government intend to take a pragmatic approach on this, but the issue regarding FIRS extends to a number of other legislative vehicles, such as the National Security and Investment Act and the forthcoming cyber resilience Bill. For those who work in the public sector, as I do with genomics, or in the private sector, this can cause confusion. What does the Minister intend to do to create clarity about how those working in this area can navigate this pragmatism?

Lord Hanson of Flint (Lab): Absolutely—it is extremely important that we do that. The Government will make further announcements on the development of FIRS in the new year. They intend to have FIRS in place by summer next year. They will look at giving advice on any countries or individuals potentially designated under that Act. That will be brought back to this House in due course.

Great British Energy Bill

Committee (2nd Day)

Scottish, Welsh and Northern Ireland legislative consent sought.

3.33 pm

Clause 5: Strategic priorities and plans

Amendment 46

Moved by ***Baroness Young of Old Scone***

46: Clause 5, page 3, line 8, at end insert "which in his or her opinion will assist the reduction of greenhouse gas emissions, improvements in energy efficiency, the security of energy supplies and a more diverse ownership of energy facilities (including community ownership) that benefit people and communities."

Baroness Young of Old Scone (Lab): My Lords, if one were of a nervous disposition, one would be alarmed at the clearing of the Chamber that the simple act of standing up to move an amendment can provoke in this House.

I will speak to Amendment 46 in my name and those of the noble Baronesses, Lady Hayman—who, alas, cannot be with us today due to family illness—and Lady Boycott. It deals with the priorities that the Government will set for Great British Energy, and returns to the issue of community energy, which was given an airing by the noble Earl, Lord Russell, in the previous Committee session.

Amendment 46 inserts into Clause 5 a specific requirement that the strategic objectives of GB Energy should include delivering reductions in emissions, improvements in energy efficiency, security of energy supplies and a more diverse range of ownership of energy facilities—especially community energy schemes—whether connected to the grid or providing energy solely for local communities.

The mention of community energy in the debate about Clause 3 was very much about the objects of GB Energy. The amendments in this group are more about framing the articles of association of the company, in line with the strategic priorities that the Government impose on GB Energy. Clause 5 is more specifically about what the Government will determine on the strategic priorities and plans for GB Energy. I believe that the Bill should specify that the key issues outlined in this amendment be included in the objectives and plans. Clause 3 is about what GB Energy could do; Clause 5 is about what it will do. It is important that these priorities are on the face of the Bill.

In the case of community energy schemes, your Lordships will be glad to hear that I do not intend to repeat the excellent case made by the noble Earl, Lord Russell, in speaking to his amendment to Clause 3.

The grouping of amendments in Committee on this Bill has been interesting—I think that is the word—but it has had one silver lining in that it has given us opportunity to debate energy community for a second time. One can never have too many debates about community energy.

Much of the promotional material around Great British Energy has been clear that it will play a role in supporting community energy. Community energy schemes are important if we are to persuade local communities that the disruption and downsides of renewables development and rewiring the grid have something for them by way of cheaper, greener, more secure energy in which they have a stake.

Local power plans, including community energy schemes, are one of the five priorities for Great British Energy that were put forward in the founding statement. If all these assurances and promises represent genuine commitment, why not put this in the Bill, as my amendment proposes, as indeed does Amendment 50 in the name of the noble Earl, Lord Russell, which I also support?

During the debate on his amendment in the previous Committee session, the noble Earl, Lord Russell, indicated praise for Jürgen Maier, who is on record supporting a role for GB Energy in community energy. But Mr Maier is also on record as saying at a parliamentary hearing

that he did not believe that community energy had the potential to generate gigawatts. This does not gel with the assurances that we have been given by the Government both in their manifesto and during the passage of this Bill in the other place.

I very much welcome the fact that my noble friend the Minister undertook to give greater consideration to community energy schemes and their place in the Bill between Committee and Report. I hope he will reach a conclusion on the basis of that consideration, which would result in the role of Great British Energy in community energy appearing in the Bill to ensure, above all, that confidence is not lost by communities or investors alike.

The Minister of State, Department for Energy Security and Net Zero (Lord Hunt of Kings Heath) (Lab): I thank my noble friend for giving way. She has asked me a question so I might as well answer it. What that means is that the Government have not committed ourselves to a position, but we are looking seriously at the arguments that we received when we debated this issue last time.

Baroness Young of Old Scone (Lab): I thank the Minister for that intervention. It reveals the importance of having more than one debate about community energy that he has now said that twice. I beg to move.

Baroness Boycott (CB): I will speak to my Amendment 46A and to Amendment 46, to which I have added my name. I also support Amendments 50 and 51A in this group, among others. I tabled Amendment 46A because I want to ascertain from the Minister whether this was something that GB Energy would or could be doing. As drafted, this amendment, very simply, requires Great British Energy to deliver a public information and engagement campaign on the work it is doing as part of the transition to clean energy—about renewables, reducing greenhouse gas, improving energy efficiency and contributing towards energy security.

The first inquiry that I was part of in the then newly established Environment and Climate Change Committee, which was under the wonderful chairmanship of the noble Baroness, Lady Parminter, was on public engagement —or, to be quite honest, after many months of looking at it, the lack of it. Shortly after that inquiry, the Skidmore review also identified that public engagement is the missing piece of the puzzle. I am really not sure how much the dial has moved since then in this Government and certainly in the previous one. With GBE being a government-owned company, we could decide here and now, today, that the Government are going to take an active role in this; I think, and many others agree, that this would have a very beneficial knock-on effect.

The reason it is important may not be abundantly obvious at first, so I shall just lay out why I believe it is crucial. As we found on the committee, 32% of emissions reductions up to 2035 rely on decisions by individuals and households, while 63% rely on the involvement of the public in some form or another. We need to tell the public what we are doing and why we are doing it. We know that the public support the transition to net zero. Even last week there was a new poll that found that across all the major parties there was a high amount of support for anything to do with the environment. But you cannot expect people to support something if they do not know the reasons or what it is going to mean for them. We are not shepherds herding sheep, but we need to explain why it is happening,

I have real faith that the public will largely—if not exclusively—support all the energy infrastructure that we need to decarbonise the grid, including pylons wherever they have to be put, and they will be up for getting EVs and charging them in the middle of the night at times when electricity is abundant. They will do all these things because if they can buy into the common good, then you are in a win-win situation. But we must engage them, and the continued absence of a public engagement strategy leaves lots of space for lots of very negative voices to chip away with misinformation about why we do not need to do this and how we are not really in a climate emergency. Explaining these changes and how they are going to come in is crucial to secure public consent and address all the concerns that both the public and too many sections of the media, sadly, have.

I also fully support the amendment in the name of the noble Baroness, Lady Young of Old Scone, who made a wonderful introduction to it. I just add that with such little accountability, as the Bill stands, and as the Minister has said, we are not going to see a draft strategic priority statement before the Bill passes. It is important that there is some constraint around what the statement includes. The contents of this amendment are fully consistent with the objects in Clause 3 but correct a wrong area where GB Energy has the ability to invest in a wide range of "things or areas" but has no long-term security of knowing roughly what its strategic priorities will be.

I do not believe that this is too prescriptive. It seems to be wholly consistent with everything I have heard the Minister say in this House—and, indeed, the Secretary of State in the other place. I challenge the Minister to come up with something that he thinks GB Energy ought to have a role in, either now or in the future, that does not feasibly come under the list in this amendment.

It has to be said that my amendment is broad, so a few points apply to both it and the amendment from the noble Baroness, Lady Young. I will say a few words on emissions reductions. This has to be the overarching purpose, which, from conversations we have had with the Minister, I think is the case. But it is important that as a principle it is a publicly funded company which is not at present aligned to our emissions reduction targets. We should have no issue in including this in the Bill as its priority.

Everything to do with energy efficiency must be an area where GBE has a meaningful contribution by bringing in investment. The CCC has highlighted that we are really behind and that progress is slow. The warm homes plan—which I greatly welcome; indeed, I tabled an amendment to the last Energy Bill, now an Act, which included a warmer homes and business plan—aims to see 300,000 homes upgraded over the next year. I ask the Minister whether his department has yet produced a credible plan for the year after that. I am thinking particularly about the target to reach 600,000 heat pump installations by 2028.

[Baroness Boycott]

These are large numbers. I remind noble Lords that we have 29 million homes in this country—more each year—which at present are likely to need retrofitting. As for security of the supply, I understand the Minister sees this as critical to what GB Energy will achieve. Indeed, his department's 2030 clean power target, which this Bill helps to achieve, will mean more renewable energy. There should be no issue about including this as well. I also include community energy, which I can see has had a lot of airtime already. That is really important for bringing the public along on our journey, because if you can look out of your window and see a turbine and think, "That is powering and heating my home" or "The solar panels on my roof are feeding into the grid as well as cooking my dinner", we will come up against a lot less opposition to all renewable developments.

3.45 pm

Lord Whitty (Lab): My Lords, I have a short but crucial amendment in this group—Amendment 51A—which deals with the key issue of employment. It rather shocked me when I checked the wording of the Bill that the words "employment", "skills" "training", "retraining", "upgrading" or even "fair transition" are not mentioned in it. At one of his briefing meetings, I asked my noble friend the Minister for a clear chart of the various bodies we are now envisaging having influence on energy policy—NESO, Ofgem and now Great British Energy and Great British Nuclear. None of them have as a central mission to provide the new and upskilled workforce that will be needed to deliver both the grid and the new forms of energy which will take us to clean energy by 2030 or 2035.

I also looked through the previous Act of the last government—the Energy Act 2023—which is 473 pages long. It provides much of the body of approach to energy policy which the new Government have largely adopted. From a rough-and-ready word check, I do not think that the words "employment", "skills" and "new skills" appear in that either.

If we are to deliver a clean energy system, from generation to delivery, and energy efficiency in our homes, offices and buildings, as well as a transformation of our industry and transport, we will need a much more skilled, or differently skilled, workforce than the one we have at the moment. That requires somebody to take responsibility for that. None of the bodies has that as one of its central tasks. That needs to be remedied before this Bill disappears from this House.

We need to ensure that those currently employed in sectors of energy which will reduce in gas and oil have a high level of skills which will be relatively easily transformed into skills delivering the new clean energy—or those further down the line delivering home efficiency and other forms. We do not have that in the energy policy. It is mentioned in passing in one of the White Papers, but it is nowhere in proposed legislation. This amendment would at least put it in the statement of priorities required to be issued by NESO early in the transition. It will need following up; it will need more than that. It will need substantial intervention, provision of retraining, apprenticeships and skills, and redefinition of jobs if we are to achieve the timescale and trajectory to net zero that we are envisaging.

This amendment, which is supported by the TUC, would put a marker down that we need to address this issue. Without a transformation and extension of the workforce, we will not deliver the full energy system in anything like the timescale currently envisaged. Can my noble friend the Minister ensure that the Government come back with some way of reflecting in this Bill that employment and the transformation of employment are an important priority, as is assigning responsibility for them to one of the many bodies now in this arena? It may not be regarded by many as central to this Bill, but it is central to the delivery of the outcome. I put down this simple amendment at this point, and I will return to it at a later stage.

Baroness McIntosh of Pickering (Con): My Lords, there are a number of interesting and thought-provoking amendments in this group. I am delighted to follow the noble Lord, Lord Whitty, in speaking to his. I will speak to my Amendment 55 and ask the Minister to respond on a number of issues when he winds up on this group.

I felt that this amendment was necessary to probe the thinking of the Government. Clause 5(7), on strategic priorities and plans, says:

> "The duties to consult imposed by subsections (4) to (6) may be satisfied by consultation carried out before this Act comes into force".

What is the timetable for those consultations? Can the Minister assure the Committee that they will be meaningful and last, as in the terms of my Amendment 55, for the usual 12 weeks—ideally not covering the summer or Christmas holidays, which is so often the case? Will they be meaningful and be over a 12-week period, and will they consult farmers, fishermen and local communities?

Why are those three groups important? With farmers, as the Minister knows because we debated this in Questions and earlier in Committee, the Government are minded to take over highly productive land—often grade 2 or 3 land—for solar farms. In preparing for today, I have been issued information from David Rogers, an emeritus professor of ecology at the Department of Zoology at the University of Oxford. He is not personally known to me, but he has some very good figures.

I think the Government are underestimating, as of today, the amount of agricultural land that will be taken out of useful production. Let us look at the five most affected constituencies. In Newark, it is a land take of 7.9%. In Rayleigh and Wickford—I declare that I represented Rayleigh many years ago in the European Parliament—4.9% would be taken out of production. Sleaford and North Hykeham will have a reduction of 4.62%. In Newport East, the figure will be 4.6%, and Bicester and Woodstock will see 3.96% out of production.

We have to have a very grown-up debate about what the land use framework will be. I do not think that it will be published before this Bill passes, but I pay tribute to the work of the noble Baroness, Lady Young, in this regard. She has put an inordinate amount of work into this. There will be other opportunities to discuss the impact on farming. I hope the Minister will give us an assurance today that farmers will be included in the consultation and say what form the consultation will take.

I turn now to fishers and the spatial squeeze they face. The National Federation of Fishermen's Organisations provided a briefing, at my request. It is the first to understand that fishers must share the sea, and if other industries expand so much that fishing is squeezed out of its traditional grounds, they obviously do not want to see the industry collapse. In the NFFO's view, it is a mistake that when a new wind power station is built or protected areas are designated, the fishers who previously worked there are deemed simply to go and fish somewhere else; that is often not the case. Fish can be caught only in the places where they live and breed. They have been caught commercially in UK waters for centuries, and the areas where they feed, migrate and breed are well known, so expecting displaced fishing efforts to simply resume somewhere else entirely misses the point.

In the NFFO's view, there is an absolute need for a strategic approach. The UK's needs for food, energy, communication, transportation, waste disposal and recreation all intersect at sea, and the interests of fishers —and, in fact, of all users—can be met only with a strategic approach to using the marine space. How will the Government use the consultation to ensure that that is achieved, and that fishers' voices will be heard when such a plan is developed, to ensure their future?

I turn to the work we did on the EU Environment Sub-Committee, chaired by the noble Lord, Lord Teverson. We took evidence on the environmental impacts of these developments, particularly offshore wind farms and their future replacements, on marine life and the future of the fishers. The NFFO views with increasing concern the environmental impacts of such vast industrial developments in the sea. It makes a plea that, as we go forward, any strategic overview will be consulted on. A ban on fishing is obviously not an option, in its view. We hope that fishing will not be automatically damaged through any development of the marine environment, but that common ground will be found, so to speak, in any consultations on developing strategic priorities and plans within the remit of Clause 5.

I turn finally to local communities. It is regrettable that in the past, planning permission has been granted separately for offshore and onshore wind farms, because then, a separate planning application takes place, particularly for offshore windfarms, wherever the energy reaches the shore. That poses all sorts of problems that really came to life during the general election. Perhaps it is no surprise that we have a Green Member of Parliament for part of the Suffolk coast, because if you are going to have a large substation created separately from the original planning application for the offshore windfarm, that poses problems for the Government—whichever Government it happens to be.

Also, there is alarm that the Government are planning to take back control, so to speak, of planning decisions. Under the proposals the Government envisage, we are taking the decision away from local communities—I pay tribute to all who have served and who continue to serve as local council representatives—and giving it to the Secretary of State. That is wrong, because local communities should be asked to decide where these electricity substation superstructures will be placed and, just as woefully, where the overhead pylons will be placed. I still bear the scars, as the then newly elected Member for the Vale of York, from when we were deemed to take an additional, second overhead line of pylons. This does not go down well with local communities.

I hope the Minister will look kindly on the points I have made and listen to the voices of the farmers, fishermen and local communities as the Government proceed to develop their strategic priorities and plans.

4 pm

Baroness Bennett of Manor Castle (GP): My Lords, I begin by apologising that I did not take part at Second Reading and earlier parts of Committee—noble Lords had my noble friend Lady Jones of Moulsecoomb with them then. I am pleased to report that her hip operation on Friday went well, and she should be back soon after Christmas, but in the meantime, noble Lords get me stepping in on this Bill.

I want to speak on this group particularly, because I feel like we are having a bit of a déjà vu revisit over again revisit. It is worth reminding your Lordships of the last energy Bill this House debated, under the previous Government, which I was thinking of as the noble Baroness, Lady Boycott, was speaking. On that Bill, it was the community energy amendment that we stuck out on until the absolute bitter end, through several cycles of ping-pong, so it is worth stressing to your Lordships how strongly community energy has won support previously. I very much hope that we will see that continue, or, better still, that the Government will hear the level of enthusiasm for community energy and act accordingly before or on Report.

Amendments 46 and 50 are well worth stressing. They would insert into the strategic priorities the objectives and plans having a direction, rather than the possibility that some of the earlier amendments covered. I also commend Amendment 51A, tabled by the noble Lord, Lord Whitty. This, in shorthand, is the just transition amendment. Just transition has to be the foundation for communities who have often suffered a great deal from different government policies and who need to be treated fairly this time, just as all communities affected need to be treated fairly. That is the just transition we need.

Finally, I will say just a couple of sentences on community energy. This is the way in which we can deliver real prosperity to communities, enabling people to invest in their own renewable energy and to use it to get the profits. This is the way we can get enthusiastic consent for renewable energy schemes.

Lord Hamilton of Epsom (Con): My Lords, I first apologise to the House. On the first day in Committee, I extolled the virtues of small modular reactors and said that Rolls-Royce were in a very good position to supply these, because I knew about what they had done on nuclear powered submarines. I then remembered afterwards that I am a shareholder of Rolls-Royce, although not a big enough one to bother the Registrar of Lords' Interests. I hope that I can now apologise unequivocally to the House that I did not mention this earlier, and that noble Lords will forgive me for not having raised it at the time.

[Lord Hamilton of Epsom]

I will pick up the remarks of the noble Baroness, Lady Boycott, who said how popular net zero was. I would slightly caveat that, because at the end of the day, the whole concept of net zero is extremely popular until people have to start paying for it. It was certainly a big problem when it became apparent that people were going to have to pay £15,000 for a heat exchanger to replace their gas boilers. I know that this proposal has now been withdrawn, but that was just an example of the problems caused by careering very fast towards a very near date of net zero, because the bills start rising all the more markedly.

One could argue that people are already paying some of the highest prices in the G7 for energy, and that is largely to do with our drive towards net zero, which has not produced cheaper energy now. We just have to hope that it does in the future, but there is no evidence of that actually happening, and I am not sure there is much in this Bill, either, to encourage one that we are going to see a great era of cheap energy.

It is quite interesting that the newspapers today said that we had reached 70% of energy being produced by renewable sources—wind, solar and so forth. What they did not mention was that the week earlier, we had gone through a period when the whole country was covered in cloud and there was no wind whatsoever, so we had a combination of neither solar panels nor wind turbines working. At that stage, 70% of our energy was coming from natural gas. It veers from one extreme to another. The problem with most forms of renewable energy is that they do not work all the time. If they did, it might be possible to get the price down to something slightly more reasonable. We need to be very wary.

The noble Lord, Lord Whitty, raised the problem of training enough people to carry out all the tasks that we are envisaging. There seem to be a number of things that are checking the process and involve the spending of money of one sort or another. I am far from sure that we are going to see all this forthcoming in the timescale to hit these very near targets for when we want to reach net zero in this country. We must be wary of being too optimistic that somehow GB Energy is going to solve all these problems. I do not think there is any evidence whatsoever that it will do so.

Lord Teverson (LD): My Lords, I want to reassure the noble Lord, Lord Hamilton, that there is a form of renewable energy that can be on all the time, and that is geothermal. We are developing that quite rapidly in Cornwall and it has been proven worldwide. Recent reports have said that, if we were to roll it out, costs could reduce by something like 80%.

Lord Hamilton of Epsom (Con): At one stage, I was involved in geothermal energy in Cornwall. We had a problem in that, when we pumped cold water down into very hot rocks, there were small earthquakes, which rather upset people locally.

Lord Teverson (LD): There were a number of issues previously about that. Of course, geothermal originally required a certain degree of fracking, but that is no longer necessary. Since the development of United Downs, there have been no such earthquake tremors, all of which were very low indeed. But it is an issue for the public and one that needs to be recognised.

Coming back to what the noble Baroness, Lady McIntosh of Pickering, said, I want to thank her for bringing out some of the issues that we looked at in the sub-committee, and I congratulate her on being the champion of fishers that I know she is. On the issue of solar energy and the take of land, I do not think that we should in any way be questioning or pessimistic; indeed, solar should not be on high-grade agricultural land, but we should look at dual use of these areas. Even where there is solar on grade 3 or grade 4 agricultural land, it is not inevitable that this should be its only use. I would like to see the equivalent of a Section 106 agreement in the planning regime to say that there needs to be allied agricultural use on that land such as harvesting the grass, grazing or biodiversity objectives, which are absolutely possible.

However, I really wanted to intervene on community energy and re-echo what the noble Baroness, Lady Boycott, said. The great thing about community energy is not just the transition but the involvement of people in making that transition happen. It makes them part of the great process that we have to go through, and that is why it is essential that achieving this is part of Great British Energy's remit.

Lord Grantchester (Lab): My Lords, while the Committee considers the amendments in this group drawing attention to immediate overriding priority objectives, I would like to provide a wider context that includes consumers and demand-side aspects. Perhaps it could be summed up by adding to Amendment 46 "assist in the management of consumer demand", but it would apply equally to many of the other amendments.

The Minister may recall that, in my Second Reading remarks, I drew attention to digital infrastructure and smart metering. Recently, the department has made statements on the *Clean Power 2030 Action Plan*, which builds on NESO's plans, and on the capacity market to incentivise investment in demand-side response mechanisms. The amendment in the name of my noble friend Lady Young mentions improvements to energy efficiency and community ownership. In this regard, consumer-led flexibility can play a vital role in shifting their electricity use through smart technology such as smart-charging EVs and heat pumps.

The smart meter network is a critical national asset that is uniquely placed to enable the transition to a modern energy system. The DCC and Vodafone have signed a deal to bring 4G connectivity to Britain's smart metering network beyond 2033, and Vodafone's 4G has 99% coverage in the UK. The Government have committed to invest £6.6 billion to upgrade 5 million homes and cut bills for families as part of their warm homes plan. The smart meter network can be used completely securely to identify energy-inefficient housing stock, as well as damp and insulation issues.

NESO's plans include offering a demand flexibility service to help consumers save money by reducing their usage during peak times, thereby helping to balance the grid. This DFS, powered by smart meters, should

be a key part to facilitate Amendment 46 and the Government's plans. In the Government's *Clean Power 2030 Action Plan*, will the DFS be brought forward and be applicable to all housing at all times of the year, and will it target support to retrofit energy-inefficient housing? Have any costings been considered by the Government and savings identified? That is the subject of the next group of amendments.

Lord Teverson (LD): My Lords, I apologise. In my excitement to contribute in Committee, I forgot to apologise for not being able to come to previous sessions. I also forgot to declare that I am a director of Aldustria Ltd, a battery storage company, and that I chair the Cornwall & Isles of Scilly Local Nature Partnership, which is involved in biodiversity issues.

Earl Russell (LD): My Lords, I will speak to my Amendment 50 and signal my support, and that of our Benches, for Amendments 46, 46A, 49 and 51A.

My Amendment 50 seeks to add a statement to the strategic priorities, including a specific priority for the advancement and production of clean energy from schemes owned, or part-owned, by community organisations. This amendment seeks simply to have community energy added to the strategic priorities for Great British Energy. I apologise for talking about community energy again, as my Amendments 11 and 15 were about the objects of the Great British Energy company; these amendments work alongside those, and, combined, we want to see community energy in the Bill, both in the objects of the company and in the strategic priorities.

Labour has looked to Europe for its inspiration—for want of a better word—for Great British Energy. In Europe, community energy is being embedded in local power networks at an ever-increasing level. Europe is doing that because it knows that it is good for energy security, continuity of supply and local communities and that it brings local benefits. Here at home, we have seen the end of the feed-in tariff, but since that time there has been very little development, with still only 0.5% of our electricity being generated from community-based energy schemes. Reports have indicated that there is a possibility for that to grow exponentially up to some possible 8 gigawatts of local community energy by working with local energy plans, provided that the investment and policy are put in place to make that happen.

I thank Power for People, which has helped me with these amendments and provided your Lordships with briefings. It believes that up to 2.2 million homes could be powered by community energy, that it could save some 2.5 million tonnes of carbon dioxide and that it could help to create some 30,000 jobs in the UK.

Community energy is good not just for us but for our communities. Without going through all the arguments I made the other day, our position is that there is no Great British Energy without a Great British community energy. Our vision is for an end-to-end community energy scheme, so that our local communities can contact one person and get an end-to-end system to help them to get the investment, planning and ideas to turn their wishes to help contribute and be part of this transition into reality.

The point is that the big players will not do this; they are not operating in this field. This simply will not happen if GB Energy does not take it on and make it part of its core strategic priorities—it just will not happen. There is no other realistic option for this. This is good for us and for our communities, and we want to see communities benefitting from the energy infrastructure that they host or run. I apologise, but there will be a third bite of the cherry, as my Amendment 118A, in group 14, argues specifically for this point.

4.15 pm

To get to the energy transition that they want, this Government need to take society and communities with them. We are all going on a transition—a journey. We will have to change how we travel and how we heat our homes, and many other aspects of our lives will change. The Government need to do this at a very rapid pace in a short time. It is important that the Government continue to work on their communication strategy and recognise the need to take people with them. Opinion polls have been mentioned, and they show that society supports this transition. However, a recent poll showed very clearly that, where our local communities can benefit from hosting or be compensated for energy infrastructure that impinges on their lives, there will be even greater levels of support for what the Government are doing. Without that level of support, there is a danger that the whole project could come off the rails. That is not something that we want to see happen. We believe that this transition is more important than any one Government or party. We are very keen to work collaboratively across the House to see that happen.

We recognise all the reassuring words that have been said, both in the other place and in this Chamber. I recognise and am genuinely grateful for the words of the Minister, who has spoken on this previously. However, my fundamental position has not changed. We want to see support for community energy in the Bill and in the strategic priorities for the purpose of GB Energy. Without that, there is no guarantee that this stuff will happen. I will continue to work with the Minister between now and Report. I hope that, across the Chamber, we can find a constructive way forward on that.

Briefly turning to some of the other amendments, I thank the noble Baronesses, Lady Young, Lady Hayman and Lady Boycott, for Amendment 46, which I welcome and support. I thank them for their support and for speaking up for community energy. I support Amendment 46A, tabled by the noble Baroness, Lady Boycott. The only slight issue I have is in relation to energy efficiency. We talked about this on the first day in Committee. I asked the Minister whether any consideration had been given to GB Energy taking on the warm homes plan. The Minister's response was that it had not been considered. I think that maybe the energy efficiency bit of that amendment sits with the warm homes initiative. I still think it might be an idea for the Government to go away and explore that, but I support the amendment.

On Amendment 47, tabled by the noble Lord, Lord Offord of Garvel, we recognise the need for a reduction in energy bills. This is hugely important and it needs to happen quite quickly—something which is not in the amendment. However, I remind the

[Earl Russell]
Conservatives that the previous Government spent £39.3 billion between October 2022 and March 2023 subsidising household energy bill payers. That money was the direct result of the war in Ukraine causing havoc with the international energy markets. The result is that, although the money supported individuals through a difficult period, and it was good that it was paid, there were exactly zero long-term benefits for our energy security as a country. The reality is that if we do not transition our energy and get energy security, we could be in exactly that place again. The world continues to be unstable, and we need to free ourselves of our addiction to international gas markets. We fully support the Bill and what it is doing on this.

Finally, I thank the noble Lord, Lord Whitty, for tabling Amendment 51A. We also believe in a just transition and the need for that to happen alongside support for skills and jobs. One of our issues is that, despite the money invested in the Budget, we still see very low levels of predicted growth coming forward as a result of that investment. There is more for all of us to think about and do to make sure that the transition is a just one that creates green jobs and growth, and that we actually help people transition from the old industries—if I can call them that—to new green industries. This is the second industrial revolution; this stuff is not going away. All the jobs of the future will be green jobs, or we will not have jobs. We need to do more as a society to support that transition.

Lord Fuller (Con): My Lords, I will speak briefly in strong support of Amendment 55, tabled by the noble Baroness, Lady McIntosh. Of course we want to consult widely with farmers, fishermen and communities; after all, these are the people who are most likely to be greatest affected by the generation of renewable energy in the countryside. However, that energy will be consumed in the cities, and so those people will not necessarily see the benefits. The harms could be damaged landscapes, the consumption of land, and the introduction of noise and general disruption from construction. We are looking at towering turbines and new pylons. In my own area, in Norfolk, Diss faces being surrounded—fenced in—on both sides by two huge lines of pylons as part of our drive to net zero. Acres of land are lost to solar, with the loss of jobs in the countryside and the debilitating hum of battery storage.

What can the Minister say about the extent to which the consultation will be coupled with reassurances and promises of compensation for those in parts that are most affected—possibly a reduction in electricity or energy bills? It should not be just the generality of everyone's electricity or energy bill but particularly those people who are most affected.

Lord Offord of Garvel (Con): My Lords, I thank the noble Lords, Lord Whitty, Lord Hamilton, Lord Teverson, Lord Grantchester and Lord Fuller, the noble Earl, Lord Russell, and the noble Baronesses, Lady Young, Lady Boycott, Lady McIntosh and Lady Bennett, for their thoughtful contributions so far to this debate. This group has dealt with the critical subject of the strategic priorities of Great British Energy, and we must recognise the importance of this issue.

I begin with Amendment 46. As we discussed on the first day in Committee, the drafting of the Bill is concerningly lacking in detail. Unlike other Bills we have scrutinised in this House, the Great British Energy Bill lacks a clearly defined purpose and does not set out the company's strategic priorities and plans. I am grateful that Amendment 46 looks to define the impacts of Great British Energy's strategic priorities: the security of energy supply and the diversification of the ownership of energy facilities for the benefit of people and communities.

By explicitly stating that Great British Energy's strategic priorities will assist in the reduction of greenhouse gas emissions and improve energy efficiency, we would ensure that the £8.3 billion of taxpayers' money is used effectively for the Government's stated purpose. Not only this but it is critical that Great British Energy looks to achieve a secure energy supply, as mentioned by the noble Earl, Lord Russell. We saw how that was disrupted with the war in Ukraine. This is not an issue that can go unaddressed when discussing a Bill that the Government claim is so consequential to our country's energy production, supply and security.

In fact, Clause 3 explicitly states that

"Great British Energy's objects are restricted to facilitating, encouraging and participating in … measures for ensuring the security of the supply of energy".

However, the Bill makes no provision to ensure the security and future of our energy supply. We are concerned that there may be some tunnel vision here on renewable energy to achieve the Government's unilateral, and perhaps overambitious, target of clean energy by 2030; that would inevitably compromise our energy security. I am grateful to the noble Baronesses for addressing this concern in their amendment.

Amendment 47 in my name requires the statement of strategic priorities and plans to include the reduction of household energy bills by £300 by 2030. Throughout the election campaign, the Government repeatedly promised that Great British Energy would cut household bills by an average of £300. A similar claim was made by at least 50 MPs, the Science Secretary and the Work and Pensions Secretary, and even the Chancellor said:

"Great British Energy, a publicly owned energy company, will cut energy bills by up to £300".

In an interview in June, the Secretary of State himself claimed that Great British Energy would lead to a "mind-blowing" reduction in bills by 2030. As the noble Baroness, Lady Boycott, put it so eloquently, the public are hearing this message and must not be misled.

It is worrying that in the other place the Government voted against a Conservative amendment to make cutting energy bills, quoting the £300, a strategic priority for Great British Energy. By doing that, the Government voted against an amendment that would hold them to their word. They voted against ensuring delivery on their promise to cut energy bills for the British people. Why do this? If it is not £300, what is it? The public genuinely believe that Great British Energy, as a new energy company, will supply them with cheap electricity. Can the Minister give the Committee a cast-iron guarantee that GB Energy will cut energy bills? By how much will they be cut?

The pledge to cut household energy bills by up to £300 was not the only promise the Government made during their election campaign. They also promised that Great British Energy would create 650,000 jobs, yet this too was defeated from becoming a strategic object of Great British Energy and is absent from the Government's Explanatory Notes on the Bill and the Great British Energy founding statement. Why is this? Amendment 48 in my name would ensure that the Government are held to their word and that the creation of 650,000 new jobs is included in the statement of strategic priorities.

These are not trivial matters: they are promises that are important to people. The Government have already put 200,000 jobs at risk with their plans to prematurely shut down North Sea oil and gas. The public are aware of this transition and they want a just transition, but they are hearing of an acceleration in offshore oil and gas to the detriment of jobs and no commitment given as to the new jobs that will replace them. The Secretary of State has made huge promises that greatly impact people's energy bills, their businesses and their jobs. It is therefore critical that the Government are held accountable.

Amendment 49 in my name would introduce a specific strategic priority for Great British Energy to develop UK energy supply chains and require that an annual report is produced on the progress of meeting this strategic priority. It is essential that our transition to net zero does not increase our reliance on foreign states, as has been mentioned many times, and particularly not on hostile foreign states. I think we all want to see a "Made in Britain" transition, where our offshore wind turbines are constructed by British manufacturing companies and erected by British high-skilled workers, and deliver clean, cheap energy for British homes and businesses. With that in mind, my Amendment 49 would make domestic supply chains a strategic priority for Great British Energy. In this transition to net zero, we are presented with great opportunities for investment and for new jobs. As with employment, we must ensure that British people and domestic companies benefit from the increase in investment we hope to see in the coming years. Therefore, we must not simply outsource this transition; the transition will not be just if it benefits only Chinese companies.

I am grateful to the noble Baroness, Lady McIntosh, for tabling Amendment 55. It is critical that the Secretary of State must consult with various groups and local communities, including farmers and fishermen, when implementing a statement of priorities that will almost certainly have significant implications for them. I remind noble Lords of Amendments 26 and 110, to which I spoke on the first day in Committee. I raised the importance of local community consultation when the activities of Great British Energy might result in the erection of pylons.

I also draw the attention of noble Lords to Amendments 106 and 107, which will no doubt be addressed in future debate. I too have expressed my concern on the impact of Great British Energy's functions on coastal communities and commercial fishing. I seek to ensure that an annual report is prepared and published to assess those potential impacts.

I turn to Amendment 50 in the name of the noble Earl, Lord Russell. I do not intend to be repetitive, but this too is a fundamental issue with the Bill—it lacks strategy. How can the Minister expect the Committee to have thorough debate when the details of the Bill are so vague? The Bill lacks substance and we need to clarify the strategic priorities. However, by addressing amendments such as Amendments 50, and Amendment 73 which will come later in the debate, we can begin to address some of these glaring omissions.

4.30 pm

Amendment 50 calls for the inclusion of a statement of strategic priorities, which is vital for ensuring that Great British Energy operates with a clear sense of direction. This provision is crucial as it would offer transparency and accountability regarding how the company plans to spend £8.3 billion of taxpayers' money. It is simply remarkable that the Government have failed to specify this in their Bill, especially considering the scale of public investment at stake. This amendment, much like Amendment 73, provides an important opportunity to shape the direction of this new body, ensuring that it serves the public good and not simply political interests.

What I appreciate most about Amendment 50 is its focus on the advancement of community energy. By explicitly stating that one of Great British Energy's strategic priorities will be to support the development of community energy initiatives, we are ensuring that public funds are put to effective use in ways that benefit local communities. That is particularly important for rural areas where farmers and agricultural communities not only are central to food production but play a key role in the transition to a greener energy future.

Through empowering farmers to participate in community energy projects, we can create a sustainable, resilient energy system that works in harmony with the land, supports local economies and strengthens food security. Thus, Amendment 50 offers a vital opportunity to ensure that public funds benefit both the energy and agricultural sectors, driving a future in which farming communities are not left behind but are at the forefront of our green energy transformation. I commend these amendments to the Committee.

Lord Hunt of Kings Heath (Lab): My Lords, this is a very interesting set of amendments, and I am grateful to all noble Lords who tabled amendments and have spoken in this debate. Clearly, as we said before, the overarching aim for the statement of strategic priorities is to ensure that Great British Energy operates in line with, and delivers on, the priorities set out by the Government. That is proper for the Government to do.

It is clearly important that we have a means through which to influence the strategic plans of Great British Energy. Equally, we want Great British Energy to have as much operational independence as possible within the parameters of Clauses 3 and 5. Inevitably, that makes me cautious about a number of the amendments proposed during this debate, which one way or another seek either to constrain the powers of GBE or to direct where it ought to focus its priorities and energies.

Amendment 46 tabled by my noble friend Lady Young proposes an addition to Clause 5 to ensure that Great British Energy will reduce greenhouse gas emissions,

[Lord Hunt of Kings Heath]
improve energy efficiency, ensure security of supply and include community ownership. As she said, we debated some of those matters on our first day in Committee. I agree with her about the vagaries of groupings, which after 27 years of membership of your Lordships' House remain an eternal mystery to me, as we are enabled to repeat many of the debates already held. Indeed, the noble Earl, Lord Russell, has promised to come back to the very issue of community energy when we meet again on some distant future date in mid-January.

The Bill clearly provides a statutory basis for facilitating and encouraging the reduction of greenhouse gas emissions, improving energy efficiency and ensuring the security of supply of energy under the objects set out in Clause 3. Clearly the statement of strategic priorities must be consistent with these objects. I understand the point that the noble Lord, Lord Hamilton, made about prices; there was an Oral Question today on the impact these are having on UK businesses. He will know that, as I said then, the highest price for energy was achieved under his Government's watch.

The noble Lord, Lord Offord, also spoke on that topic, and talked about security of supply. I think he very much reinforced what the noble Lord, Lord Hamilton, said when the latter raised the issue of the sun not shining and the wind not blowing, and the resulting reliance on gas. In our aim to move towards clean power by 2030 we envisage using renewables much more than currently. However, we also need nuclear as an essential baseload for our energy generation, and gas as the flexible energy generation which you can turn on and off. Currently gas is unabated, but with CCUS it will largely become abated. That is the way we see ourselves going forward, along with having long-term energy storage as set out in our clean power action plan.

On North Sea oil and gas—again, the noble Lord, Lord Offord, has raised this with me a number of times—I repeat that we are committed to a just transition, working with industry and the workers involved themselves to recognise the importance of the sector, which will operate for decades to come. We remain in close engagement with the industry on these matters. Like the noble Earl, Lord Russell, my essential response to these issues about energy price reductions and the need for long-term price stability is that reliance on international fossil fuels, and the markets that operate in the way they do, is simply not the way to solve them.

I turn to the specifics in Amendments 47 to 50 and 51A, tabled by the noble Lord, Lord Offord, my noble friend Lord Whitty, and the noble Earl, Lord Russell, and supported by the noble Baroness, Lady Bennett, and the noble Viscount, Lord Trenchard, although he did not speak to them. These amendments would require the statement of strategic priorities to include targets relating to consumer bills, jobs and supply chains, and to include reference to community energy schemes.

On the general principle, we want Great British Energy to operate independently. The Bill is focused on making the minimum necessary provisions to support establishing the company—that is why the Bill is constructed in the way it is. Normally, Governments are accused of trying to micromanage the institutions they are responsible for, but here the Government are saying that GBE needs to have as much operational independence as it can within the constraints of Clauses 3 and 5. However, some noble Lords wish to constrain, in one way or another, what Great British Energy should do. We are resistant to that as a general matter of principle.

Lord Vaux of Harrowden (CB): I am rather baffled by the Minister's argument. The Government are going to publish a statement of strategic priorities, but if Great British Energy is going to be independent why does it need such a thing? Presumably the statement of strategic priorities will point the company in the right direction, but the implication of the Minister's argument is that it is going to be incredibly thin. Is that correct?

Lord Hunt of Kings Heath (Lab): I do not really know why the noble Lord is baffled by what I said. I thought I clearly said that we wish Great British Energy to have as much operational independence as possible, within the constraints of Clauses 3 and 5. At this stage, I cannot tell him what will be in the statement of strategic priorities, because it is being worked on, but it will have sufficient detail to make absolutely clear the Government's priorities within the constraints I have suggested, while allowing Great British Energy the breadth and room to move in the way it thinks best.

On the issue of jobs, which my noble friend Lord Whitty was absolutely right to raise, all the organisations he mentioned have a role to play to ensure not just that we create the required jobs but that we can fill them. The issue is not so much lacking jobs for the future but enabling enough people to come forward to be given the right training and skills to fill them as effectively as possible. There is a clear message in the action plan we published last week:

> "The wider transition to net zero is expected to support hundreds of thousands of jobs, with Clean Power 2030 playing a key part in stimulating a wealth of new jobs and economic opportunities across the country. These jobs will cross a range of skill levels and occupations, including technical engineers at levels 4-7 … along with electrical, welding, and mechanical trades at levels 2-7, and managerial roles including project and delivery managers at levels 4-7. Many of these occupations are already in high demand across other sectors".

We have within the department the Office for Clean Energy Jobs, whose role is to co-ordinate action to develop a skilled workforce to support and develop our clean power mission.

I should mention the nuclear industry. I am at risk of repeating myself, but other noble Lords have enjoyed doing that during our deliberation. The Nuclear Skills Taskforce calculated that we need 40,000 extra people working in the nuclear sector—civil and defence—by 2030. That is in five years' time. That goes up into the 2040s. There is a huge job to be done, and I believe it is my department's role to work with industry and all the other organisations to spearhead that.

Lord Hamilton of Epsom (Con): Does the noble Lord share my concern that the nuclear power station being built in Somerset is costing four times as much as an identical one in South Korea? Does he have any plans to bring the price down for future nuclear power stations?

Lord Hunt of Kings Heath (Lab): That question really should be addressed to the noble Lord's own Front Bench and their stewardship. I want to be fair to EDF: a lot of the reasons for the high cost related to starting afresh with new nuclear in this country and issues with designs, because the UK regulator wanted thousands of design changes. Covid did not help. Developing a supply chain and the skills also contributed. EDF has made considerable progress recently. It is sticking to its commitment that the first unit will start operating between 2029 and 2031.

Of course the noble Lord is right to raise the issue of cost. He will probably know that we will move to a final investment decision on Sizewell C over the next few months, but because it is an 80% above ground replication of Hinkley Point C, a lot of the things EDF learned from the whole process of construction will be transferred to Sizewell C. We are trying to bring in private sector investors to bring in commercial discipline, which, if we can get to FID, should ensure that Sizewell C will basically proceed on time and on budget, while learning all the lessons from Hinkley Point C.

4.45 pm

I turn now to community energy, which I recognise this is of great importance to noble Lords. It is important in itself because of the contribution it can make and because it can leverage in community support for clean power. As noble Lords have said, this cannot be taken for granted, so I said on day 1 of Committee that we are reflecting on this and on the debate, as we will on today's debate. Of course, Clause 3 already allows for community energy to be supported, and the local power plant—which is going to be one of the five key functions of GBE—will enable GBE already to support and champion local and community energy. I also take the point about the potential of developing up to 8 gigawatts of local and community energy projects.

Amendment 55, tabled by the noble Baroness, Lady McIntosh, requires the Secretary of State to conduct a "meaningful consultation" with farmers, fishing communities and local communities before preparing a statement of strategic priorities. I say at once that I absolutely agree they are important stakeholders, and I agree with the noble Baroness about the important contribution they make to our country—particularly farming and fishing communities—and the need for these important stakeholders to be listened to on strategic issues.

I note the noble Baroness's comments on local community involvement. She will know we are committed to planning reform, but I reiterate that that should not be at the expense of proper consultation. We will probably agree to disagree about the role of local government in this, because we believe that we have to make progress on these major national infrastructure projects, but not without proper consultation and, indeed, the environmental considerations that often go with them.

On community benefits, I agree with the point the noble Lord, Lord Fuller, made. The clean power action plan mentions community benefits, and we are seriously looking at this, because I very much take the point. It really relates to community energy power as well, in terms of trying to get more community support for what we seek to do. I accept that, for some communities, this is a big ask. I do not think we can run away from that. Equally, some pretty hard choices are going to have to be made regarding our energy infrastructure.

On the amendment moved by the noble Baroness, Lady Boycott, on a public engagement campaign, I agree that the creation of Great British Energy is a good opportunity for public engagement. I was very interested in what she had to say about public polling. On pylons, I welcome her optimism, which was not necessarily shared by all Members of your Lordships' House. I agree about the need for proactive information and reiterate that I take the point about community benefits in relation to pylons, which we said we will be looking at.

I also noted the comments of the noble Lord, Lord Teverson, on land use aligned with solar. The Government are planning to publish a 12-week consultation on land use early in the new year. I am very interested in what he had to say about the potential use of land, even where there is, say, a solar power development. His geothermal enthusiasm is very well noted.

Meaningful public engagement will, we hope, increase community support for and involvement in the clean energy transition. The noble Baroness, Lady Boycott, also raised the issue of energy efficiency and warm home plans. She will know that we had a lot of stop-start settlements in previous Administrations. Therefore, we have provided an exceptional initial three-year settlement for home upgrades that demonstrates our intention to deliver the warm home plans as effectively as possible. We have committed an initial £3.4 billion over the next three years towards heat decarbonisation and household energy efficiency, with £1 billion to be spent next year. In addition, we have £3.4 billion of direct capital spend, and we are hoping to ensure continued further investment of up to £1.4 billion during the supplier obligation schemes. We do not think that this should be the focus of Great British Energy, but I assure the noble Baroness that we entirely understand the point she makes.

This has been an interesting debate. We think we have got the balance right between what should be in the legislation and what should be left to a proper government statement of strategic priorities, within the constraints set by Clause 3. I have no doubt that we will have further debates on this, but this has been a very good airing of some of these important issues.

Baroness McIntosh of Pickering (Con): May I have a reply, if possible, on having joined-up planning applications for offshore oilfields and substations or pylons, so there is one planning application for the whole project?

Lord Hunt of Kings Heath (Lab): I am sorry, I should have responded. Clearly, the noble Baroness will know from the *Clean Power 2030 Action Plan* the Government's intent with regard to planning generally. She will have seen what we said in it about seeking to reform the whole planning process. I will ensure that the point she makes is embraced within that. I see the force of her arguments.

Baroness Young of Old Scone (Lab): I thank noble Lords who took part in this debate, including the noble Baroness, Lady Boycott, the noble Earl, Lord Russell, and my noble friend Lord Grantchester. The noble Baroness, Lady Hayman, is no doubt watching Parliamentlive.tv and cheering us on as we speak. I also thank the noble Lord, Lord Offord, for his party's support for community energy and for the remarks about land use, which we will come to in Amendments 67, 73, 104 and 105. It highlights the need for a land use framework for England. I was kind of hoping that we would get it for Christmas, but it looks like it might be slightly later. We were supposed to get it last Christmas, as well.

I was delighted to hear that the Minister welcomes the further amendments on community energy, tabled by the noble Earl, Lord Russell, that will come up in our next session. It will be the third opportunity for the Minister to tell us that he is pondering. Perhaps I should change my wish for a land use framework this Christmas to a wish for some new arguments in favour of community energy before our next debate, because it is becoming slightly repetitive. On the other hand, a good case can bear repetition.

The Minister clearly understands the importance of community energy. I am not sure he quite understands the distinction I was making between the objectives of GBE—which are about what it can and, by implication, cannot do—and strategic priorities and plans, which are what, in the Government's view, it must do and do now. That is a material difference. In order to inform these reflections between Committee and Report, and in view of the wide support around the Chamber for community energy issues being addressed in the Bill, will the Minister meet with some of us who have indicated that very wide support?

Lord Hunt of Kings Heath (Lab): I would be happy to do so.

Baroness Young of Old Scone (Lab): I thank the Minister for that. In the meantime, I will withdraw the amendment, though perhaps not before dwelling briefly on the statement from the noble Baroness, Lady Boycott. She talked about looking out your window and seeing the local wind turbine in which you would have some skin in the game as a result of a community energy scheme, and so think kindly on it rather than it being the enemy. That reminded me of how the Labour Party used to feel about Arthur Scargill: "He may be a bastard, but he's our bastard". There may well be hope for this policy.

In begging leave to withdraw the amendment, I reserve the privilege to decide, when the noble Baroness, Lady Hayman, is back in harness, whether this should return on Report. That will very much depend on what the Minister tells us about the outcome of his reflection between Committee and Report. I wish him a happy Christmas while he does that.

Amendment 46 withdrawn.

Amendments 46A to 50 not moved.

Amendment 51

Moved by ***Lord Vaux of Harrowden***

51: Clause 5, page 3, line 8, at end insert—

"(1A) The Secretary of State must comply with subsection (1) within the period of six months beginning with the day on which this Act comes into force."

Member's explanatory statement

This amendment would introduce a time limit by which the Secretary of State must prepare and publish the statement of strategic priorities.

Lord Vaux of Harrowden (CB): My Lords, in moving Amendment 51, I thank the noble Baroness, Lady Noakes, and the noble Viscount, Lord Trenchard, for their support on this.

In many ways, this group addresses the key problem with this Bill: namely, that it includes no detail at all as to what GBE will do. There are no objectives of any sort in the Bill. We have discussed previously the difference between objectives, of which there are none, and the objects in Clause 3, which simply restrict the company's activities. There is absolutely nothing in this Bill against which success can be measured or the use of public money measured and scrutinised.

The last group was about what the statement of strategic priorities required under Clause 5 should include. That debate demonstrated clearly how much better it would be if we had the statement of strategic priorities before the Bill finishes its process through this House. The Minister said clearly on the last group that that is not going to happen, which makes this group much more important.

This group is about the process by which the statement should be published and scrutinised. In response to some of the concerns that have been raised in this respect, the Minister said at Second Reading:

"On the structure of the Bill, noble Lords will know that this was laid in the Commons very soon after the election as an early priority of the Government. Because of that, we have focused, inevitably, on the provisions that are fundamental to the establishment of Great British Energy. Clearly, we are still working through some of the policy issues on which we need to come to a view".—[*Official Report*, 18/11/24; col. 98.]

Others have described that as meaning, "We will make it up as we go along". It is quite hard to disagree.

The Minister referred earlier to having found the right balance. I find that a difficult concept, given that there is no balance. There is nothing at all about the strategic objectives of Great British Energy in this Bill—that is not a balance. However we look at it, we are being asked to scrutinise a Bill when we have no information as to what the Government are planning and no meaningful impact assessment on those plans.

This Bill looks rather like a skeleton Bill: a Bill where most of the detail is added by the Government at a later date. This Government, when in opposition, were rightly critical of the use of skeleton Bills by the last Government. I agreed with them then and I agree with them now. However, there is an important distinction between this skeleton Bill and the more usual skeleton Bills that we have seen in the past. In a typical skeleton Bill, the Government give themselves the ability to add the missing detail by means of statutory instruments.

We all recognise that the scrutiny of statutory instruments is not that strong, but parliamentary scrutiny does take place and there is at least the theoretical ability for Parliament to decline them. In this Bill, no such scrutiny of the strategic priorities is available. The Government will simply publish the statement of strategic priorities at some unknown future date, and there will be no opportunity at all for Parliament to debate it, and certainly no opportunity for Parliament to amend or decline it.

That is clearly unsatisfactory, and your Lordships' Constitution Committee said so in its report dated 28 November, in which it pointed out that,

"in the light of the centrality of Great British Energy to the delivery of a significant policy initiative, we are concerned that clauses 5 and 6 amount to 'disguised legislation'".

It went on to say:

"We are concerned that clauses 5 and 6 do not offer an adequate degree of parliamentary oversight".

I cannot disagree with any of that.

5 pm

All that my Amendment 51 in this group would do is place a time limit on when the statement of strategic priorities must be laid. At the moment, rather astonishingly, there is no time limit. The Secretary of State must prepare a statement but the Bill is silent as to when—it could be 10 years or more. With hindsight, I think that six months, as I have put in the amendment, is perhaps too long, but, whatever, there must be a time limit; it cannot be open-ended. It cannot be satisfactory that GBE can carry on its activities for an unlimited period without even setting out the strategic priorities.

Can the Minister explain what the rules of engagement will be for GBE before the statement of strategic priorities has been published? My understanding is that, at least initially, GBE's activities will be carried out on its behalf by the National Wealth Fund, previously known as the UK Infrastructure Bank. Presumably those activities will be subject to the framework document and the accountability and reporting regime that applies to the National Wealth Fund. Is that correct? At what point will GBE be able to invest in its own right? Can it invest before the statement of strategic priorities has been published? If it can, that investment would be subject only to the whim of the Government, and subject to no strategy or objectives and to no real accountability or transparency. I do not believe that that is acceptable.

Another question that has occurred to me while thinking about this group is whether the statement of strategic priorities will be accompanied by an impact assessment, given that the impact assessment that accompanies this Bill basically says that it has no effect because it does not do anything. It is really important that, when we know what it is going to do, there is an accompanying impact assessment. Perhaps the Minister can tell us whether there will be an impact assessment on the statement of strategic priorities.

Amendment 52, tabled by the noble Baroness, Lady Noakes, would require the statement to be withdrawn if either House of Parliament resolved not to approve it. I think she has actually been rather restrained here. Her amendment is the equivalent of the negative procedure for a statutory instrument. I would have been more tempted to require it to be at least subject to the affirmative procedure, which I think is what the noble Earl, Lord Russell, is proposing with his Amendment 54.

Given the concerns raised by the Constitution Committee, which I referred to earlier, I am entirely supportive of at least Amendment 52, and probably of making this subject to the affirmative rather than negative procedure. After all, the statement of strategic priorities is the critical feature of this Bill; it is the only element that will set out what GBE will try to achieve. The Government seem to be effectively trying to sidestep proper scrutiny by delaying its publication to an unspecified date after GBE has started to carry out its activities—whatever they are going to be—with no ability for Parliament to have a say and nothing against which to measure success.

Even with Amendment 52 or Amendment 54, we still need a time limit; it cannot go on for ever. There is another way to achieve this, which the noble Baroness, Lady Noakes, has proposed in her Amendment 119, and others have proposed in other ways in a later group: to delay the commencement of the Bill until the statement has been laid before, and preferably approved by, Parliament. That might be a preferable way to achieve this. However we do it, it cannot be acceptable for GBE to be able to spend substantial amounts of taxpayers' money for an unlimited time without at the very least the statement of strategic priorities having been laid before Parliament and preferably scrutinised by it.

I look forward to hearing what noble Lords have to say on these and the other amendments in this group. I hope that the Minister will be supportive of strengthening the level of accountability in the Bill, as he has been in the past for other Bills. I beg to move.

Baroness Noakes (Con): My Lords, I have added my name to Amendment 51 from the noble Lord, Lord Vaux, and I also have four other amendments in this group. One of my concerns about the Bill is that Great British Energy is the last in a long line of unelected quangos, which have precious little parliamentary oversight and weak accountability processes. All the amendments in this group in one way or another seek to increase the role of Parliament, and thereby go some way towards remedying the accountability deficit that exists in the Bill.

As the noble Lord, Lord Vaux, has already reminded the Committee, the Constitution Committee has called out Clause 5 as being disguised legislation. I agree with that. I do not agree with it in relation to Clause 6, which I will explain when we get to that clause. The important thing is that this underlines the need for strong parliamentary processes around Clause 5.

Amendment 51 from the noble Lord, Lord Vaux, is important. If the Secretary of State delays setting out his strategic priorities, the company, Great British Energy, will be left rudderless and may start to spend taxpayers' money in ways that are not in line with what the Secretary of State wishes to prioritise. Alternatively, a less generous perspective is that the Secretary of State might delay issuing the statement of strategic priorities in order to delay laying it before Parliament and thereby exposing it to public scrutiny.

[Baroness Noakes]

There is no unanimity even among the green lobby as to what would amount to a good use of taxpayers' money under the Great British Energy banner. Some of the things that the Secretary of State might choose to prioritise may well horrify some of the climate activists. We might expect nuclear to be one of those examples. The Secretary of State could probably get Great British Energy to act in accordance with his wishes without going through the Clause 5 process by using—or more likely, threatening to use—the Clause 6 power of direction, which we will debate later. He could thereby sidestep public and parliamentary scrutiny for quite some time.

Whichever analysis is the correct one, it is clearly important that we ensure that there is a public statement of priorities as soon as possible. The amendment from the noble Lord, Lord Vaux, generously allows for six months after the Act comes into force. I could easily argue for less time, but six months is good enough for today's debate.

On the question of timing, I also note that in Clause 3 there is no time limit for the Secretary of State to lay his statement after he has prepared it. Amendment 51 concentrates on a time limit for the preparation of the statement, but similarly does not have a time for when it has to be laid before Parliament. That is another defect in this clause that we will need to seek to remedy on Report.

The noble Lord, Lord Vaux, has already referred to some of my amendments. Amendment 119 is another way of making sure that the strategic priorities statement is pursued quickly. It allows Clause 5 to come into effect immediately after Royal Assent, but the rest of the Bill cannot come into effect until the statement is laid before Parliament. Importantly, that means that Great British Energy could not make any practical progress until the statement of strategic priorities had been dealt with in accordance with Clause 5.

Amendment 52 tackles a different problem, namely the toothless involvement of Parliament in the statement of strategic priorities. As we have heard, under Clause 5 the Secretary of State merely has to lay a copy of that statement, or any replacement statement, before Parliament. That is it. Parliament has no say whatever. My Amendment 52 gives each House of Parliament 40 sitting days to resolve not to approve it, and in that event the Secretary of State has to withdraw it and have another go. That is the procedure adopted, for example, in relation to the national procurement policy statement published under Section 13 of the Procurement Act 2023. As the noble Lord, Lord Vaux, has suggested, it is probably the lightest of the parliamentary procedures that are available to give Parliament some opportunity to challenge the Secretary of State's priorities.

The amendment from the noble Earl, Lord Russell, is in similar territory but would require the Secretary of State to table a Motion. It does not, however, specify what that Motion might be or the consequences if the Motion were not agreed. There could be other formulations for parliamentary oversight of the strategic priorities. The important point is that it should not be a "take it or leave it" situation when Parliament is given the statement of strategic priorities. Parliament is entitled to some substantive involvement in the priorities.

My Amendment 128 is a companion amendment to Amendment 52. It is similar in structure to Amendment 119 so that the commencement of the Act after Royal Assent, other than in relation to Clause 5, would be delayed until 40 sitting days had passed. That would ensure that GBE could not be operationalised until Parliament had had an opportunity to consider the statement of priorities. That is a belt-and-braces addition to Amendment 52.

Lastly, my Amendment 58 in this group is also intended to enhance Parliament's oversight of Great British Energy. Under Clause 5(8), Great British Energy's articles of association have to ensure that GBE will publish its own strategic plans and act in accordance with the statement of strategic priorities. My Amendment 58 goes further and would require GBE to send a copy of the plans to the Secretary of State, who then has to lay them before Parliament. It is clearly insufficient for Great British Energy simply to upload its strategic plans to its website. There needs to be a formal communication of those plans to Parliament. That is all that my amendment is aimed at, and I hope that is not controversial.

The broad thrust of all the amendments in this group is effective parliamentary engagement. The Minister might not like the detail of the amendments, but he ought to subscribe to the notion that effective parliamentary engagement in the work of quangos is necessary. I hope he will see that the parliamentary involvement allowed for in the Bill falls short by some way. I am sure the whole Committee would be delighted if the Minister were to take this issue away and bring forward government amendments to achieve proper recognition of the role of Parliament in Great British Energy's scrutiny. If he is unable to do that, I am sure we will need to return to this aspect on Report.

Baroness McIntosh of Pickering (Con): I will speak to Amendments 53 and 90 in my name. Before I do, I lend my support to the two authors of the other amendments who have spoken. In particular, I congratulate the noble Lord, Lord Vaux, on his amendment and on setting out the problems of Clause 5.

I am a fan of the National Wealth Fund. I have been watching the Norwegian series on BBC Four, which ended at the point when Norway set up its sovereign wealth fund with the proceeds from oil and gas in the North Sea. I could not quite understand why we did not do the same when we were receiving all the profits that we did. We have fallen behind Norway in living standards in that time.

The points from the noble Lord, Lord Vaux, about the relationships of GBE and its ability to raise funds, were very well made. Previously in Committee we have questioned what its relationship to the National Wealth Fund will be. This goes to the heart of what the national transition plan for the National Wealth Fund will be. We keep hearing that there will be a transition plan, but I would be interested to know what that plan will be and what its relationship with the National Wealth Fund and GB Energy will be.

When will we see the sector-specific road maps for the five priority sectors? Will they be in the impact assessment or come at a later stage? Some clarity in this regard would be good, as well as some greater engagement at this stage between investors, both those

of the National Wealth Fund and GBE, to raise these new funds, and to have local authorities develop projects and propositions which are investable as well. I lend my support to the amendments in this group in the names of the noble Lord, Lord Vaux, and my noble friend Lady Noakes.

5.15 pm

On that theme, I have asked that

"a copy of the statement, and of any revised or replacement statement"

should be not just laid before Parliament but, in addition to Clause 5(3), sent to the relevant Select Committees. Having chaired a Select Committee for five years, I believe that their work is extremely important, both in the other place and in this House. It is obviously up to them to determine which reports they will look into, but I am sure that the noble Lord will look favourably upon that avenue of parliamentary scrutiny.

Amendment 90 is on the same theme. It relates to Clause 7 and the publication of annual accounts and reports, but it goes to the heart of the ability of GBE to raise the funds necessary, and asks that a statement

"be made in each House"

for that purpose. These are obviously probing amendments but what this group of amendments, from all noble Lords, shows is that the Committee is not content with the level of parliamentary scrutiny in either House at this time. We are taking a lot on trust and passing over a lot of power and decision-making to the Government. I believe that if it is worthy of scrutiny, the noble Lord and the Government should not be frightened of parliamentary scrutiny: that is the main thrust of the amendments in this group.

Viscount Trenchard (Con): My Lords, I agree with my noble friend Lady McIntosh that the Bill is defective so far in terms of parliamentary scrutiny and involvement. I have added my name to Amendment 51, so ably proposed by the noble Lord, Lord Vaux of Harrowden, and my noble friend Lady Noakes. It requires the Secretary of State to prepare the statement of strategic priorities for GBE within six months. That is quite an easy target. Perhaps when the Minister thinks about this—of course, I am very optimistic that he will come back with his own proposal to deal with the lack of accountability—he could suggest a shorter timescale within which the Secretary of State might lay out the statement of strategic priorities. As has been said, at Second Reading many noble Lords expressed the view that it is a pity that that is not in the Bill.

I apologise to the Committee that I was not able to be present on the first day, when we discussed the objects which refer to clean energy but with little detail. It is very unclear, as other noble Lords have said, what Great British Energy is going to do and particularly how it will relate to other companies and entities in the same space.

I also support Amendment 52 in the name of my noble friend Lady Noakes. It is right not only to prepare the statement of strategic priorities but to give both Houses 40 days to approve it or not. On reflection, I also agree with the noble Lord, Lord Vaux, that it perhaps should be subject to the affirmative rather than the negative procedure.

I look forward to hearing my noble friend Lord Effingham speak to Amendment 57. He rightly proposes that the consultations with devolved Administrations should take place before the publication of the statement of strategic priorities. However, this only goes to show how essential it is, as many of us believe, that we have a co-ordinated national strategy, given that devolution has taken place over many areas of our national life, as it would be cheaper and make more sense. But we are not in that place, and we have to take account of the settlement of the devolved Administrations that exists. So, it is obviously absolutely essential, and I hope the Minister will confirm that he will make sure that the policies put forward and GBE's strategic priorities will not be squabbled over by the devolved Administrations.

My noble friend Lady Noakes, with her usual forensic expertise, has also identified that the articles of association of GBE need to make sure that it is able to prepare the strategic plans, and that the articles must empower the company to do that. It must reflect the Secretary of State's statement of strategic priorities.

Lastly, I also support Amendment 119, proposed by my noble friend Lady Noakes, which deals with the accountability and other provisions which must not take effect until after the statement of strategic priorities is laid before Parliament.

Lord Hamilton of Epsom (Con): My Lords, I too support the amendment of the noble Lord, Lord Vaux. It strikes me that the real problem with the Bill is that if nothing happens with GB Energy, the Secretary of State intervenes. On the whole, politicians intervening in investment decisions does not have a very good history, and an awful lot of taxpayers' money has been wasted. Therefore, it would be a very good idea if there was a system of reporting back to Parliament.

The real problem with the whole energy scene in this country is that the private sector is well in there already. I am not sure how committed these people are to energy, but they are certainly very good at crunching the numbers. Of course, with any project, they establish that the supply of, say, wind, is reasonably constant in a certain area. Then, the key thing is the feed-in tariff that they negotiate. That gives them a guaranteed cashflow. Among other things, with wind turbines they even managed to negotiate that they get paid when the wind is blowing and nobody wants the energy. So, if you can do that, it seems to be relatively easy to make money on these things.

If you want to put up wind turbines, there is no problem getting private finance. It is the more vexed areas of energy where you will find people with DeLoreans appearing, saying, "I've got a wonderful scheme all organised for carbon capture", or something that is incredibly difficult in technological terms—or indeed nuclear fusion, come to that, which is another very hard nut to crack. It would be wonderful if we could have nuclear fusion power stations pumping out energy, but we are still a very long way from getting there. What guarantees do we have that taxpayers' money will not be ploughed into these things and an awful lot of money completely wasted?

I would like to pick up some remarks from my noble friend Lady McIntosh of Pickering. She was concerned that GB Energy would have great problems

[Lord Hamilton of Epsom]
raising finance. That is not quite the way it works. You actually get tiered finance when it comes to some of these projects, and I can tell noble Lords what the tiers will be: a whole lot of outside investors will get their money back almost whatever happens, and all the high-risk capital will be produced by GB Energy. GB Energy will be the one that will lose absolutely everything if it goes wrong and make a minimal amount of money if it goes right.

We need to be very wary about all this, which is why I support these amendments. It is important that Parliament has some check on all this and is able to say whether it thinks it is a good idea or a bad one. That discipline on the Secretary of State will be very important. Otherwise, I see politicians wheeling off, backing all sorts of incredibly speculative ventures and losing taxpayers' money as a result. I am not sure that anybody in this House wants to see that happen.

Lord Teverson (LD): My Lords, perhaps I could come back into the real world. I agree with the amendments and their purpose but let us be clear: there is a duopoly in this Parliament that stops negative or fatal resolutions ever being passed in either House. We may say that we agree that an affirmative or negative resolution is needed on something equivalent to secondary legislation. In this Parliament, the practical effect—in relation to what is already in the Bill—is zero because the Labour and Conservative Parties have a duopoly agreement that they will not vote fatally on secondary legislation Motions. To the outside world, all the rhetoric in this debate looks great but, even if it went into the Bill, the effect would be zero. I wanted to make that point because I believe that if you look at this with a democratic point of view from outside this building, the workings of secondary legislation in this Parliament would be seen as completely fatuous.

Baroness Noakes (Con): May I just say to the noble Lord that what was proposed in my amendment was not secondary legislation? It was the simple possibility of a Motion to disapprove of something. It did not fall within the category of secondary legislation, therefore the convention does not apply.

Lord Teverson (LD): I accept that point entirely, except I cannot see this Parliament rejecting such a strategy under any circumstances, however it is dressed up. But I fully respect the intentions of the amendments in the names of the noble Lord and the noble Baroness.

The Earl of Effingham (Con): My Lords, I shall speak to Amendment 57 in my name. It addresses an essential aspect of transparency and accountability in the development of Great British Energy, as outlined in Clause 5.

This amendment ensures that all consultations conducted under Clause 5(4) to (6), which are critical for the development and implementation of Great British Energy, are not only carried out but made fully accessible to the public and—more importantly—to Parliament.

In the modern world, transparency in governance is not just a nice to have: it is an absolute must-have. It is essential that both public and Parliament have access to the results of consultations that influence decisions on policies with such far-reaching consequences.

The energy sector is at the heart of the challenges we face today—whether it be securing a sustainable, affordable and clean energy supply for generations to come or meeting the ambitious carbon reduction goals that are integral to our environmental commitments. The implications of these decisions extend to every household and business and, indeed, to the global environment and climate. Too often, decisions are made by Administrations around the world which are disconnected from the lived realities of those who will be most affected. It is crucial that we bridge this gap. This amendment ensures that the voices of all stakeholders are heard.

Can we consider the important role of the devolved nations of Wales, Scotland and Northern Ireland? As your Lordships are aware, energy policy intersects deeply with our devolved Administrations. Each nation has its own priorities, challenges and opportunities, and the decisions made here and in the other place must reflect the needs and perspectives of all four nations that make up the United Kingdom.

Amendment 57 achieves precisely that. It ensures that the devolved nations are not sidelined in the policy-making process. Wales has made remarkable progress in renewable energy, with a strong focus on wind, solar and tidal power. The Welsh Government have set ambitious decarbonisation targets and are actively working to ensure that local communities reap the benefits of this transition.

5.30 pm

Similarly, in Scotland, the commitment to renewable energy is unwavering. The Scottish Government have set an ambitious target of achieving net-zero emissions by 2045 and are at the forefront of offshore wind development. Scotland's energy needs and leadership in green energy make it essential that consultations reflect the interests and priorities of the Scottish people.

In Northern Ireland, energy security and cross-border co-operation are key priorities. It is crucial that the people of Northern Ireland are given a voice in consultations, ensuring that their specific needs are met and that their priorities are reflected in the broader energy strategy.

We are tasked with crafting the energy system of the future—one that is sustainable, secure and equitable—and this is a huge responsibility. This amendment is not just a procedural adjustment; it is a vital step in upholding public trust and respect for our devolved neighbours.

In conclusion, this amendment provides a safeguard that guarantees transparency and accountability in the Bill. It ensures that decisions are made with full consideration of the needs and concerns of those most affected by them, laying the groundwork for a more sustainable and resilient energy system. This is a step towards a more responsible energy policy that will benefit not only this generation but generations to come.

Earl Russell (LD): My Lords, I will speak to my Amendment 54 in this group and signal our support for Amendments 51, 53, 57 and 58. I thank the noble Lord, Lord Vaux, for his excellent introduction to this group of amendments and for setting out everything so ably.

Jumping to the end, it appears to me that the settled will of the Committee is that something should be done on this issue; I suggest one way to achieve that would be for the Government to bring forward their own amendment before Report. It might be that further collective discussions happen between now and Report. Everyone has a slightly different way of doing this, and I do not think that anyone has the answer—it is something that needs more work. However, the settled opinion of the Committee seems to be that there needs to be some check on this part of the Bill.

I said previously that the Bill is a little too short for its own good. I understand the Minister's concerns about having lists and the problems with them, and why he does not want them. We are in favour of the Bill and we do not want to stand in its way. This is a manifesto commitment that the Government are delivering. However, as it stands, it has numerous issues. No timescales are provided for when it must be done. Although there is a condition to lay this before Parliament, as has been said, there is no parliamentary process to scrutinise, question, amend, approve or reject the strategic priorities. There is a condition to consult the devolved Governments, but, if they all unanimously said that they had the same problem with the strategic objectives, there is no way for Parliament to know that that happened, and there is also no way for them to reject or change the strategic priorities. It feels a bit unusual to be in this potion, because we are being asked to scrutinise and approve the Bill but we do not have the strategic priorities in front of us.

I welcome the constructive engagement that the Minister and his Bill team have had with us to date. He has been clear with us that these strategic priorities are being written and prepared. I recognise the need for urgency and that they are a new Government, but, ultimately, we are being asked to approve something when we do not know what it is. Indeed, the organisation itself has not written the strategic priorities, so the organisation does not know exactly what they are yet. That is a difficult position to be in.

However, there are ways forward through all of this. This quandary needs to be resolved through collective compromise and a meeting of minds. At a minimum, there need to be some guard-rails. Some general principles need to be laid out, including what will be in the priorities and a general sense of the outputs that GB Energy will be responsible for. That can be done—we can find a way to do that collectively. It should be done on Report.

Between now and Report, I would welcome the chance to have a conversation in which we can talk about this collectively. I do not want to delay Report—that is not the answer to this—but the Minister could put forward a draft publication for us. There could be draft heads of terms on what the current thinking is for GB Energy and the Ministers about what will and will not be included, as well as what has already been excluded. The Minister could give verbal assurances to this House from the Dispatch Box on some of these matters.

Finally, this amendment is my hard backstop, because it requires a resolution in both Houses. I will keep it in reserve. To be clear, in the final group of amendments, I have Amendment 122, which requires that the strategic priorities are "laid before Parliament". I also have Amendment 123, which requires that they are laid and approved by Parliament, and Amendment 124, which is maybe more of a compromise on these issues. It would mean that the Bill cannot come into force

"unless a document setting out the thematic headings of the statement of strategic priorities have been laid before Parliament".

Maybe somewhere around there is where we might be able to coalesce. In any case, this is an issue that needs further work and constructive compromise. My sense is that there are some concerns about these matters on all sides of the Committee. In the first debate on the Bill, the noble and learned Lord, Lord Falconer, mentioned that this needs to be in the Bill—I welcome that statement. I look forward to working with the Minister to find a solution.

Lord Howell of Guildford (Con): My Lords, I was going to stand aside from this debate early in the process because of the mountain of expertise that is building up on all sides of this Committee against many aspects of the Bill. It is not our job to turn it down in this House, but it is our job to try to improve and rescue some of the bits that may be particularly dangerous and damaging, of which there are several that we will no doubt come to. I was going to stay silent, but my noble friend Lord Effingham's splendid speech touched on so many of the fundamental problems that are so obvious in this exercise—setting up this kind of body with this kind of money.

We have of course been here before. We went over this again and again in the 1960s, with the Industrial Reorganisation Corporation, when almost exactly the same arguments were used. Many of us on all sides—it was not partisan—questioned whether that bright idea of Harold Wilson and a Mr Cant, one of its designers, would work. I hope now that we leave our mark of doubt and scepticism about whether this whole approach works.

The IRC failed because the belief prevalent among economists at the time was that if you built big and created such things as British Leyland, size would deliver. Unfortunately, size did not deliver and there was a mood and a realisation—this was long before the digital revolution—that size might have diseconomies, as was then proved with projects such as British Leyland, a disaster from which Japanese inward investment 10 or 20 years later saved us. That was the third reason why I was not going to say very much at this stage.

I apologise for being a few minutes late for the Minister's excellent speech on the last set of amendments, but there was a gap, something which he did not mention. My noble friend Lord Hamilton intervened about Sizewell. The Minister then produced the standard line on Sizewell, but he did not mention money. Yet money is the whole issue in organising our resources for the energy transition to come, which will be fearfully expensive, particularly if we have to leave unused a

[Lord Howell of Guildford]
very large chunk of intermittent supporting energy—nuclear and other sorts—for the 3,000 hours every year when the wind does not blow. Until we get to the hydrogen stage, which we are a decade or so off, I suspect, that will leave a big gap to fill with otherwise idle machinery—which is very expensive indeed if it is not earning or producing. None of that has been touched on yet. The more that I listen to this, the more I see that we are heading into a nightmare of expenditure problems and dilemmas.

The noble Lord, Lord Vaux, with his ruthless clarity, hinted that this is the way things are going. The only saving grace from here is to have a system of accountability, a strategy and a clear and honest recognition of the colossal dilemmas ahead and the timescale, particularly for nuclear. Perhaps we will not discuss nuclear very much, although there are related amendments, but the issues of not only cost but timescale have been totally ignored.

There is chatter around, although even the Government estimate that Sizewell C will cost about £20 billion, as opposed to whatever Hinkley C is now running at. My bet would be that it is much nearer to £30 billion than £20 billion, but never mind about that. The question is: who has the money? The Government have not got it. Governments all across the world, and certainly our Government, are underwater on debt, understandably reluctant to tax more and not really able to borrow more. It will have to be done with the private sector, but the private sector will not touch something like Sizewell C, which is a dodgy EPR design that has not worked well anywhere in the world so far.

The timescale for Sizewell C is probably the mid to late 2030s. The alternatives of the new technologies in nuclear—I am sorry to bring this into a non-nuclear discussion—are massive. Rolls-Royce is talking about being able to deliver clean green electricity by 2030 or 2031. No one, even a super-optimist, believes that Sizewell C can touch our electricity supply before 2037 or 2038; I bet it will turn out to be 2040 or later still. These things have not been touched on yet, so goodness knows how we will deal with them as we come to all the amendments lying ahead. The one saving grace is that we would have a chance for both Houses and those who are informed about these things to point out at every point some of the further dangers and damages into which this entire structure will slump.

That is what one has to add at this stage. I am afraid that the Minister will not be pleased to hear that ahead lies a vast pile of questions and doubts about this project and the philosophy behind it—a philosophy of setting up large, semi-state-owned or state-owned organisations to push through things that apparently cannot be produced by the private sector alone. The philosophy simply does not work in the digital age. It did not work with the IRC before the digital age, it will not work in the digital age, and it will not work in the AI age. The nature of the economy is quite different from even 20 or 30 years ago. These are the problems which now have to be addressed, and they certainly will not be addressed by this.

I am afraid that we are heading for a lot more amendments on the detail of everything I have said. In the meantime, both the amendments that have been debated are excellent and should be accepted by the Government as part of the vital need for Parliament to have a regular, continuous, accountable and effective say, maybe with a special Select Committee. We invented Select Committees in the 1960s and they worked very well for departments. The Select Committees here are excellent and produce superb reports. Maybe this is an area where we need to beef up our own penetrating techniques on Select Committees and reports, to ensure that there are no more blunders ahead. I would bet $100 or more, if I was a betting man, which I am not, that there are plenty of blunders coming along, written into the Bill as it stands.

5.45 pm

Lord Offord of Garvel (Con): My Lords, I thank noble Lords who have contributed: the noble Lord, Lord Vaux, for opening this group, the noble Earl, Lord Russell, and my noble friends Lord Hamilton, Lord Effingham, Lord Howell, Lord Trenchard and Lady McIntosh. I particularly thank my noble friend Lady Noakes for her detailed scrutiny of the Bill and her expertise.

The debate has raised crucial issues regarding how our energy future is shaped, particularly community energy, transparency and the governance of strategic priorities. It is evident that we in this House today share many of the same concerns about the absence of a statement of strategic priorities and plans. I reiterate that this is in the context of the Bill being responsible for £8.3 billion of taxpayers' money, with no detail as to GBE's plans, priorities, objectives and purpose. As the noble Lord, Lord Vaux, said, the Bill is merely a skeleton, providing unabridged powers to the Secretary of State without clarity on how they can be used.

With that in mind, I welcome Amendment 119, tabled by my noble friend Lady Noakes, which would delay the commencement of other provisions in the Bill until a statement of strategic priorities has been laid before Parliament. This is a sensible and necessary step to ensure that Parliament and the public have sight of the plans that will guide the operation of this great new company, GBE. Furthermore, Amendment 58 would ensure that Parliament is made aware of Great British Energy's strategic priorities, and Amendment 52 would give Parliament the power to reject a statement of strategic priorities once received. We cannot, in good conscience, simply allow this Bill to proceed without the opportunity to scrutinise these priorities, which will guide £8.3 billion of taxpayers' investment.

Amendment 51 would introduce a clear time limit for the Secretary of State to publish the statement, while Amendment 54 would ensure that a motion for resolution is tabled in both Houses of Parliament. These amendments provide the necessary transparency and accountability to ensure that Parliament can scrutinise and approve those priorities before any further steps are taken. The Bill cannot and should not proceed until we have seen the strategic priorities.

This brings me to the question of whether Clause 5 should stand part of the Bill. In its report, the Constitution Committee expressed concern that Clauses 5 and 6 amount to disguised legislation and that Clause 5 does not offer an adequate degree of parliamentary oversight.

This is a serious constitutional issue, and I hope that the Minister takes the committee's concerns seriously as we continue our debate.

Amendment 53, tabled by my noble friend Lady McIntosh of Pickering, seeks to insert a provision into Clause 5 requiring the Secretary of State to produce a statement to the chairs of the relevant Select Committees in both Houses of Parliament. This amendment is fundamentally about transparency, and its purpose is simple: to ensure that Parliament can properly scrutinise the actions of the Secretary of State and guarantee that public money is being used efficiently and in the public interest. This is why we propose that a copy of a strategic statement be sent to the relevant Select Committees for their review and input.

As discussed earlier on Amendment 57, tabled by my noble friend Lord Effingham, transparency is not a luxury; it is a necessity. Transparency ensures that decisions are made openly and subject to public and parliamentary scrutiny. He brought to our attention consideration of the requirement that GBE deal with the devolved Administrations throughout the UK.

Finally, Amendment 90 seeks to insert at the end of Clause 7 the provision that the Secretary of State must "arrange for a statement to be made in each House". The intent behind this amendment is to ensure that the actions of the Government in relation to Great British Energy are made public and accountable. For such a significant and impactful initiative, there must be a mechanism for direct communication with Parliament. This would allow both Houses to question, debate and hold the Government to account on any developments or changes in the direction of the company.

A comparison has already been drawn by the noble Lord, Lord Vaux, with the National Wealth Fund, previously the UK Infrastructure Bank. That organisation experienced thorough scrutiny and testing before its establishment. Why should we treat GBE any differently? If we expect such rigorous assessment for the UK Infrastructure Bank, it stands to reason that a similar level of transparency and parliamentary scrutiny should apply to Great British Energy. I urge noble Lords to support this amendment, as it reinforces the principles of accountability that should be at the heart of this Bill.

In conclusion, I welcome the amendments and the ongoing discussions regarding the strategic priorities and transparency of Great British Energy. The strategic priorities are critical to the success of the Bill, and I am grateful to all noble Lords who have expressed similar concerns. I reiterate my support for my noble friend Lady Noakes and all other noble Lords who have raised similar issues.

Lord Hunt of Kings Heath (Lab): My Lords, I am most grateful again to noble Lords who have raised a number of very interesting points in relation to Clause 5 and the statement of strategic priorities. I remind the Committee that the founding statement set out GBE's purpose, priorities and objectives, including its mission statements and its five functions. The first statement of strategic priorities is intended to ensure that Great British Energy will be focused on driving clean energy deployment, boosting energy independence, creating jobs and ensuring that UK taxpayers, bill payers and communities reap the benefits of clean, secure, home-grown energy.

Clearly, Clause 5 is important in that respect. The noble Lord, Lord Offord, will not be surprised that I will resist his opposition to it standing part of the Bill. He made another point in relation to the investment bank legislation. I understand the point; he knows that we have looked at this legislation and taken parts from it, but we have also looked at Great British Nuclear, which his Government put through in the last Energy Act. In some cases, we think that that is appropriate to look at in relation to the way this legislation has been framed.

Amendments 51, 52, 53, 54, 57, 58, 90, 119 and 128 all refer to the statement of strategic priorities, with some amendments seeking to defer commencement of the Bill in relation to the statement. The noble Lord, Lord Howell, always speaks with great experience on energy, and he is threatening us with many more amendments the next time we meet. We believe that the best way to get stability on prices and security of energy, and to deal with climate change, is to move in the way that we have set out. Numerous organisations have looked at it and say that, in the context of value for money, investment decisions and cost to government, this will be the cheapest way forward in the end, and that staying reliant on fossil fuels, with the unreliability of the international market, would not be a productive use of our resources and would do nothing for climate change. That is why we are going down this path.

I come to the amendment of the noble Lord, Lord Vaux, and his opening remarks on this group. We do not wish to escape parliamentary scrutiny. I say to the noble Baroness, Lady Noakes, that we do not want to weaken accountability processes. I assure her that there is no way we will use the power of direction in the way that she suggested might happen. She referred to the power of direction and from what she said I took it that she thought it could be used in a way which would simply direct GBE, instead of the statement of priorities, but perhaps I have confused that.

Baroness Noakes (Con): The noble Lord might like to read *Hansard*. I did not say that, but I do not think that need hold us up. We are not talking about the power of direction in this set of amendments.

Lord Hunt of Kings Heath (Lab): I know we are coming to that in later amendments, so I will certainly do that.

I understand the points that noble Lords are making about parliamentary involvement in the statement of strategic priorities. I have read the report of the House of Lords Constitution Committee. The Government have no interest whatever in delaying the statement of strategic priorities in order to escape parliamentary scrutiny. I would have thought that the publication of our clean power action plan, and the work of the National Energy System Operator in its advice to the Government of a few weeks ago, would suggest that getting to 2030 in the way we wish to do will be very challenging. We believe we can do it, but we cannot mess around.

[Lord Hunt of Kings Heath]

The statement of strategic priorities is certainly an important element in allowing Great British Energy to move forward, but we have to work through a number of important issues. We have to consult the devolved Governments. I take the point made by the noble Earl, Lord Effingham, about the need for that to be a thorough process, and that will take time. Time is imperative. There are issues about the delay that would be built into this, if we were to accept some of the amendments being proposed.

I hesitate to bite on the comments of the noble Lord, Lord Teverson, about the effectiveness of secondary legislation. I suppose the real response to him is that, in 1911, there was very little secondary legislation, and therefore the Parliament Act 1911 did not encompass it, the result being that your Lordships' House has an absolute veto on secondary legislation, which it has been loath to use for very understandable reasons.

Amendment 53, from the noble Baroness, Lady McIntosh of Pickering, would require all versions of the statement of strategic priorities to be put before the chair of the relevant Select Committees. Clause 5 already requires the statement to be laid before Parliament, and the chairs of any relevant Select Committee could access the statement and any revised or replacement statements. I assure the noble Baroness that it is the normal practice of my department to provide such information on a regular basis to the chair of the energy Select Committee in the other place. Moreover, where Select Committees in your Lordships' House have produced reports that are relevant to any announcement being made, it is normal practice to send a copy to the chairs of those Select Committees. I accept absolutely the principle of what she is proposing.

Let me be clear that the process of developing, agreeing and publishing the statement of strategic priorities is intended to enable the Secretary of State to provide strategic steers to Great British Energy within the framework of its objects, as set out in Clause 3. The statement of strategic priorities cannot overrule the objects clause in Great British Energy's articles of association. Those objects set the overarching framework for Great British Energy. We believe it is right that the framework provided for in legislation is scrutinised by Parliament, through Clause 3, as we have already done in the previous day in Committee.

6 pm

Clause 5 also provides that the statement of strategic priorities and any revisions must be laid before Parliament. Parliament will also be presented with a copy of the annual report and accounts of Great British Energy each year and will be able to hold it to account for its activities and its stewardship of public funds through the normal methods of accountability.

Additionally, we are of course considering the Constitution Committee report on the Bill. We are committed to proportionate parliamentary oversight. We believe our approach strikes the right balance between ensuring appropriate parliamentary scrutiny and avoiding a process that introduces uncertainty into Great British Energy's actions.

On the issue of timing, as I have said, while we are setting up Great British Energy at pace and ramping up recruitment into initial key roles across it, we want it to be set up as quickly as possible so it can have an early impact.

We will engage with Ministers of the devolved Governments before publishing the statement of strategic priorities. We have reset the relationship with the devolved Governments and intend to work as collaboratively as possible with them. I take the point made by the noble Earl, Lord Effingham, about consultation within the communities in each of the devolved Governments. We think that we can establish a very good working relationship. The consultation with the devolved Governments is, in a sense, part of establishing the groundwork for such a relationship.

The noble Lord, Lord Vaux, posed some particularly interesting questions about the relationship with the National Wealth Fund. As Great British Energy scales up, we will set out how the two institutions will collaborate and complement each other. As he said, while it is being established we expect Great British Energy's investment activity, set by its strategy, to be initially undertaken by the National Wealth Fund, but that would have to be done in line with the National Wealth Fund's investment and operating principles. This will enable Great British Energy to invest quickly but draw on the National Wealth Fund's experience and existing pipeline of projects. I also confirm that, while Great British Energy can undertake investment activity prior to the publication of the statement of strategic priorities, it would still be guided by the objects set out in this legislation as well as the systems of control and accountability over public spending, including the provisions of managing public money and the accountability of the principal accounting officer.

Amendment 57 would see us publishing detail of our correspondence with the devolved Governments. I do not think that would be appropriate, and mechanisms are in place for the collaboration to which I have already referred.

Amendment 90, from the noble Baroness, Lady McIntosh, requires a Statement to be made to both Houses on the annual report and accounts of Great British Energy in addition to the requirement for the Secretary of State to lay a copy of that document before Parliament. As I have already discussed, we think Great British Energy's annual report and accounts being laid before Parliament and made available to noble Lords as soon as they have been laid is appropriate, and they will be made publicly available, as is required under the Companies Act. Of course, Parliament has endless opportunities to probe and hold to account through questions, debates and Select Committee hearings.

Amendment 119 would seek to defer the commencement of other provisions in the Bill until the statement of strategic priorities under Clause 5 has been laid and approved before Parliament, and Amendment 128 would defer commencement of other provisions in the Bill until the expiry of the 40-day period referred to in Amendment 52 from the noble Baroness, Lady Noakes. We would be worried that this, in effect, would hinder our ability to act as quickly as we wish. However, I have listened very carefully to the debate, and I respond directly to the noble Earl, Lord Russell: we are obviously considering carefully the Constitution

Committee report on the Bill and are committed to appropriate parliamentary oversight, but this is without commitment, and we also think there are very strong arguments for the way the Bill has been constructed at the moment.

Lord Vaux of Harrowden (CB): There was one other question I asked the Minister which he has not answered, which is whether the strategic priorities document will be accompanied by an impact assessment. The impact assessment we have with this Bill basically says that there are no benefits or costs because all it does is create the company, so we are effectively going to go through this process of creating something that can spend £8.3 billion with no impact assessment if that does not happen. Will there perhaps be an impact assessment that accompanies it?

Lord Hunt of Kings Heath (Lab): My Lords, at this stage, I cannot answer that because it is still to be decided as part of the work that we are taking forward in relation to drafting the statement.

Lord Vaux of Harrowden (CB): My Lords, I thank all noble Lords who have taken part in this debate. Before I sum up, I say to the noble Lord, Lord Howell, that I am not against this Bill. The problem we have here is the lack of any detail in it and the lack of any scrutiny once we have that detail, which is what the Constitution Committee pointed out. As the noble Earl, Lord Russell, pointed out, there is a high degree of unanimity around the House that the current situation set out in the Bill in that respect is really not adequate and that we need a greater level of parliamentary involvement in what will be the core element of this Bill: what GBE is going to do.

I take on board the points that the noble Lord, Lord Teverson, made about secondary legislation. I agree, but it is what we have at the moment, so we have little choice but to work with it. I would love to see a change to the way secondary legislation is debated, and it should be amendable, but we have a way to go before we come there.

There were plenty of ideas in this group as to how we might improve the scrutiny. I do not think any of us are wedded to any one of them. I am encouraged by what the Minister says about listening to the Constitution Committee and his belief in parliamentary scrutiny. I therefore hope that we can have some useful and constructive discussions between now and Report on this subject and come up with something that we can all agree on as an appropriate level of parliamentary scrutiny on this most critical aspect of the Bill. If we do not, I am absolutely confident that we will come back to this on Report. For now, I beg leave to withdraw Amendment 51.

Amendment 51 withdrawn.

Amendment 51A

Tabled by ***Lord Whitty***

51A: Clause 5, page 3, line 8, at end insert—

"(1A) The statement of strategic priorities under subsection (1) must further the goals of a fair transition for energy workers and the creation of quality energy sector jobs."

Lord Whitty (Lab): I advise my noble friend that, while I will not move Amendment 51A now, I will return to this subject, because I do not consider that we have dealt properly with the transformation of the workforce to deliver the net-zero targets.

Amendment 51A not moved.

Amendments 52 to 55 not moved.

Amendment 56

Moved by ***Lord Ravensdale***

56: Clause 5, page 3, line 27, at end insert—

"(6A) Prior to publishing a statement of strategic priorities for Great British Energy the Secretary of State must consult—

(a) the Climate Change Committee,

(b) the National Energy Systems Operator,

(c) Natural England,

(d) the Environment Agency, and

(e) any other person the Secretary of State sees fit."

Member's explanatory statement

This amendment would require the Secretary of State to consult relevant stakeholders before publishing the statement of strategic priorities.

Lord Ravensdale (CB): My Lords, I declare my energy interests in the register and rise to speak to Amendment 56 on behalf of the noble Baroness, Lady Hayman, who cannot be here today. This is a probing amendment around which bodies the Secretary of State ought to consult with ahead of publishing a statement of strategic priorities. I note that the noble Lord, Lord Cameron of Dillington, has tabled Amendment 86 in relation to this, which is similar and which we will come on to in a later group.

On previous groups, noble Lords have been quite clear that we would like to scrutinise the statement of strategic priorities alongside the legislation. As that will not be possible, in lieu of that we need to ensure the robustness of the process of agreeing the statement. This amendment is simply about ensuring that all the relevant information, evidence and expertise have been factored in ahead of the publication of the statement of strategic priorities to ensure that the relevant trade-offs, difficult questions and conflicting pressures are being considered ahead of that fixing of GBE's strategic priorities.

Between them the organisations listed in the amendment have a comprehensive overview of what needs to be done to deliver our climate change targets, the Government's target to achieve clean power by 2030 and our environmental targets. Consulting each of them will ensure that their views and recommendations have been fully considered in the preparation of that statement of strategic priorities. I hope the Minister will consider this suggestion as a helpful addition to the Bill.

I also support Amendment 116 to which the noble Baroness, Lady Young, will speak. It would align with other recent legislation that specifically mentions our climate and nature targets and would ensure that we

[Lord Ravensdale]
take a consistent and systems-led approach across all that legislation. I reference here the recent work on the Crown Estate Bill. I beg to move.

Amendment 56A (to Amendment 56)

Moved by ***Viscount Trenchard***

56A: After paragraph (d), insert—
"(da) Great British Nuclear,
(db) the National Wealth Fund, and"

Viscount Trenchard (Con): My Lords, I was interested to read the amendment by the noble Baroness, Lady Hayman, and I tend to agree with it. It makes absolute sense that before the statement of priorities is published, these bodies should be consulted.

As many noble Lords said at Second Reading and on our previous day in Committee, there are many different bodies all trying to do much the same thing in this space. What was the UK Infrastructure Bank is now called the National Wealth Fund, and it is quite rich. It has, I think, £28 billion to deploy, and will no doubt be able to make many investments that will help not only the decarbonisation of the energy system but energy security. But as the Minister knows, I continue to believe that the Government's energy policy so far does not take enough account of nuclear and its potential. For example, the consumers, whether households or companies—industrial consumers—do not have any say over where their subsidies go. A part of electricity bills goes in subsidies to renewable energy projects, for example, but not to nuclear. This means that the market to date has been distorted to the disadvantage of nuclear projects.

That is one reason why there are not enough viable and financially well-funded United Kingdom nuclear projects. There are quite a lot coming to the UK from the United States, whose Government have been extremely generous in providing grants and financial help to American nuclear consortia. There is a danger that Great British Energy will operate too much in a silo and that Great British Nuclear, which does not have very much money, will not be required to co-ordinate its strategy and policy sufficiently with GBE, or indeed with what is now called the National Wealth Fund.

It is right—as the noble Baroness, Lady Hayman, has proposed, and the noble Lord, Lord Ravensdale, told us—that the Secretary of State should be required to consult those bodies, but we should also include Great British Nuclear and the National Wealth Fund, so that each of these three bodies knows what the others are doing, so that they have a greater chance of working out a co-ordinated policy, and so that we have some joined-up thinking.

That is why I tabled Amendment 56A as an amendment to Amendment 56. I beg to move.

6.15 pm

Baroness Young of Old Scone (Lab): My Lords, I will speak to Amendment 116, which is in the name of the noble Baroness, Lady Hayman, who cannot be with us today, and to which I added my name. I was greatly encouraged by the Minister's words at Second Reading that he looked forward to discussing biodiversity further in Committee. I do not think I have ever heard a Minister say that before, and now is his moment.

The noble Baroness, Lady Hayman, has previous with this sort of amendment, having tabled similar amendments to a variety of previous Bills, so colleagues may now be familiar with her modus operandi in this respect. The amendment aims to address the challenges of how the objectives, strategic priorities and other functions of GBE fit with the legally binding targets in the Climate Change Act 2008 and the Environment Act 2021, which the Government have a statutory requirement to achieve.

At Second Reading there was recognition that when making decisions about the rollout of renewable energy, clean power and the associated infrastructure, it is important that we bring together all the different responsibilities, issues and trade-offs in one scheme—one structure or place—so that Great British Energy and the Government are fully equipped with all the information to weigh up these decisions and to take account of all these different factors in an integrated way, rather than in the siloed approach to decision-making that we distressingly see all too often in government. This is particularly important where there are legally binding targets that the Government have to achieve and where it would be distinctly unhelpful if Great British Energy were working in the opposite direction.

We have a real opportunity here to set the long-term strategic direction by putting in place the right frameworks to provide a stable structure for Great British Energy to make decisions and to be as transparent as possible in its decision-making, both now and into the future. The aim is to try to make sure that the projects invested in are the most effective at delivering on GBE's objects but operate in such a way that they do not militate against the Government's achievement of the binding climate change and biodiversity targets. We want to be cunning; we need to learn to walk, talk and chew gum at the same time. We want to achieve the strategic climate objectives that Great British Energy is there to deliver but we also want to achieve other objectives—it is both/and, rather than either/or.

The amendment does not imply that in every single case Great British Energy needs to contribute to the statutory binding targets, but it does aim to ensure that they are considered from the outset when Great British Energy makes decisions—and indeed when the Government make decisions—about strategic priorities; that it factors them into the decision-making process and, where reasonable, contributes in a positive way to the statutory target achievement; and certainly that it does not make it more difficult for the statutory targets to be achieved.

I have said that the noble Baroness, Lady Hayman, has previous on this. Noble Lords who took part in the Crown Estate Bill recently will have heard the her argue for a clause very similar to this. She successfully persuaded the Government of the need to join up the functions of the Crown Estate with the climate and nature targets. During that Bill's passage, the Minister agreed both in Committee and on Report that:

"It is right that the public and private sectors make every contribution they can to help achieve our climate change targets".—[*Official Report*, 14/10/24; col. 75.]

I hope we can persuade the Minister that this is an even more important case than the Crown Estate having an eye to the climate change and biodiversity targets, and that GB Energy will have an appreciable impact on both of those targets. We need to hardwire it in from the outset, particularly since, as was outlined in the previous debate, we have not yet seen GB Energy's strategic priorities and plans.

I hope the Minister will accept that what was good for the Crown Estate goose applies equally to the GB Energy gander. I want to make a festive allusion, if noble Lords will pardon my lame attempt: I hope the Minister will agree that what is sauce for the goose is sauce for the gander, and that GB Energy should have a similar requirement laid on it as was accepted and passed for the Crown Estate. I hope we can persuade the Minister of that.

Baroness Bennett of Manor Castle (GP): My Lords, very briefly, I offer Green group support for Amendment 56 and, in particular, Amendment 116, which has broad support, as we see from the signatures. I declare my interest as a member of the advisory committee, as I think it is now called, Peers for the Planet. The noble Baroness, Lady Young of Old Scone, has already said many of the things I was going to say. I just add that I can go back even further than she did, to the Pension Schemes Act 2021. That was an historic moment, with climate being written into a finance Bill for the first time ever.

I have been in your Lordships' House for five years, and we have had win after win, as the noble Baroness just outlined. It really is time for us to stop having to bring this to the House to be inserted, taking up so many hours of your Lordships' time to get us to the point at which clearly the Government should have started.

I will add an additional point to what the noble Baroness, Lady Young, said. In the recent election, Labour explicitly said that it was aiming to take a joint nature and climate approach to its way of operating the Government. This surely has to be written into the Bill.

To set the context, a nature recovery duty was discussed in the other place. My honourable friends Siân Berry and Adrian Ramsay were prominent in that, along with people from other parties. We are one of the most nature-depleted corners of this battered planet, but our statutory duty is at the moment only to stop the decline, not even to make things better. We surely cannot be creating such an important new institution as this without building nature into its statutory obligations. The Government regularly remind us that the economy and GDP growth is their number one priority, but the economy is a complete subset of the environment. The parlous state of our environment is an important factor in the parlous state of our economy.

Earl Russell (LD): My Lords, I will speak very briefly to Amendment 116, in the name of the noble Baroness, Lady Hayman, to which I have added my name. I am sorry the noble Baroness is unable to be here today, and I wish her well. I thank the noble Baroness, Lady Young, and the noble Lord, Lord Bourne, for speaking to this amendment.

The amendment would give Great British Energy

"a climate and nature duty requiring it to take all reasonable steps to contribute to the achievement of the Climate Change Act 2008 and Environment Act 2021 targets in exercising its functions and delivering on the objects in clauses 3 and 5".

We face a climate change issue and a nature issue; they are interlinked and co-dependent. The actions that we take on climate change cannot be at the expense of biodiversity and nature, particularly in our seabed, which locks up so much blue carbon. We are still developing our understanding of just how important that is, and how susceptible the seabed is to disturbance. The two are interlinked and interdependent, and they have to be seen together. The more that we can do this across all our public bodies, the better we will be.

A nature recovery element to the proposed duty would give GB Energy statutory direction to invest in clean energy projects that meet the highest of environmental standards. It is really important to make sure that the work GB Energy does on climate change also supports nature. That would give it a key concentration in its broad decision-making and investment decision-making, as well as in projects, project management and delivery. A nature recovery duty would give GB Energy the power to use nature-based solutions and to review what it does and hold itself to account, and for us in Parliament to do the same.

The Crown Estate Bill and the Water (Special Measures) Bill have been mentioned already. Both those Bills have had the addition of a general climate change and nature target. This was a welcome development, which I was very pleased to see. I pay tribute to the noble Baroness, Lady Hayman, for the work she has done, and to Peers for the Planet and other Members of this House who were involved in those processes. That target is an important part of our transition.

I was pleased to see the same amendment proposed to the GB Energy Bill. The noble Baroness, Lady Hayman, worked constructively with the noble Lord, Lord Livermore, to get that done, and they found a wording that worked for both of them in the context of this Bill. The context exists: GB Energy's primary partner is the Crown Estate, so half of this partnership has a reporting requirement already. At a very minimum, if this amendment is not accepted or amended to make it acceptable, the amendment in the Crown Estate Bill has to be mirrored in this Bill. I have tabled an amendment in a later group which picks up on that work and seeks to make sure that that happens.

These are important matters. I hope that this amendment can be carried forward. Labour made a commitment in its manifesto not only to fight climate change but to protect nature. It is important that the institutions that this Government set up to fight climate change also implement Labour's other manifesto commitments.

Lord Bourne of Aberystwyth (Con): My Lords, in speaking to Amendment 116, I declare my interest. I thank the noble Baroness, Lady Hayman, for all she has done in this area in general, and in relation to this amendment in particular.

I want to make a specific point, and I made it at Second Reading. I do not think that we have enough detail on the objects, directions or priorities; there is a

[Lord Bourne of Aberystwyth]
lack of specificity to them. The Minister has said he does not want what he has called constraints, which I can understand, but to other people such constraints are clarifications. Somewhere between the two, there has got to be a measure of talking to see how we achieve that.

There is a case in company law called Re Introductions Ltd. I mention it because the facts illustrate how important it is to get these things right. The company in the case was set up to introduce overseas visitors to the delights of Britain at the time of the Festival of Britain. For reasons that are not entirely clear, the company changed its activities and went into pig-breeding, completely against what was said in the objects clause and in breach of directors' duties and so on. The law on objects clauses has changed a great deal, but it is still important that we are able to see that directors are going to do the things that we want them to do. That is what Amendment 116 is all about.

I will not delay the Committee too long because the ground has already been trodden on how this is something we should be doing. It should not come as a surprise to the Government that your Lordships want this Bill to be about ensuring we take proper regard of the Climate Change Act, which has had support from across the House. We supported it during our period in government; indeed, the noble Lord, Lord Deben, chaired the Climate Change Committee. It is important that we embed it and the commitment to the environmental targets for biodiversity in the legislation, as there is a read-across between the two: if you do one it has a beneficial effect on the other, and vice versa.

As other noble Lords have said, this would be consistent with the Government's approach. They have already done this in the Water (Special Measures) Bill, which they amended so that Ofwat has to abide by the climate and nature duty, and in the Crown Estate Bill, as has been mentioned, which was amended to ensure that the commissioners keep under review the impact of their activities on the achievement of sustainable development. I do not think it is a great deal to ask of the Government to have a consistent approach, to adhere to it and to make sure this legislation works accordingly. I hope the Minister will be able to give a favourable indication of what will happen between now and Report, because it is very reasonable to request that this be written into the legislation.

6.30 pm

Lord Howell of Guildford (Con): My Lords, I support my noble friend Lord Trenchard's amendment to Amendment 56. He knows a great deal about the oncoming revolution in civil nuclear power, which does not seem to have quite arrived in the Government's thinking. They are still contemplating building backward-looking, out-of-date technology structures. That will all emerge as we debate it.

I also ought to declare my interests. The noble Lord, Lord Ravensdale, rightly reminded me that that is what I should have done. I do indeed have registered connections with energy-related companies.

I am left almost bereft of words of surprise and dumbfounded that my noble friend's amendment is not assumed to be vital to the entire structure and operation of this project. I am talking particularly about including Great British Nuclear in the Bill. The National Wealth Fund will also be in the game, as it will look at sites and at projects, but Great British Nuclear and Great British Energy need not only to talk to each other. It is always nice to talk and so on, but they are treading on exactly the same immensely complicated ground, on which the most intimate integration and co-operation will be required.

I refer first to transmission and the whole question of redesigning our transmission grid over the next five years, if we can do it. As a matter fact, I do not think it can be done, but if it could, it will need to get electricity, first, from the North Sea to the switching stations, most of which have not even been started—one or two have—and then to the markets where electricity is consumed. That raises a whole lot of questions about transmission that we will discuss later. Secondly, it will need to get electricity from new nuclear sites, which I hope will be covered—I think they will in other countries—by smaller nuclear reactors, advanced boiling water reactors and others, all in the 250 megawatt to 400 megawatt range.

The process of siting these reactors is already going on. More than one government agency, including GBN, is putting around consultation documents to see what we mean by siting. Is it just that we will use disused sites—the old Magnox sites? Can we reuse them? I suppose we cannot if we persist with Sizewell C, but if we had the wisdom to postpone it, that site could be covered with eight or 10 SMRs. To get a sensible balance by 2050, let alone 2030, we will need about 500 SMRs of various designs across the country, sited mostly, I imagine, on disused or current nuclear sites but maybe on other sites as well. These are possibilities on which the public have had no say at all so far. I think their initial reaction will not be very well informed, because they have been told nothing about it. There is a whole operation of siting SMRs, combined cycle gas turbines and other energy installations. Heads have to be put together very closely so they do not end up in a glorious muddle on where things should be sited, who gets there first and that sort of thing.

Then, of course, there is the whole issue of how much electricity we will need. It is underneath our discussions now, but we know there is a hopeful view, which I think is still the Department for Energy Security and Net Zero's view, that we have to aim for a couple of hundred gigawatts of cleaner electricity. We have now about 33 to 40 gigawatts of clean electricity—half our electric sector, which is 20% of our total energy care, so that is about one-ninth of what we need even to satisfy present demand. But there are stories in the papers—there is one this morning—indicating that demand is already surging far ahead of any predictions any of the governmental experts have made. This is a sign of something to come. In particular, if oil and gas are forbidden by 2030, so you cannot get oil or gas for your home and you cannot get petrol, the demand for electricity to replace all that will be absolutely enormous. Even if nothing very dramatic happens in the way of overall demand for power, it will be enormous.

Meeting this demand will require the closest possible co-operation between organisations such as GBN and GBE. The noble Lord, Lord Vaux, said that it was

implied, perhaps wrongly, that he is against the Bill. I am not against it for the simple reason that we cannot be. Our constitution in this Chamber does not allow us to knock down the whole purpose of a Bill. All we can do is desperately try to improve something that we know will obviously be a nonsense in the end. The aim of 200 gigawatts always struck me as way below what will be needed; I think it will be more like 300 or 400 gigawatts of electricity in the all-electric age. There are 40 million vehicles in this country, vans and cars. Will they all be electric? If they are, that will use a lot of electricity, even if some of it can be fed back into the system.

But these issues sit above what we are dealing with now, which is how bodies we set up can possibly be kept apart when they deal with the same ground and the same issues—transmission and siting. I find it quite incredible. Perhaps I am being premature and the Minister will stand up and say that this obviously got left out of the Bill and must be put in it now so that those bodies should at least talk. Of course, they should do more than that; they should co-operate.

I support my noble friend Lord Trenchard, who has rightly spotted a great gap in the logic of this organised project. We should put this one right, which we can do, and recommend to our friends in the other place on the basis of the very considerable expertise that exists in this Chamber that this would at least repair one dislocation in this unhappy legislation.

Lord Hamilton of Epsom (Con): My Lords, if I am brutally honest, I do not really like this Bill at all. It is a vehicle for a nationalised industry that should not even be set up by a Labour Government who want to gamble with other people's money with no parliamentary scrutiny. Therefore, and on that basis, I really should support the amendment, because if they have to consult all these quangos and unelected bodies, which have made life such a nightmare for people for so long, they will never get anything done anyway, but that is just too cynical even for me. I have found that the Climate Change Committee represents a dwindling number of people in this country and basically keeps the Reform party in business.

As for the environmental committee, that is the one that, of course, the Government are going to ignore when they introduce their housing target of 1.5 million, because that has basically been blocking the number of planning permissions. Once again, I have a vested interest here: my family has land in Surrey that they are hoping to develop, so we are very keen on the recent Statement from the Deputy Prime Minister.

These quangos have not done anybody any good at all. The Government would be absolutely right if they resisted this amendment, because we have been run by these people for much too long and it is time that the country was run for the interests of the people.

Lord Offord of Garvel (Con): My Lords, once again, I am very grateful to the noble Baronesses, Lady Young of Old Scone and Lady Bennett of Manor Castle, the noble Lord, Lord Ravensdale, and my noble friends Lord Trenchard, Lord Howell, Lord Hamilton and Lord Bourne of Aberystwyth.

Amendment 56 would require the Secretary of State to consult the relevant stakeholders before strategic priorities for GBE were published. Under this requirement, the stakeholders to be consulted would include, but not be limited to, the Climate Change Committee, the National Energy System Operator—also known as NESO—Natural England and the Environment Agency. Amendment 116 would introduce a new clause on the duty of GBE to contribute to climate-change and nature targets. This would require GBE to "take all reasonable steps" when

"exercising its functions and delivering on the objects in clauses 3 and 5",

and

"all reasonable steps to contribute to the achievement of the targets in the Climate Change Act 2008 and Environment Act 2021".

These objects reflect the values of climate and environmental responsibilities and sustainability which, within this House, are championed on all Benches. Great British Energy, and therefore the Secretary of State, have a unique opportunity to be involved in helping to achieve the targets of the Climate Change Act and the Environment Act. They are in a privileged position, undertaking meaningful actions to be involved in nature and biodiversity recovery. They can tailor their strategic priorities with the Climate Change Act and the Environment Act in mind. In fact, as a publicly owned company, GBE has a clear duty to protect and nurture the environment by consulting key stakeholders such as Natural England, the Climate Change Committee and the Environment Agency. The Secretary of State will ensure that the activities undertaken by GBE will be those which best help to tackle climate change, promote nature recovery and protect the UK's environment.

At present, however, I do not believe that this Bill creates sufficient provisions to consult the relevant environmental agencies on GBE's skeletal strategic priorities and plans; nor does it ensure adequate reporting measures, which we have discussed. In Committee and on Report on the Crown Estate Bill, we on these Benches scrutinised the unprecedented relationship between the Crown Estate and GBE. It appeared that this Government introduced this legislation with one major objective: to enable the Crown Estate to build more offshore windfarms in partnership with GBE. My noble friends acknowledged that it was important, when legislating, to increase commercial activity on the seabed around our shores, but a restriction must be placed on the development of salmon farms in England and Wales, especially given the damaging effects on nature and the environment resulting from salmon farms operated in coastal waters and sea lochs in Scotland.

As a result of the rigorous and critical debate on the protection of the environment and the preservation of animal welfare standards at Report on the Crown Estate Bill, this House successfully voted on an amendment requiring the commissioners to assess the environmental impact and animal welfare standards of salmon farms on the Crown Estate. It is evident that this House cares about environmental protections. Concerning this, I hope we might receive an encouraging response from the Minister on amendments discussed today.

Lord Hunt of Kings Heath (Lab): My Lords, let me begin with Amendment 56 tabled by the noble Baroness, Lady Hayman, and spoken to today by the noble Lord, Lord Ravensdale, and Amendment 56A tabled by the noble Viscount, Lord Trenchard. These amendments propose an addition to Clause 5, which would require the Secretary of State to consult the Climate Change Committee, the National Energy System Operator, Natural England, the Environment Agency, Great British Nuclear, the National Wealth Fund and other relevant people before publishing a statement of strategic priorities.

I pay tribute to the noble Baroness, Lady Hayman, for all the work that she has done and all she has contributed to legislation in the last few years. I also thank the noble Lord, Lord Hamilton, for his rather barbed support in relation to the Government's response to these amendments. It was not a complete surprise that he does not entirely welcome the Bill, although there will be unalloyed pleasure for my colleagues in Defra at the support that he is giving to our planning reforms, which actually do relate as well to the energy infrastructure and the investment that we wish to see.

The noble Viscount, Lord Trenchard, is particularly focused on nuclear energy and its potential, which I always welcome. Great British Energy and Great British Nuclear are already talking very closely together, and he can be assured that this will continue. In response to the noble Lord, Lord Howell, I say that electricity demand in the future is clearly going to go up hugely over the next 20 to 30 years. If he looks at the clean power action plan, he will see that we really recognise the need to speed up planning consent and connections to the grid. This is fully understood, which is why it is a such an important component. In a sense, this is for the Government to take forward: GBE will have to work within those policies that we are taking forward. It is for the Government to do this, and that is why it is not really reflected in the provisions of the Bill.

6.45 pm

While I certainly accept the principle of what the noble Viscount is arguing, the fact that he has put an amendment down to add to the list already in the first amendment shows, of course, the risk of lists. He well knows, because he is a very experienced Member of your Lordships' House, that by including some, you exclude others. I really do not think that these amendments are necessary. It will be for Great British Energy to decide which stakeholders it might choose to consider and consult. It is inconceivable to me that any of the organisations listed in the amendments would not be regularly engaged with and consulted by Great British Energy.

I now turn to Amendment 116 tabled by the noble Baroness, Lady Hayman. My noble friend Lady Young spoke to it, as did the noble Earl, Lord Russell, and the noble Lord, Lord Bourne. It was also supported by the noble Baroness, Lady Bennett. This amendment proposes a new clause which would put a new duty on Great British Energy to contribute to climate-change and nature targets. I, of course, note the comments made by noble Lords in relation to what happened in respect of the Crown Estate Bill. I welcome the intervention by the noble Lord, Lord Bourne. I do not see any circumstances at this moment in which pig-breeding would be encompassed within the work of Great British Energy, but I suppose you never know.

Lord Bourne of Aberystwyth (Con): The same could have been said of Introductions. As I said, it did not intend to go into pig breeding when it set the company up.

Lord Hunt of Kings Heath (Lab): We will reflect very keenly on that between Committee and Report.

There is no doubt about the argument. We are facing a twin climate and nature crisis. They are inextricably linked. Not only are the Government committed to reaching net zero by 2050 and clean power by 2030, we are also committed to restoring nature—for example, with the Environment Act targets in England to halt the decline in species abundance by 2030—and to effectively protect our marine protected areas as part of our global 30-by-30 commitment.

We know that the UK is one of the most nature-depleted countries in the world, so it is not enough for us to protect or conserve. This is why the Government are committed to restoring nature through such targets, and our related international commitments. The real opportunity available to the UK is to deliver clean power by 2030 in a way that does not simply avoid or compensate for damage to nature, but is constantly innovating to deliver the target in a nature-positive way, such as rewetting lowland peat soils at the same time as constructing new solar farms or creating new wildlife corridors alongside or underneath linear energy infrastructure. The noble Lord, Lord Teverson, referred to that potential earlier in our previous debate.

It is not so much about balancing energy and infrastructure needs but about trying to integrate them, rebuilding our natural infrastructure at the same time as building the new energy infrastructure we need in the 21st century. It is significant that in the *Clean Power 2030 Action Plan*, the Government have said that we

"will launch an engagement exercise in early 2025 to invite communities, civil society and wider stakeholders to submit their ideas on how government can best encourage nature-positive best practice into energy infrastructure planning and development. Feedback from this exercise will allow government to better understand how we can integrate nature restoration through Clean Power 2030".

We want Great British Energy to focus on its mission of driving clean energy deployment, but I have listened very carefully to what noble Lords have said today and I understand the point that noble Lords are making about the Crown Estate Bill. I assure noble Lords that we are going to reflect on this between Committee and Report.

Viscount Trenchard (Con): My Lords, I thank my noble friend Lord Howell for his support for my amendment and all other noble Lords who referred to my amendment in the debate. I appreciated the whole debate, and I am grateful to the Minister for his thoughtful reply. There will be another opportunity to discuss the same kind of thing in a future group, of which he is aware, so I will have an opportunity to return to that. I beg leave to withdraw my amendment.

Amendment 56A (to Amentment 56) withdrawn.

Lord Ravensdale (CB): My Lords, I shall make a few brief points. I take the point made by the Minister about the list system with Amendment 66, but I hope we can get some assurance leading up to Report on the stakeholders that Great British Energy will engage with.

On Amendment 56A, without retreading some of the debate on previous groups, I support what the noble Viscount, Lord Trenchard, is saying about this. There is clear consensus that GBN should remain a separate organisation from Great British Energy, but that is not to say that Great British Energy cannot invest in nuclear projects—fuels, components or nuclear batteries, for example. Clearly, there is an important interface there.

I was very encouraged by what the Minister said on Amendment 116 about the importance of the consistency, and by the strong arguments made by the noble Baroness, Lady Young, on the Crown Estate Bill and consistency with other legislation. I also enjoyed the interesting and unique angle that the noble Lord, Lord Hamilton, had on his support for Amendment 56. I look forward to further discussion with the Minister between now and Report. I beg leave to withdraw the amendment.

Amendment 56 withdrawn.

Amendments 57 and 58 not moved.

Clause 5 agreed.

House resumed.

6.54 pm

Sitting suspended.

Prison Capacity Strategy

Statement

The following Statement was made in the House of Commons on Thursday 12 December.

"With your permission, Madam Deputy Speaker, I will make a Statement on the 10-year prison capacity strategy and annual prison capacity statement that the Government published yesterday. As the House will be aware, publishing these documents makes good on a pledge made to this House by the Lord Chancellor in July when she came before the House to set out the emergency measures that we were forced to take to prevent our prisons filling up entirely.

Let me begin by setting out some context on prison places. As right honourable and honourable Members will be aware, on 4 December, the National Audit Office published a scathing report, *Increasing the Capacity of the Prison Estate to Meet Demand*. That report is unequivocal in its criticism of the previous Government's approach to the criminal justice system, including their failure to deliver on their commitment to build 20,000 additional prison places by the mid-2020s. Only 500 additional cells were added to the overall stock of prison places. While the previous Government continued to promise prison places, there were significant delays to projects—in some cases, they ran years behind schedule—and a failure to address rising demand has left the system thousands of places short of the capacity it requires.

The expected cost of the Ministry of Justice and His Majesty's Prison and Probation Service's prison expansion portfolio to build the 20,000 additional places is currently estimated to be £9.4 billion to £10.1 billion—at least £4.2 billion higher than the estimate in the 2021 spending review carried out by the previous Government. None of this was revealed by Ministers at the time; it came to light only when the Government were elected in July this year.

It is now clear that even the original mid-2020s commitment was not sufficient to keep pace with the expected demand on prison places, according to the last Government's own projections. This put the viability of the entire system in jeopardy. Had we run out of prison places, police would not have been able to make arrests and courts could not have held trials. It could have led to a total breakdown of law and order in our country, with all the associated risks to public safety. That is why we were forced to take emergency action, releasing some prisoners earlier than they otherwise would have been—in most cases, by only a few weeks or months. That bought us precious breathing space but, if we do not act, our prisons will fill up again. We must therefore act, including by building more prison places as a matter of urgency.

Integral to our plan for change is ensuring that we have the prison places we need to lock up dangerous criminals and keep the public safe. The 10-year prison capacity strategy sets out how we will deliver that. The strategy is detailed, setting out our commitment to build the 14,000 places that the last Government failed to deliver as part of their 20,000 prison places programme, with the aim of getting that work completed by 2031. It further sets out what we will do: where, when and how we will build new prisons and expand existing ones through additional house blocks, refurbishments and temporary accommodation.

The strategy is also realistic. As the House knows, prison building is an extraordinarily complex and expensive undertaking. In particular, the planning process to get sites approved for development is complicated and time-consuming. That is why our delivery plans include contingency prison places, which will provide resilience in our building programme should a project become undeliverable or provide poor value for money and cannot be taken forward. We are also ambitious: the strategy sets out how we will work with the Ministry of Housing, Communities and Local Government to streamline the delivery of prison supply, including important reforms to the planning system and delivering on our commitment to recognise prisons as nationally important infrastructure. It is also this Government's ambition to secure new land, so that we are always ready should further prison builds be required in the future.

We are committed to improving transparency, now and in the future. As such, when parliamentary time allows, we will legislate to make it a statutory requirement for the Government to publish an annual statement on prison capacity like the one we have published. That annual statement will set out prison population projections, the department's plan for supply, and the current probation capacity position. It fulfils our transparency commitment for 2024 and, crucially, will hold us and future Governments to account on long-term planning,

[Lord Ravensdale]
so that decisions on prison demand and supply are in balance and the public are no longer kept in the dark—as they have been—about the state of our nation's prisons.

Finally, we are being honest with this House and the public about what must happen next. Building enough prison places is only one part of a much wider solution; as the Government have already made clear, we cannot simply build our way out of these problems. In the coming years, the prison population will continue to increase more quickly than we can build new prisons. That is why, in October, we launched the Independent Sentencing Review, chaired by the former Lord Chancellor, David Gauke, alongside a panel of experts including the former Lord Chief Justice, Lord Burnett. That review will take a bipartisan look at an issue that has been a political football for far too long, punted about by both sides.

The aim of the review is to ensure that we are never again left in a position where we have more prisoners than places available. It will help us to ensure that there is always a prison place for dangerous offenders; that prisons help offenders turn their lives around and bring down reoffending rates, meaning fewer victims; and that the range of punishments for use outside of prison is expanded. The review will make its recommendations in the spring. The Government look forward to responding as quickly as possible so that we can begin to implement any necessary policy changes urgently.

When this Government took office just five months ago, we inherited a prison system on the brink of collapse. Instead of dithering and delaying, we have taken the difficult decisions necessary to stop the criminal justice system from grinding to a halt altogether, which could have led to a total collapse of law and order in our country. However, this is not an overnight fix, and the journey ahead of us is long. This 10-year prison capacity strategy and annual statement, along with the Independent Sentencing Review, are critical steps on that journey. The last Government left our prisons in crisis, putting the public at risk of harm. We will fix our prisons for good, keeping the public safe and restoring their confidence in the criminal justice system. I commend this Statement to the House".

7 pm

Lord Keen of Elie (Con): My Lords, we are concerned here with the Statement made and also with the Written Statement delivered the day before by the Secretary of State for Justice. Both refer to the 10-year prison capacity strategy; indeed, it is described by the present Government as "their" 10-year prison capacity strategy.

What we have heard and what we have read might be described as good and original. Unfortunately, what is good is not original and what is original is not good. The first apparent innovation that we are referred to is the annual statement on prison capacity. In the Written Statement on 11 December, the Secretary of State for Justice referred to the

"first Annual Statement on prison capacity",

describing it as fulfilling a "transparency commitment for 2024" and a necessary step in "our plan".

The Oral Statement given by the Secretary of State's junior Minister in the Commons repeated news of this innovation: that the Government were to publish an annual statement on prison capacity, which would be a "critical" step. It is all about transparency, clarity and public confidence. But let us wait: 16 October 2023 was before the election. We had a Conservative Government and a Conservative Secretary of State for Justice, the right honourable Alex Chalk. What had he to say in the other place? He said:

> "To ensure public confidence, a new annual statement of prison capacity will be laid before both Houses. It will include a clear statement of current prison capacity, future demand, the range of system costs that will be incurred under different scenarios and our forward pipeline of prison build. That will bring greater transparency to the plans and will set out the progress that is being made".—[*Official Report*, Commons, 16/10/23; col. 59.]

I do not believe the Minister or his officials will require the column reference as the Statement made by the then Secretary of State for Justice is, in effect, repeated verbatim in this novel and innovative Statement that we have received in the last few days.

There is a difference. The right honourable Alex Chalk referred to a new annual statement "of" prison capacity. The new Government repeatedly refer to a new annual statement "on" prison capacity. Are we to infer that the innovation lies in the change of preposition? I can discern no further distinction between the two. What we are in receipt of is the cut and paste of the Conservative Government's policy announced more than a year ago.

Then there is a second innovation in this new prisons programme, as reflected in the policy paper. We are told of new prisons in Yorkshire, Leicestershire and Buckinghamshire. The Secretary of State for Justice referred in her Statement on 11 December to "rapid deployment cells". In the foreword to the prison capacity strategy document itself, the now Secretary of State for Justice tells us that this document is our 10-year prison capacity strategy.

> "It sets out how this Government will build the 14,000 prison places … It is a detailed plan setting out where these places will be built … As such, it is a realistic but ambitious plan for prison building—a far sight from the empty rhetoric and disappointing reality of my predecessors' previous efforts".

Paragraph 8 of the document, under the heading "New prisons", says:

"We will deliver … new places through new prisons".

It explains that these are to include new prisons in Yorkshire, Leicestershire, Buckinghamshire, and Lancashire; and there will be "rapid deployment cells", which are defined as "modular self-contained units".

More innovation—but let us wait a moment. The construction of the rapid deployment cells at His Majesty's Prison Millsike was announced by the then Secretary of State for Justice, the right honourable Alex Chalk, on 12 February 2024. With respect to the new prisons programme, His Majesty's Prison Five Wells and His Majesty's Prison Fosse Way opened before the election.

The construction of His Majesty's Prison Grendon in Buckinghamshire was approved by the Conservative Government before the election. The plan for a third prison in Buckinghamshire was approved in January 2024. Construction of the new prison next to His Majesty's Prison Gartree in Leicestershire was approved at about the same time.

The so-called "innovation" of the new prison programme is yet another case of cut and paste. There is reference to "empty rhetoric", but whose? If the Minister were to submit this paper to his tutor, it would be marked in bold red, "Wretched plagiarism", and down-marked again for failure to acknowledge his sources. It is a third-class effort.

There is one example of innovation by the present Secretary of State for Justice and her department. We know that something like 73,000 cases are pending in the Crown Courts. We know that, on any day, 10% to 30% of Crown Courts are shut. The number of prisoners on remand is still set to increase. Only recently, the Lady Chief Justice called for an additional 6,500 judicial sitting days in order that, in the face of such increase, the Crown Court could operate at maximum capacity.

What innovation did this Government bring to bear? They agreed not to 6,500 additional sitting days but to 500. Then, I believe today, there has been a suggestion that a further 2,000 sitting days will be found. Whether they are freed up in light of the move for an increase in magistrates' sentencing powers from six months to 12 months or otherwise is not clear. But that still leaves a further 4,000 judicial sitting dates which are not going to be utilised in the face of this backlog.

Yet, at the same time, there seems to be consideration of such innovations as judges sitting with magistrates and not with juries. Will the noble Lord please enlighten us as to why the Chief Justice's suggestion, nay request, for 6,500 additional sitting days that are available has not been met.

I have the highest regard for the Minister and his commitment to prison and sentencing reform, but over a long and successful business career he will have been face to face with a lot of cobblers. This 10-year strategy is simply a cut and paste of existing policy projects, and we need more from this Government than empty rhetoric.

Lord Beith (LD): My Lords, I agree with the noble and learned Lord about the need to address the remand prisoner situation with more sitting days, but on other parts of what he said, I hope he is wrong. If there is that much continuity between the policies of the previous Government and this Government, we are not going to get out of the difficulties that we face.

There is no doubt about the appalling state of our prison system which the Government have inherited. They took over a system which was supposed to provide 20,000 extra prison places while coping with massive overcrowding, a shortage of experienced staff and a penal philosophy which called for even longer sentences. There is a desperate shortage of the resources needed to reduce reoffending, either by programmes during custody or by supporting ex-prisoners on the difficult route to leading a better life and keeping the law.

We do not want to see this Government repeat the failures of their predecessor. Given his practical and personal experience in resettling and employing ex-offenders, we believe that the Prisons Minister understands the problems and is personally committed to changing the way we address them. But the Statement does not really inspire confidence and nor does the strategy. It rests on two assumptions, the first of which is that the increase in prison places will be achieved. I have to say that I am doubtful about that on the basis of experience, and even if achieved, it is recognised that it is not enough. That will not solve the problem. We cannot build our way out of this situation.

The other key assumption is that the sentencing review—which we welcome—will reduce the pressure for yet more places to be provided, even on the numbers the Government have given. That depends on whether there is political leadership to implement the radical ideas the commission will have to come up with if it is going to change the situation. We want to know whether that leadership is there. The public and media debate has to be taken forward. Tough talk leads to bad decisions. Excessive use of custody, which is hugely expensive, ensures that neither the prisons nor the probation system can devote the effort to the rehabilitation needed to cut crime.

It is time to be straight with the public. It is time to tell them that the Government are spending their taxes on a system which we know leads to prisoners reoffending. We know it leads to more prisoners and less rehabilitation, as well as to more reoffending, and it has got to change. When a crime is committed, victims and the public want the offender to be caught, tried, made to face the consequences of the hurt and damage they have caused and set up to lead a better life in the hope that they will not repeat their offences either towards the victims or towards anybody else.

In some cases, prison is essential for public protection; in others, there are more effective community sentences which, for many offenders, are more challenging than a spell in jail. It is not sensible to use the length of a custodial sentence, as we do these days, as the index of how seriously we take a crime. That way lies wasted money and more reoffending on release. Is the political leadership prepared to say that kind of thing? With a former DPP as the Prime Minister, it ought to be possible.

I put to the Minister a simple question: why does this country lock up more criminals for longer than most other west European countries?

The Minister of State, Ministry of Justice (Lord Timpson) (Lab): I thank the noble and learned Lord, Lord Keen, and the noble Lord, Lord Beith, for their comments. We are all aware that we have a problem. The problem is that the prison population increases by 4,500 people a year. In the summer, when I was six weeks into this job, we were 99.9% full: in fact, we had fewer than 100 spaces in our prisons. It was clear that this was not just a problem, it was a very dangerous problem. We are now running at 97% or 96% in the male estate and can already see the benefits of that. But we need to keep building new prisons, and we got planning permission for HMP Garth earlier this month. We do not just need new prisons; we need new house blocks and to ensure that we do not lose cells.

We cannot build our way out of the difficulties we have; we also need sentencing reform. As noble Lords are aware, David Gauke is leading a sentencing review, which will be concluded by the spring. We need to make sure that demand and supply are in balance, because we always need to have space for the police to

[Lord Timpson]
arrest and charge people and put them in prison. Interestingly, last week I went to Spain to visit the prisons over there. It has 15,000 spare cells, which we can only dream of here. Unsurprisingly, when I went round the prisons there, things were much calmer than they are here.

How will we get more capacity? We have to create these 14,000 prison places. The cost is very high, and much higher because of the delays in the previous Government's building. But the other real problem is that we have had a net increase of only 500 prison cells because so many have been lost and prisons have been sold. One of the things that is really important is to make sure that we do not lose prison places and prison wings. I am looking forward to visiting HMP Millsike before Christmas and seeing what a good, environmentally state-of-the-art prison looks like. But I have also been recently to HMP Manchester and HMP Winchester, both of which had urgent notifications, to see the other side of the coin, where prisons need serious investment. I am pleased that we have managed to find £500 million to invest.

We have many great prisons as well. We need to future-proof things and to keep buying land on top. In my old job, every day I was looking at the sales figures of our retail chain; now I am looking every day at the prison population and seeing how much capacity we have. I am pleased to say that, so far, our numbers are slightly under the projection we have been looking at.

I have seen a number of rapid deployment cells and the issue with them is that, even though we do not have a choice—we need to do them—the extra cost is not just in the cells but in the extra visitor centre space, extra kitchen space and so on. That is why it is not just a cheap temporary option; it is an expensive temporary option.

On Crown Court backlog days, I am very pleased that colleagues have found more headroom and we have managed to get 2,500 extra sitting days; and the magistrates' courts going from six to 12 months will free up 2,000 extra days. It will help with the remand population—17,000 is a significant issue—but it is still not enough.

Yes, we need to build prisons. Yes, we need the sentencing review, and to wait and see what the conclusions are. We always need prison cells for dangerous people. We need to incentivise prisoners to turn their lives around. But we also need to punish people outside of prison as well. We need to work hard when we see the conclusions of that review.

We need to focus also on reducing reoffending, because 80% of offending is reoffending. As noble Lords challenged me to do, I need to focus on delivering these new prison places so we do not run out of space, but I also need to really focus on delivering reduced reoffending, so over time our prisons are less full because people are reoffending less.

As we all know, there is a very complex job to do. We are dealing with the most complex people in the country and a system that is the most complex. It is a privilege for me; it is my dream job to do this. I am looking forward in the new year to starting to deliver on my plans. We are now in a position where we have overcome the immediate capacity problems. We can use the headroom, even though we have only minuscule capacity space compared to the Spanish. It is important that we use that time to focus on education, purposeful activity, people addressing their drug and mental health problems, and helping them so that when they get out, they stay out.

7.20 pm

Lord Maude of Horsham (Con): My Lords, I believe that the reason we have a larger prison population than most comparable countries in Europe is not that more of our population are prone to become criminals; it is because of reoffending. Our rate of reoffending is much higher than in most comparable countries. Therefore, rehabilitation is essential.

It is very good to hear the Minister talking about the importance of spare capacity, because he will know, I suspect, from discussions with the Treasury, the tendency of the Treasury to hate any sense of spare capacity—that offends its deepest instincts and upbringing. Spare capacity, however, is essential to enable prisoners to be kept in prisons as close to their home as possible so they do not lose touch with their family and to enable the continuity of rehabilitation. Does he agree on how important it is that rehabilitation should start from the moment a prisoner goes through the prison gates to enter prison until long after he or she—and it is mostly a "he"—comes out of the prison gate at the end of the sentence? Is it not important that the Treasury should understand that the benefits that come from reducing reoffending—the financial benefits as well as the benefits in terms of human happiness versus human misery—are spread across an enormous range of public services? The savings are huge. It is important that the Treasury understands the need for holistic activity and for taking a longer-term view than that to which it is prone.

Lord Timpson (Lab): I thank the noble Lord for his comments. In respect of reoffending, the latest figure I have seen is £18 billion per year. Reoffending in our country is definitely higher than in Spain and in other countries as well. It is not just the level of reoffending; it is also the length of sentencing we have that makes a difference to the large prison population. As for spare capacity in prisons—yes, I agree. I can never see us at the levels of other countries. We need our prisons to be efficient. We need to make sure that our prisons are full but also effective.

It is important that the hard-working staff who run our prisons have the opportunity to deliver what they know works. I do not want to walk past any more classrooms in prisons where there are lots of computers and nobody is there. I want people to be in classrooms; I want people to be in workshops; I want people to be doing things that are helping them to get out and stay out.

One thing that has made a big difference is the employment advisory boards that I set up four years ago. When we started, 14% of people leaving prison had a job after six months. It is now over 35%. Things can be done, and I am really focused on that. I am also focused—and this is probably one of the conversations we may turn to in the new year—on this being not just

about prisons but about probation. The whole thing needs to be working in tandem. There is an awful lot of pressure not just on prisons but on probation colleagues too.

Baroness Ritchie of Downpatrick (Lab): My Lords, I congratulate my noble friend the Minister on the Front Bench on his very interesting Statement on prison capacity. While this issue relates to England, and prisons in Northern Ireland, along with justice issues, are very much a devolved matter, there are also capacity and reoffending issues there. Therefore, I ask the Minister, whenever he is next in Northern Ireland and in other devolved regions and nations, whether he will take an opportunity to talk to the Minister for Justice in Northern Ireland about measures to increase prison capacity and reduce reoffending. Back when recent statistics were revealed, the overall average daily prison population increased by 11.4% during 2023-24 to 1,877. The male population increased from 1,607 to 1,787, while the female population increased from 78 to 90. I realise those numbers are probably small compared to England, but when we consider the actual population of Northern Ireland, we see that they are very high. Therefore, I urge my noble friend to talk to the Minister for Justice and exchange his good ideas with her about such measures to do with prison capacity and reoffending.

Lord Timpson (Lab): I thank my noble friend. I am a big fan of the prisons in Northern Ireland—it is not because my wife is from Northern Ireland and I have been round the prisons many times. We can always learn from what they are doing. There is a prison there that noble Lords may not have heard of called HMP Hydebank Wood. It is a combination of a female prison and a young offender prison. It is one of the most impressive establishments I have seen—and I have seen lots of prisons over the years. I would be delighted to meet the Minister for Justice and to share ideas, as I would be with other colleagues as well.

The point my noble friend makes about the increasing size of the prison population in Northern Ireland is similar in theme to what is happening elsewhere. Even in Spain—I apologise for talking about Spain a lot; I just got back on Friday night—the prison population is also increasing. There will be similar themes around drugs, ageing population, mental health and purposeful activity. It is something we all need to be aware of, and it is a great way of exchanging ideas and learning things. As someone who has employed a number of people from prisons in Northern Ireland to work in the business that I used to be involved in, I know that there are many talented individuals there as well.

Lord Thomas of Cwmgiedd (CB): My Lords, a part of the criminal justice system's problems is one word: money. That has been my experience for the past 20 or so years—seeing the justice system from the side of the judiciary and seeing it from here. I want to ask about money because it is the temptation of everyone to forget money. Build prisons, and how do you finance the result? As I understand it, the 14,000 additional prison places are going to cost between £9.4 billion and £10 billion—I assume, on current costs. The NAO report says that there is a £1.8 billion maintenance backlog, so there are huge sums of capital expenditure—assuming that the Treasury treats maintenance as capital expenditure, which it probably does not.

I want to know what it is going to cost every year to fund these 14,000 additional places, which, as the Minister has kindly pointed out, must be on the basis of rehabilitation—it must be much cheaper to lock people up and leave them in their cell for 23 hours, but that is bad. What is the realistic cost of these additional places, and if the Minister can help us, where is the money to come from? That is the terrible problem that we have never grappled with: value for money in relation to sentencing. I would be very grateful if the Minister could help on this.

Lord Timpson (Lab): I thank the noble and learned Lord for his detailed question. In the wider scheme of things, the best way to get value for money, as he says, is to reduce reoffending. Maybe in 15 or 20 years we will not need the prison places we have now because our reoffending will be much lower and the success of what I am trying to do in this job will be bringing results. One of the main areas of being sensible with money is not to lose cells, so we are making sure that our existing stock is maintained.

Noble Lords may remember that I mentioned HMP Preston. It first welcomed prisoners in 1798 and is still going strong. It has some elements that need a bit of work, but we also need to maintain them. The cost of building new cells in new prisons is £500,000 each. The cost of running them will be significant, because it is not just running buildings but staffing them and all the associated healthcare costs that go with it. Unfortunately, we do not have a choice to spend £10.1 billion at the moment—it was going to be a lot less than that—because we are in a position where we need to have spare capacity for the courts to do their job.

I am also looking forward to David Gauke's review of sentencing to see the conclusions it comes to and the evidence it has looked at. A number of noble Lords will be feeding information into the sentencing review, which is due before 9 January. Running prisons is an expensive business. Reoffending, at £18 billion a year, is an incredible amount of money and waste. My job here, as a commercially minded person, is to look at why we are spending this money, and to challenge when we are spending what look like eye-watering amounts. I am challenging it, and I like to think I am starting to get some results.

Baroness Bennett of Manor Castle (GP): My Lords, I begin with an expression of sympathy to the Minister. What we have heard in your Lordships' House—the focus on rehabilitation and reducing reoffending—is very welcome. However, we are discussing the Statement from the other place and asking questions about that. The focus of that Statement is on having capacity to meet demand. It talks about bringing in an annual statement to

"set out prison population projections"

and

[Baroness Bennett of Manor Castle]
"the Department's plan for supply".—[*Official Report*, Commons, 12/12/24; col. 1090.]

This sounds rather like Defra promising us a plan for the increases in rainfall that climate change predictions suggest will happen. It is as though it is something being done to the Government rather than a result of the choices of the criminal justice policy the Government have in their own hands. This is very much a passive approach. The Minister might say that this promises an Independent Sentencing Review, but that is handing over the responsibility to a group of independent people.

As the noble Lord, Lord Maude of Horsham, pointed out, we have the highest per capita prison population in western Europe by a long way. I am not sure whether this should be a milestone or a mission; maybe we could just call it a target. Surely the Government should be saying, "We are going to aim, by the end of this term, to have a reduction". We are currently at 159 people in prison per 100,000. Perhaps we could aim to match the next big country, France, which has 104 people per 100,000—that is a reduction of a third. Finland has 51 per 100,000, which is a long way away indeed. Perhaps we could aim for an average. Should the Government not have a target, milestone or mission to reduce the prison population by the end of their period in office?

Lord Timpson (Lab): I thank the noble Baroness. I would love it if we could lock up fewer people, but we cannot: we need prison spaces to ensure that we punish people who have done very bad things. We also need to make sure we rehabilitate them. We need the capacity to cater for things such as the civil unrest we had in the summer. We are way off levels of prison population like those of the countries the noble Baroness mentioned.

This is going to take an awful long time to turn around, but the steps we are taking are very important. We need capacity, we need to have the sentencing review, we need to focus on reducing reoffending, and we need all the associated tools to do that. We know what needs to be done and what the evidence is. I see my job as delivering on that.

I also know that this is not a quick fix. If we go for a quick-fix solution, we will be in trouble. This needs to be very thoughtful and take time. The people we are dealing with in prisons and on probation are often very complex people. I want to make sure that what we do works.

Lord Austin of Dudley (Non-Afl): My Lords, I apologise for missing the very beginning of this as I rushed to the Chamber. I congratulate the Minister not just on his Statement but on a lifetime's commitment to rehabilitating offenders. The example he has set to other businesses when he was running—

Lord Leong (Lab): My Lords, the noble Lord was not present at the start of the debate and therefore, according to the *Companion*, should not be speaking.

Lord Hacking (Lab): Go on, let him speak.

Lord Leong (Lab): No.

Building Homes

Statement

The following Statement was made in the House of Commons on Thursday 12 December.

"With your permission, Mr Speaker, I would like to update the House on our plan to build the homes our country so desperately needs.

This Labour Government were elected five months ago with a mandate to deliver national renewal. Standing on the steps of Downing Street on 5 July, the Prime Minister made it clear that work on that urgent task would begin immediately, and it did. Within our first month in office, we proposed a bold set of reforms to overhaul a planning system that is faltering on all fronts after a decade of piecemeal and inept tinkering by the Conservative Party. Today I confirm to the House that we are delivering the change we promised by publishing an updated National Planning Policy Framework, meeting our commitment to do so before the end of the year, and supporting our ambitious *Plan for Change* milestone of building 1.5 million new homes in this Parliament.

The case for grasping the nettle of planning reform in order significantly to boost housing supply and unleash economic growth is incontrovertible. England is in the grip of an acute and entrenched housing crisis, and as you, Mr Speaker, and every Member of the House will know, its detrimental consequences are now all pervasive: a generation locked out of home ownership; 1.3 million people languishing on social housing waiting lists; millions of low-income households forced into insecure, unaffordable and far too often substandard private rented housing; and, to our shame as a nation, just shy of 160,000 homeless children living right now in temporary accommodation. Our economy and the public services that our constituents rely on are also suffering, because as well as blighting countless lives, the housing crisis is consuming ever larger amounts of public money in the form of a rapidly rising housing benefit bill. It is also hampering economic growth and productivity by reducing labour mobility and undermining the capacity of our great towns and cities to realise their full economic potential.

The Government are under no illusions about the scale of the task before us or the challenges that must be overcome and the pitfalls avoided if we are to succeed. But we are absolutely determined to tackle this crisis head on. The previous Government, of course, took a different view. Not only did they fail to meet, even once, the target of 300,000 homes a year that they set themselves, but in a forlorn attempt to appease their anti-housebuilding Back-Benchers, they consciously and deliberately chose to exacerbate the housing crisis by making changes to national planning policy that have contributed to plummeting housing supply. We know that the changes required to start putting things right will be uncomfortable for some. We know we will face resistance from vested interests. But this Labour Government will not duck the hard choices that must be confronted to tackle the housing crisis, because the alternative is a future in which a decent, safe, secure and affordable home is a privilege enjoyed only by some, rather than being the birthright of all working people.

Let me turn to the changes that we are making to the framework. We received more than 10,000 responses to our consultation, alongside which my officials and I have held extensive engagement with private housebuilders, affordable housing providers, local authorities and other organisations from the sector. The views shared with us have been invaluable in helping to refine our initial proposals so that we are able to introduce an effective package of reforms.

Before I set out a number of important areas in which we have made changes, let me touch briefly on some of the proposals that we intend to implement unamended. First, we have reversed the anti-supply changes introduced by the last Government almost exactly a year ago. From the abandonment of mandatory housing targets to the softening of land supply and delivery test provisions, the policies that gave local authorities the freedom to plan for less housing than their nominal targets implied are no more. Secondly, we have made explicit the importance of growth supporting development, from labs to data centres, to supply chains and logistics. In the same vein, we have made clear that the default position for renewable energy deployment should be yes. Thirdly, we strongly promoted mixed-tenure development, reflecting robust evidence that attests to the fact that such developments build out faster and create diverse communities. Fourthly, we have made a series of changes to bolster affordable housing delivery and enable local authorities to determine the right mix of affordable housing for their communities. That will support our commitment to deliver the biggest increase in social and affordable housebuilding in a generation.

There are four important areas where we have refined our proposals, and I will turn first to housing targets. As we made clear when launching the consultation in July, restoring a mandatory standard method for assessing housing needs is insufficient if the method itself is not up to the job. As the House will know, we proposed a bold change, increasing the total annual national target from 300,000 to 370,000, ending the reliance on decade-old population projections, and removing the arbitrary 35% urban uplift that resulted in a skewed national distribution that was disproportionately focused on London to the detriment of the rest of the country. We fully intend to maintain the level of ambition outlined in July, but we heard through the consultation a clear view that we should do more to target housing growth in those places where affordability pressures are most acute. We have therefore made the method more responsive to demand, redistributing housing targets towards those places where housing is least affordable, while maintaining the overall target envelope.

Next, let me turn to our reforms to the green belt. As the House knows, ours is a brownfield-first approach to development. As a result of a number of targeted changes we are making to the framework, and our proposals for a brownfield passport, we are prioritising and fast-tracking building on previously developed urban land wherever possible, but we know that there are simply not enough sites on brownfield land registers to deliver the volume of homes that the country needs each year, let alone enough that are viable and in the right location.

In the summer, we proposed that local authorities take a sequential approach to releasing land to meet their housing need: brownfield first, followed by low-quality land in the green belt and only then higher-performing land. To identify low-performing sites we proposed a definition of grey-belt land that reflected the fact that there are areas currently designated as green belt that contribute little by way of aesthetic, public access or ecological value. That approach received broad support through the consultation, but a strong desire was expressed to limit the room for subjectivity. We have therefore set out a clearer description of how to assess whether land meets the definition of grey belt, and we will be providing further guidance to local authorities in the new year to support them with green-belt reviews.

At the centre of our green-belt reforms lies our golden rules, which are designed to make sure that where green-belt land is released, the public derive real benefit from development on it, including more affordable housing to meet local need. In the consultation, we proposed a flat 50% affordable housing target, but we recognise that because land values vary across the country, the limited use of viability assessments should be permitted. Through the consultation, we have recognised that that approach risked uncertainty. If flexibility was needed in some parts of the country because land values were lower, the precise amount of affordable housing to be secured would become a protracted site-by-site negotiation. If a local authority did not allow flexibility, there would be a risk that sites were rendered unviable, with the result that no houses, affordable or otherwise, would get built.

Our final policy therefore takes a different approach to managing variation in land values. Rather than a single 50% target, we are introducing a 15 percentage point premium on top of targets set in local plans, up to a maximum of 50%. Because that means the target itself will be responsive to local circumstances, we will be restricting the ability for site-specific viability assessments until such time as we have amended viability guidance in the spring of next year. By prioritising pragmatism over purity, the golden rules we are putting in place today will give communities the confidence that they will be met and will maximise the number of affordable homes delivered across the country.

Another area where we have made changes is to the presumption in favour of sustainable development. The presumption sits at the heart of the National Planning Policy Framework and means that where a local authority has underdelivered or an up-to-date local plan is not in place, the balance of decision-making is tilted in favour of approval. We are determined to ensure that where the presumption applies, it will have real teeth. At the same time, we are clear that development consented through it must be consistent with the clear requirements in national policy relating to sustainability, density, design and the provision of affordable homes. The changes we have made deliver on both those fronts.

Finally, in the consultation we sought views on how our changes apply to local authorities at an advanced stage of plan making. Our proposed transitional arrangements aim to strike a balance between maintaining the progress of plans at more advanced stages of preparation, while maximising proactive planning for

the homes our communities need. The core of our proposal—that we only hold back a draft plan where there is a significant gap between the current proposed housing requirement and the new housing target—was well supported. However, we are making three changes.

First, we have taken on board concerns that the transitional period was too tight, so we will provide local planning authorities with an extra two months to progress their plans, extending the transitional period from one month to three. Secondly, and again responding to an ask we heard repeatedly from councils, the transitional arrangements will apply where the draft housing requirement in the plan meets at least 80% of local housing need, rather than the numerical 200 homes threshold we originally proposed. In those instances, the plan will not be held back. Thirdly, where plans are adopted under these arrangements, and where there are existing plans based on the old targets due to run for a number of years yet, we want to see the level of ambition raised sooner rather than later. As a result, from 1 July 2026, we will expect authorities with plans adopted under the old standard method to provide an extra year's worth of homes in their housing pipeline, helping to accelerate the delivery of new homes.

We recognise that we are asking much from many local authorities, and we are determined to support local leaders trying in good faith to deliver homes for their communities. That is why across dedicated local plan funding, the planning capacity and capability support announced at the Budget and income from raised fees, we will be injecting more than £100 million into the system in the coming year.

We are confident that the revised framework that we are introducing today will support significantly higher rates of housebuilding and sustained economic growth. We have listened carefully to the views expressed in the consultation and adjusted several areas of policy accordingly; now it is for others to do their part. Developers must turn supportive words into action, bringing forward new sites and building them out at pace. Local authorities must embrace the challenge of higher targets and push for more and better development in their areas.

We have moved fast. We have not held back. We have not shied away from controversial decisions, or wavered in the face of those who have sought to chip away at our resolve. With focus and determination, we have pushed on to ensure that we are putting in place a planning system geared toward meeting housing need in full and unleashing economic growth. Change will take time as homes are not built overnight and our dire inheritance means that the climb out of the trough we are in will be a steep one, but by implementing this revised framework today, we have taken another decisive step toward a future in which everyone will enjoy a decent, safe, secure and affordable home in which to live".

7.35 pm

Lord Jamieson (Con): My Lords, I declare my interest as a councillor in Central Bedfordshire. I thank the Minister for the Statement from the other place.

I think we can all agree that we need more homes. However, they must be in the right places, with the right infrastructure, and constructed in a way that fosters a sense of home and community—homes that will stand the test of time. Under the Conservative Government, between 2013 and 2023 we saw a record level of new housing, greater than in any other period since the 1960s. We also delivered 550,000 affordable homes since 2010, including some 63,000 in 2022-23 alone.

The Government have taken a one-size-fits-all approach to a region-specific issue. Many rural areas, which do not have the requisite infrastructure to support rapid population growth, are facing sky-high housing target increases. In Westmorland and Furness it is 487%, in North East Lincolnshire it is 272%, in North Yorkshire it is 200% and in the New Forest it is 106%, while London and Birmingham see a reduction. How will the Minister achieve these targets while still ensuring that the required local facilities and infrastructure are in place? The Centre for Cities and the OBR have both said the Government are going to manage only around 1.1 million homes this Parliament.

I do not disagree that the planning system needs improving. It is too complex and takes too long. However, concreting over green fields rather than focusing on supporting building in urban areas will not solve this problem—nor will removing the local democratic accountability of planning committees, or the suggestion that regional mayors allocate housing with call-in powers and greater call-in by the Secretary of State. I must ask the Minister to assure the House that the Government do not intend to bulldoze through low-quality developments in rural areas just to hit their housing targets.

The Government are demanding that all councils rapidly review their local plans to deliver the new mandatory targets. Having spent eight years trying to get a local plan over the line, and succeeding, I know how difficult it can be to get local plans through, particularly when challenged by landowners who are incentivised to challenge the plan. These proposals risk making local plans harder to deliver. What will the Government do to make local plans easier and speedier to deliver?

I would also like to raise some concerns about mandatory housing targets. These are based on a flawed methodology. Affordability is a reasonable metric to look at, but it needs to compare similar properties. Comparing the cost of a one-bedroom apartment in Camden with a three-bedroom home in Stevenage, for instance, is not a fair comparison. Will the Minister look at the affordability ratio on a cost per square metre basis?

There are other challenges regarding the delivery of homes. We need to look at capacity to build, the use of judicial review and the impact of other legislation, such as on nutrient neutrality. Can the Minister tell the House what the Government are doing to address these?

I must also add, even though I may be accused of stating the blindingly obvious, that councils do not actually build homes, or not that many; developers do. To that end, will the Government provide local councils with adequate powers to ensure that allocated and permissioned sites actually get built?

The Government have said that they want brownfield first, but other than rhetoric, what evidence is there of this? All we have seen so far is substantial housing target increases for rural areas, where brownfield sites are somewhat thin on the ground. Will the Government continue with the previous Conservative Government's proposal of a strong presumption in favour of brownfield development? I suggest that this is the best way of protecting the green belt and our countryside, and focusing development on where it is most needed.

Will the Government's proposals actually improve the planning system? Will they simplify the system? Will they help councils to deliver quality homes in the quantity and locations needed? Will they speed up the planning process? Will they encourage developers to build where homes are most needed? I fear not. I thank the Minister once again for repeating this Statement and I look forward to hearing her response and answers to my questions.

Baroness Pinnock (LD): My Lords, I too have relevant interests, primarily as a councillor in a metropolitan authority in west Yorkshire.

This is the season of good will, so I am going to start by sharing the areas of agreement with the Minister. There is an agreement in principle on the fundamental need for considerably more housing units, and we on these Benches broadly agree with the total numbers being proposed. We agree that housebuilding is a stimulant for economic growth, although not on its own. We agree with the notion of strategic planning at a sub-regional or mayoral level, and we agree that all councils should have an up-to-date local plan. I am still shocked that only 30% do; how that has escaped past Governments, I have no idea.

Now I will have to move on to the areas where there is less agreement. First, on strategic planning, there has to be a greater element of democratic and community involvement in making judgments about areas and sites within a strategic plan. The single mayor and leaders system simply does not enable that. Will the Minister spell out how the Government anticipate community involvement and wider democratic involvement in developing such plans?

The second area of less agreement—the Minister will not be surprised to hear me say this—is that there is a constant confusion in government thinking, probably deliberate, between so-called affordable housing and social housing. There is a need for about 150,000 homes for social rent every year. That is essential, and it must be a priority, so why is it not? Why does the plan not say that, within the 370,000 homes the Government are committing to, they will commit to build whatever number they choose—I would choose 150,000—of homes for social rent?

That brings me on to land use, which we are now colour-coding, apparently. Who thought we would colour-code land use? Green belt, grey belt and brown belt—well, brownfield. The NPPF accepts that green belt has a role to play. That definition of green belt is being nibbled away at, though, and, as the noble Lord, Lord Jamieson, suggested, in rural areas there could be considerable use of green-belt land where there is not already brownfield or grey belt. I am not sure how acceptable that is going to be to those local communities. Local plans currently have to consider the green-belt boundary. How do the Government anticipate that that will now work, given what is said in the NPPF?

The grey belt, our next colour, is very grey because it is not very well defined. I was at a seminar this morning on all this, where it was suggested that it is so poorly defined that it will be open to constant legal challenge as it stands. Perhaps the Minister will spell out how the Government will get greater definition of the grey belt.

It must be 25 years ago or so that I first heard the phrase "brownfield first". That is interesting, because in my own town there is still a large area of brownfield land that has planning consent but has still not been built on.

I shall now move away from land use and on to the planning process. It seems to me that we are moving to a more top-down planning approach, and I do not think that is acceptable to local people and their democratic representatives. Power currently remains in the hands of landowners; they can still offer up their sites in the system and challenge local plans, as has been said. The major housebuilders have the power to determine what is or is not built. How will the Government influence or constrain that power, so that the types of housing tenures defined by local councils are actually built by developers? Unless we do that, we are not going to get, as the Statement says, houses in the numbers and types of tenures that we need.

I turn to the issue of the five-year supply, the lack of which leaves local councils open to speculative building. It has always struck me that the five-year supply ought to include sites that already have permission but have not been built or even started. That is a game developers play: they get planning permission and then they can say, "There is not a five-year supply", and more sites are allocated but we still not have the homes we desperately need. I hope that the Government are considering dealing with that sleight of hand by developers.

Finally, I emphasise that we on these Benches will completely oppose any suggestion that reduces the democratic nature of our planning committees. Planning committees have an important role to play. They enable a local voice to be heard. They enable the experience and knowledge of local people to be shared, and I will give one example. Where I am, of course, there are a lot of Victorian mineshafts, which are not recorded. Fortunately for a builder, some local people knew exactly where they were, which is not where he thought they were. That would not have come out unless there had been a planning committee where they could speak. We need a local voice, local decisions and local influence. I hope that the noble Baroness agrees.

The Parliamentary Under-Secretary of State, Ministry of Housing, Communities and Local Government (Baroness Taylor of Stevenage) (Lab): My Lords, I am grateful to both the noble Lord and the noble Baroness for their questions. I have only six minutes left, so I shall probably struggle to answer all of them in the time allotted, but please be assured that I will respond in writing to anything that I do not manage to cover.

In our first month in office, we proposed this bold set of reforms to overhaul the planning system. We have met our commitment, following extensive consultation,

[Baroness Taylor of Stevenage]
to meet publication by the end of the year. This will support our ambitious target of building 1.5 million new homes this Parliament. We needed to grasp the nettle of planning reform to both boost housing supply and unleash the economic growth that we want, and I hope that is incontrovertible. We received over 10,000 responses and have had extensive engagement with housebuilders, affordable housing providers, local authorities and other organisations, which led to the publication yesterday of this plan.

Before I set out a number of the important areas in which we have made changes, I will touch on some of the proposals that we intend to implement unamended, because they answer some of the questions raised by the noble Lord and the noble Baroness. First, we have reversed the anti-supply changes introduced by the last Government a year ago and reverted to mandatory housing targets. In response to the noble Lord, Lord Jamieson, I say that we have done detailed work on how to set up these targets, and I will come on to some more information about how we are doing that in a moment.

Secondly, we have made explicit the importance of growth supporting development, from labs to data centres, to supply chains and logistics. In the same vein, we have made it clear that the default position for renewable energy deployment should be "yes". Thirdly, we have strongly promoted mixed tenure developments, reflecting the robust evidence which attests to the fact that they build out faster and create better, more diverse communities.

Fourthly, we have made a series of changes to bolster affordable housing delivery and enable local authorities to determine the right mix of affordable housing for their communities. That includes separating out houses for social rent and affordable housing, so local councils when making their plans are now able to do that. That will support our commitment to deliver the biggest increase in social and affordable housing in a generation.

Then there are four important areas where we have refined our proposals. I will speak first about housing targets. We made it clear when we launched the consultation in July that restoring a mandatory standard method for assessing housing needs would be insufficient if the method itself was not up to the job. We proposed a bold change, increasing the total annual target from 300,000 to 370,000, ending the reliance on the decade-old population projections and removing the arbitrary 35% urban uplift that resulted in the skewed national distribution.

We fully intend to maintain that level of ambition set out in July, but we heard a clear view that we should do more to target housing growth on the places where affordability pressures were the most acute, and that is the way we have designed the formula. We have made the method more responsive to demand, redistributing housing targets towards those places where housing is least affordable, while maintaining the overall target envelope.

I turn next to reforms to the green belt, another subject on which noble Lords questioned me. Ours is a "brownfield first" approach to development. As a result of a number of targeted changes we are making to the framework and our proposals for a brownfield passport, we are prioritising and fast-tracking building on previously developed urban land wherever possible, but we know that there are simply not enough sites on brownfield land registers to deliver the volume of homes that we need, let alone enough that are viable and in the right locations.

In the summer, we proposed that local authorities should take a sequential approach to releasing land to meet their housing needs—so brownfield first, followed by low-quality land in the green belt, and only then higher-performing land. We have therefore set out a clearer description of how to assess whether land meets the definition of grey belt, and we will provide further guidance to local authorities in the new year—a point raised by the noble Lord, Lord Jamieson—to support them with green-belt reviews.

At the centre of our green-belt reforms lie our golden rules. They are designed to make sure that where green-belt land is released, the public derive real benefit from development on it, including more affordable housing to meet local need.

Our final policy takes a different approach to managing variation in land values. We have adjusted social housing need due to consultation responses so, rather than a single 50% target, we are introducing that 15 percentage-point premium on top of the targets set in local plans. That will be up to a maximum of 50%. Because that means the target itself will be responsive to local circumstances, we will be restricting the ability for site-specific viability assessments until such time as we have amended viability guidance in spring next year.

The noble Lord, Lord Jamieson, referred to changes to the presumption in favour of sustainable development. The presumption sits at the heart of the NPPF and means that where a local authority has underdelivered or an up-to-date plan is not in place, the balance of decision-making is tilted in favour of approval. We are determined to ensure that where the presumption applies, it will have real teeth. At the same time, we are clear that development consented through it must be consistent with the clear requirements in the national policy relating to sustainability, density, design and the provision of affordable homes. The changes we have made deliver on both these fronts.

Finally, in respect of the local authorities at an advanced stage of plan making, we have sought views on how to deal with those and have made proposals on transitional arrangements for local authorities in those late stages. We recognise that we are asking much from local authorities. The noble Lord, Lord Jamieson, referred to capacity and capability. That is why across dedicated local plan funding, the planning capacity and capability support announced at the Budget—income raised from fees—will inject more than £100 million into the system in the coming year.

With focus and determination, we have pushed on to ensure that we put in place a planning system geared towards meeting housing need in full and unleashing economic growth. I understand the points about community engagement; there are no real changes to the involvement that communities are able to have in plan-making processes. In fact, there is a specific

part of the National Planning Policy Framework that refers to neighbourhood plans, and we want to support and encourage further engagement in those as well.

As I said, I did not think that I was going to get through all the questions in the time permitted, but anything that I have not picked up on I will respond to in writing. In terms of the buildout that the noble Lord, Lord Jamieson, referred to, there is a whole section in the report setting out what sanctions are available to local authorities where developers have failed to build out.

I hope I have set out as clearly as possible what we have been doing with the National Planning Policy Framework and thank noble Lords very much for their contributions.

7.57 pm

Lord Lansley (Con): My Lords, I remind the House of my declared interest as chair of the Cambridgeshire Development Forum. Indeed, I am glad that the Minister has seen for herself the scale and the quality of the developments taking place in Cambridgeshire. Among those building out on those sites, one of the principal difficulties is that the Section 106 agreements for the delivery of affordable housing are not often able to be supported by contracts with registered providers.

Has the Minister seen the report from the Home Builders Federation today, which says that there are 17,000 such affordable homes that are not contracted for by RPs? Will she respond to that report? The Home Builders Federation is asking for a Written Ministerial Statement that would encourage local planning authorities to use cascade mechanisms under the Section 106 agreements to promote the delivery of those affordable homes. Will she and other Ministers direct Homes England to step in and take over these contracts, and themselves maintain the delivery of affordable homes?

Baroness Taylor of Stevenage (Lab): I am grateful to the noble Lord, Lord Lansley, for that question, because in a housing crisis where we have so many people in need of affordable homes, it has been such a shame that Section 106 homes that could have been funded were unable to be picked up because of the lack of capacity within affordable housing providers.

The Government have been very aware of the problems affecting the sale of Section 106 affordable housing. Alongside the National Planning Policy Framework, Homes England also launched a new clearing service to help unblock the delivery of these homes. This is a great role for Homes England to fulfil. The Government are now calling on all developers with uncontracted Section 106 affordable homes to proactively and pragmatically engage with this new service. We hope that this will be able to unlock some of the stalled Section 106 affordable homes which we know are there, waiting for those families who are desperate for housing. I hope that this service will take things forward.

Lord Shipley (LD): My Lords, this Statement is about building the homes we need, but it talks about housing targets, not targets for homes, particularly homes for families to live in. What is the Government's view on office conversions, potentially of poor quality, masquerading as homes when they are not and are simply contributing to a 370,000 a year housing target? What steps will the Government take to ensure that homes are of sufficient quality to merit the term "homes", as opposed simply to being part of the achievement of a housing target?

Baroness Taylor of Stevenage (Lab): I thank the noble Lord for his question. We have an Oral Question on exactly the same topic tomorrow, when I am sure I will be able to give a fuller answer.

The noble Lord is quite right. As I come from a new town, I recognise the benefit of not just designing the homes but planning the areas where they are to be situated. They should, of course, be sustainable, healthy and have all the infrastructure that everybody needs. The Government are committed to taking steps to ensure that we not only build more homes but that they are high quality, well designed and sustainable. That is why we have made changes to the NPPF to make clear the importance of achieving well-designed places, and how this can be achieved holistically through local design policies, design codes and guidance. We will be pushing this forward further in the new year.

Lord Young of Cookham (Con): My Lords, I agree with the noble Baroness, Lady Pinnock, that there is much in the Statement to be welcomed. It is right that the Government should have a target of 1.5 million, although it is an ambitious one. If any Government are to hit a national target, they must have the levers through setting mandatory targets for local authorities. This was my Government's policy until 2022. Of course, I take the point made by the noble Lord, Lord Jamieson, that these targets must be right. I welcome the recognition that, without some erosion of the green belt, we are not going to get anywhere near the target.

Where I have some difficulty with the Statement is reading it in conjunction with the plans for devolution. Under the Statement which the noble Baroness has repeated, the basic unit is the local plan, and all the districts have to get ahead with theirs. Under the devolution White Paper, they must find partners—other districts—in order to reach the 500,000 target; then, presumably, there will have to be a new district plan for that. At the same time, the Government want to impose mayors everywhere. We read on page 48 that the mayors will be responsible for strategic planning and housing growth. Later on, it says that mayors will have

"an increasingly central role in housing delivery."

Then, of course, the mayor can set up a development corporation and override the objections of any district. On top of this, the Government can set up a new town corporation. It is not absolutely clear to me how all the moving parts of the planning system fit together.

Baroness Taylor of Stevenage (Lab): There are clear links between the new National Planning Policy Framework and the English devolution programme. The *English Devolution White Paper*, which was published yesterday, is a consultation document, and we will be taking views on it as time goes on. The noble Lord,

[Baroness Taylor of Stevenage]
Lord Young, is right to say that there is a proposal in that White Paper for mayors to have strategic spatial planning powers. Across those sub-regional areas—we are talking about areas with a population of around 1.5 million—they will be looking at transport, infrastructure, probably housing numbers across the whole area, and other issues that are strategic in nature.

I do not believe that this undermines in any way the status of local plans. Where there is local government reorganisation, there will be some consolidation of plans to make this work at the level of the new councils. The strength of the local plan will be retained in determining where the allocations in the strategic spatial plan will be located. I do not think the intention of spatial planning is to undermine local plans. I remember the days of regional planning; we are not going back to that, because people felt it was too big a scale. It makes a lot of sense to do this at sub-regional level. When planning an economy, infrastructure and housing growth, you start at sub-regional level and then the local plans fit in with that.

Lord Sikka (Lab): My Lords, the average house price is 8.6 times the average household disposable income. Last week, the ONS said that only about 10% of the population could afford to buy a house. This means that the Government will have to find ways to drastically reduce property prices and/or drastically increase the workers' share of GDP, which cannot be done without reducing the capital share of GDP. It would be helpful to know how the Government are going to proceed.

The second part of my question follows from a Question I asked last week. On 11 December, I drew attention to some of the resource constraints on housebuilding and asked the Minister to

"publish a detailed report showing how each of the constraints on housebuilding is to be alleviated".—[*Official Report*, 11/12/24; col. 1762.]

The Minister did not directly answer that question. I am assuming that someone somewhere has done some kind of risk analysis. If so, can the Minister now assure the House that the report will be published?

Baroness Taylor of Stevenage (Lab): I thank my noble friend for both his questions. We are very aware of the point he raises about the affordability of housing, which is why, in spite of a very difficult Budget round, we have put a great deal of money into enhancing the ability to deliver affordable housing and social housing—a total of around £1.3 billion, with £500 million announced in the Budget. Some of the changes we have made to the planning process—for example, to require local authorities to determine not just how many homes they need but the tenure of those homes—will help with that as well.

To identify the obstacles to housebuilding, the housing accelerator programme has, with the industry, local authorities and other stakeholders, looked at what the key barriers have been to delivering the homes we need. It is working with specific sites where building has stalled and more generally to look at the barriers and how we overcome them. We have identified capacity in the planning system as one of those barriers, which is why we have put in additional funding this year to improve the capability and capacity of planning departments. We will be working further with our colleagues in the Department for Education to improve the number of planners coming through the training system. We have made changes to the planning fee process as part of this which will increase the quantum of funding that local authorities will have available in the planning process. The new homes accelerator has looked across all those barriers.

Lord Fuller (Con): My Lords, you cannot live in a planning permission and you cannot wish new homes magically into existence. All the encouragement in the world will not help if builders cannot find the staff, materials and finance to put roofs over people's heads. I have led a council, and I really want to ensure that we can put this rhetoric into reality.

In cities where Labour tells us that people want to live, the targets have been reduced. That makes the mountain to climb elsewhere even steeper. I will highlight the case of Bournemouth, Christchurch and Poole, where the new targets are nearly three times the best housing delivery that that district borough has ever achieved. Does the Minister think that setting these unachievable targets brings the planning system into disrepute?

I want to place on record a story I read in the *Financial Times* this week about the best quarterly housing completions ever in the last 50 years. In 1978, 75,000 houses were completed in a single quarter. The targets mean that, for the rest of this Parliament, a sustained completion of 90,000 is needed. The Minister and I have worked closely over the years to get homes built. I have helped her in a small way with PINS; she has helped me with parishioners. My concern is that the Government are pinning the blame on councils. That is unfair, and I think she knows that.

Baroness Anderson of Stoke-on-Trent (Lab): Question.

Lord Fuller (Con): What steps will the Government take to ensure that the national agencies such as Natural England that have single-handedly held up hundreds of thousands of homes being delivered over the last three years—and Highways England and National Rail, or whatever it is called nowadays—will roll up their sleeves and stop blocking building so we can get the nation building?

Baroness Taylor of Stevenage (Lab): I thank the noble Lord. I gave an explanation of how we set the targets in response to the question from the noble Lord, Lord Jamieson. The fact is that everyone and every area has to play a part in this if we are to deliver these challenging housing targets. It is important that the new formula takes account of affordability and the demand for housing in local areas. Where they have challenging targets, it is because there is a demand in those areas, including a demand for more affordable housing.

We all know that statutory consultees play an important role in the planning system, providing advice on technical matters to ensure that new development is good quality,

safe and situated in the right place. It is important that statutory consultees play their role too, to ensure that the planning system supports the housing and infrastructure development that we need. We will work with them over the next year to achieve that. Part of our work on the new homes accelerator will be to look at the statutory consultees to try to understand why the delays have come into the system, in relation to the responses of statutory consultees, and to see how we can work with them to alleviate some of those blockages and barriers.

Baroness Bennett of Manor Castle (GP): My Lords, I declare my position as a vice-president of the Local Government Association. My first question follows on from that of the noble Baroness, Lady Pinnock, and her focus on social housing and genuinely affordable housing. The Green Party has a target of 150,000 homes a year for that. This Statement is all about so-called affordable housing. Have the Government taken account of the housing Select Committee report from March this year, which looks at the increasing and deeply concerning problems with shared purchase, also known as "part rent, part buy"? That is very much included in those so-called affordable targets. The report finds that

"rents, service charges, and the complexity of … leases make shared ownership an unbearable reality for many people".

Will the Government take action to deal with this issue, which surely has to be a big part of the affordable housing target?

On the other side of the target issue, are the Government taking adequate account of the physical limits of this country? In Cambridge, a major development was recently turned down because there was no water supply. Many places are thinking about building on flood plains. The flood plain is not beside the river; it is part of the river. Where will we find suitable locations and how will we have the resources needed to make this possible?

Baroness Taylor of Stevenage (Lab): I thank the noble Baroness. She will know that we are working through a process—for example, some changes were made to leasehold arrangements. She is quite right to say that the tenure of a property is critical, and we do not want to trap people into tenures that cause them problems. We are working through the process of designing a new Bill on commonhold. Where there are issues with shared ownership, we will look at them. We are trying to eradicate some of the more knotty issues people have had with that type of property ownership. Sometimes people think that they are buying a home, but some elements of leasehold tenure mean that they do not have the ownership of the property that they thought they were buying into. We are very aware of that and have taken account of it, and we will work on that further in the new year as we make our way towards the new commonhold Bill. There will be plenty of opportunity to comment on that as we go through the process.

I turn to the physical limits that the noble Baroness described. I made two recent visits to Cambridge: one to visit the development forum of the noble Lord, Lord Lansley, and another to look at South Cambridgeshire. The great thing is that some very good and innovative solutions are coming up there to look at the water issues. That does not mean that that is everything we need to do, but solutions are coming forward. I do not have time to repeat it all now, but there is a big section in the report about flood mitigation and how we are tackling the issue of flooding. That is all contained in the new NPPF. I hope the noble Baroness will look at that. If she has further questions afterwards, she can by all means come back to me.

These problems are not going away. We need to be creative with the solutions we provide, because we have to build the homes that people need. I add that about 10% of the country is currently built on, while 13% is green belt. There should be land to build these houses on.

Border Security: Collaboration

Statement

The following Statement was made in the House of Commons on Wednesday 11 December.

"With permission, Mr Speaker, I will make a Statement on the new border security agreements we have reached with Germany and with the Calais Group of Interior Ministers from the UK, France, Germany, Belgium and the Netherlands, which met in London yesterday with Europol, FRONTEX and the European Commission to discuss strengthening action against small boat crossings and organised immigration crime.

In the light of fast-moving events in the Middle East, we also discussed the situation in Syria at the Calais Group yesterday, and I will briefly address that issue first. As the Foreign Secretary told the House, we welcome the fall of the Assad regime, but continue to closely monitor this fast-moving situation, where there is a significant risk of instability. Considering that, I have taken the decision to temporarily pause decisions on Syrian asylum claims. All five Calais Group countries have taken the same decision. We will, of course, continue to keep all guidance relating to these asylum claims under constant review, and we will keep the House updated in the normal way.

Last week, I updated the House on the new agreement the Government have reached with the Iraqi Government and the Kurdistan regional authorities to tackle organised immigration crime. This week, we have reached new, strengthened agreements closer to home. Smuggling and trafficking gangs have been allowed to get away with their vile trade in people for far too long. Britain needs strong borders and a properly controlled and managed asylum and immigration system, but, for the past five years, we have had the opposite. That is why we are prepared to do the hard graft to get the system back under control and tackle the gangs long before they reach our shores.

Immediately after the election, we began to strengthen our international collaboration to go after those criminal gangs, including by increasing the number of National Crime Agency officers in Europol, setting up the new Border Security Command and making the new agreement with the G7. Already, that strengthened collaboration is delivering results. In the last few weeks alone, we have seen the arrest of a major suspect in the

supply of boats and engines to the channel; this involved co-operation between Belgium, the Netherlands and the UK. A major operation last week against a Syrian and Iraqi Kurdish gang operating through Germany and France was led by French police but was supported by intelligence from the NCA and involved 500 German police officers. It delivered not just a series of arrests of suspected gang members but the seizure of multiple boats and engines destined for the channel—boats that could have led to thousands of people making dangerous journeys.

Criminals need to know that there will be no hiding place. The gangs who undermine our border security by facilitating small boats crossing the channel are also facilitating dangerous and illegal journeys into other European countries and committing wider crimes, including serious violence, exploitation, money laundering and drug trafficking. These gangs operate across borders. Therefore, we need law enforcement co-operation across borders to bring them down, and new systems to work across different prosecutorial and legal systems. We need to rebuild basic intelligence sharing and co-operation that was damaged under the last Government's post-Brexit arrangements, and new expertise is needed to deal with evolving threats.

This week, I signed a landmark agreement with my German counterpart, Minister Nancy Faeser, to tackle irregular migration. The new joint action plan is the first of its kind between the UK and Germany. It includes much stronger operational co-operation, such as information and intelligence sharing, including very practical basic measures such as increasing the use of the SIENA—Secure Information Exchange Network Application—Europol system by the NCA to share information with German police to swiftly pursue investigations; stronger partnerships to deliver prosecutions; new work to take down social media content that is being used as advertising by organised smuggler gangs; joint working and co-ordination with transit and source countries; supporting each other on returns; and establishing the first German international liaison officer in the Border Security Command.

Importantly, the joint action plan means strengthening the law in Germany to tackle people smugglers. We know that gangs are routing many supply chains through Germany, including using warehouses to store boats and engines that are destined for the channel. Clarification of the law in Germany will mean that activities facilitating migrant smuggling to the UK in Germany will be a criminal offence. This is a major change which will make it easier for German prosecutors to dismantle supply chains and prosecute the smugglers involved. It means that in Germany and across Europe, we are sending a clear message to the smugglers: 'Activity to smuggle people into the UK is a criminal offence and you will be prosecuted and brought to justice'. Germany and the UK will also work together through Europol to investigate the end-to-end criminal activity of Kurdish gang networks that are operating in both our countries, in co-operation with the Iraqi Government and Kurdish authorities following the agreements I reached in Iraq.

The joint action plan embodies our shared determination to pursue organised immigration crime, but it also reflects the same determination and commitment shared across other near neighbours, embodied in our meeting with the Calais Group in London yesterday. I strongly welcome the new announcements from the French Interior Minister on increasing the police presence and enforcement along the French coast through the winter, alongside the appointment of a new coastal préfet. The increased violence towards French police we have seen on the beaches is a total disgrace.

The Calais Group also agreed a new plan to strengthen action across our five countries, including a range of actions backed by an end-to-end approach to tackling migrant smuggling networks, from the French coast through to source and transit countries, including Vietnam and in central Africa. This includes stronger enforcement capability through Europol, targeting the illicit finance model of migrant-smuggling networks, taking down social media advertising, and co-ordinated preventive communications to deter people from paying gangs to arrange dangerous, irregular journeys. We also discussed at the Calais Group the major escalation of enforcement activity we are undertaking here in the UK. Immigration and asylum rules need to be respected and enforced, and for too long they have not been.

Over the summer we moved 1,000 more staff into returns and enforcement activity, which has already led to nearly 10,000 returns since the election, with enforced returns up by 19% and voluntary returns by 14%. Also during the summer, enforcement officers completed over 3,000 visits to employers and more than 2,000 arrests, a substantial increase on the figures in the previous year. We discussed the need to scale up all these operations drastically over the next 12 months, to ensure that words turn into decisive action against the gangs. Yesterday, as part of these efforts, we published a mission statement for the Border Security Command, setting out the approach that we are adopting to increase enforcement capacity in the UK and Europe, drawing on the best intelligence and enforcement practice in the police, the National Crime Agency, Border Force and our intelligence agencies.

In the years before this Government came to office, criminal gangs were allowed to take hold all along our borders, establishing a criminal industry profiting from misery and exploitation and putting lives at risk. The terrible consequences of this phenomenon have been clear for too many years: fatalities in the channel as people risk their lives making dangerous journeys, border security undermined, and public trust in the immigration system eroded, while criminal gangs make millions in profits. They cannot be allowed to get away with it. In place of the failures of the past, this Government have a serious and sensible plan to strengthen our border security and fix our broken asylum system—a plan that is based on grip, not gimmicks, and on serious international partnership. I commend this Statement to the House".

8.16 pm

Lord Davies of Gower (Con): My Lords, I thank the Minister for the Statement and welcome the Government's decision to pause Syrian asylum claims. We welcome the fall of the Assad regime and wait to see what will happen in Syria, although the risk of instability is high.

On the subject of new international agreements relating to border security, I am afraid that I cannot be as positive. The Government's record so far on border security and immigration has been an unmitigated disaster. Illegal small boat crossings have surged on their watch, with record numbers of dangerous journeys across the channel putting lives at risk. This is a direct consequence of the Labour Government's inability to get a grip on the problem and their refusal to make the hard choices necessary to secure the borders. The public know it and statistics prove it. Under Labour, the UK has become a magnet for criminal smuggling gangs. No doubt the Minister will tell me that the Government will be judged on the success of their delivery. Well, I can tell the Minister that he is being judged now and it is not a good look.

The agreements reached with Germany and the Calais Group may sound good on paper but what is missing is any real action or delivery. Where is the urgency? What are the tangible results? Where are they? Smuggling networks remain entrenched. The enforcement measures announced today amount to little more than tinkering around the edges. The Home Secretary said in the other place that her approach was delivering results, but the facts do not bear that out. I can put it no better than my right honourable friend the shadow Home Secretary did:

"In the 150 days since the election, more than 20,000 people dangerously and illegally crossed the English channel, 18% more than did so in the same 150 days in the previous year. I do not call an 18% year-on-year increase 'delivering results'; that is a failure".—[*Official Report*, Commons, 11/12/24; col. 902.]

This country deserves better. The British people want stronger borders, a controlled immigration system and criminals brought to justice. Yet Labour's track record, now and during its last time in Government, shows that it cannot be trusted to deliver on any of these priorities.

Therefore, I ask the Minister a few questions. First, can he clarify what specific, measurable steps the Government are taking to dismantle criminal smuggling networks, domestically and internationally? Secondly, what provisions are in place to ensure that the agreements with Germany and the Calais Group deliver urgent, tangible results rather than just more headlines? Thirdly, will the Government consider further legislative changes to enhance border security and ensure tougher penalties for smuggling gangs and those facilitating illegal crossings? Fourthly, given the sharp increase in channel crossings year on year, how does the Minister reconcile this trend with the Home Secretary's claim that the Government's approach is delivering results? I look forward to the Minister's response.

Baroness Hamwee (LD): My Lords, from these Benches we welcome the Statement, although I do wish that these Statements were not always headed as being about border security. It is about much more than security. In particular, we welcome the collaborative approach, which we see as essential to international issues.

The Statement mentions Syria. I appreciate that the Statement is not really about Syria but as it is in here, let me take the opportunity to ask—although I think I can anticipate the answer—whether the Government are yet seeing any impact either of Syrians in this country who are now wanting to go back to the Middle East or any new wave of asylum seekers coming from Syria.

The Statement refers to wider crimes. We know that organised crime covers a wide area and that these things are all related. It lists violence, exploitation, money laundering and drug trafficking. I am sure that the Government see that people trafficking and illegal working are all part of the picture—but I would be glad of the confirmation.

The noble Lord, Lord Davies, talked about higher penalties. It is the same with policing. It is catching people, rather than the penalties, which is the deterrent. Given his background, I would be surprised if he disagreed with that. The Statement also refers to legislation identified by the Germans as being needed to add to their measures. Have the UK Government identified any need for further legislation here? I hope not, because legislation is often referred to as being the solution when so often it is action that is needed.

Finally, I express one major reservation. Safe and legal routes are not mentioned. Were they part of the discussions between the international parties?

The Minister of State, Home Office (Lord Hanson of Flint) (Lab): I am grateful for those contributions from His Majesty's loyal Opposition and the Liberal Democrat Benches. I have set out to the House on numerous occasions the record of the previous Government, and I shall not take the House's time today to repeat that record, except to say that, since 4 July, this Government have had to take significant steps, which I will now outline, to tackle the backlog of problems left by the previous Government's small boats initiatives, the failure to tackle asylum processing effectively and the use of hotels, which has gone from zero in 2019 to 200 hotels in 2024. I will not go on the record too much because I have covered that area before and, if provoked, will undoubtedly do so again.

I hoped that the noble Lord, Lord Davies, would have shown a little more enthusiasm and welcome for the steps that the Government outlined in this Statement. We have, for the very first time, secured agreement with Germany, France, Belgium and the Netherlands to take action on a number of key issues. Those key issues reflect what the noble Baroness, Lady Hamwee, said. For the first time ever, the Germans have agreed to look at their own domestic legislation to allow for criminal exchanges of a range of issues with the UK Government, because the UK is not a member of Schengen and current German legislation does not allow the Germans to do anything outside the Schengen area. They are now looking at that, and there is a commitment, I suspect, from all political parties, because Germany faces an almost certain election in February, to continue that process as a whole.

The joint action plan on irregular migration, which was concluded last week, includes international co-operation, intelligence sharing and the use of the Europol system, of which we are now no longer technically part because of the decisions on Brexit. Therefore, we have strengthened information sharing, strengthened co-operation and a strengthened commitment from the five key partners that face the channel, plus Germany, to tackle this issue. That is a good thing that will help

[Lord Hanson of Flint]
lead to people smugglers thinking twice about smuggling individuals or facing the consequences accordingly. The clarification in German law will facilitate migrant smuggling to the UK and Germany becoming a criminal offence. That is in addition to the measures that we have taken using money saved from the appalling, wasteful, useless Rwanda scheme that the noble Lord supported. That scheme has now been scrapped; the £700 million has been put into areas such as £150 million towards a new border command, which legislation will establish on a legal footing in the new year. Those are real, manifest issues.

The noble Lord gives me one of his very pleasant, helpful, wry smiles. But he knows, deep down, that the record of his Government was one that he would not really hold up to scrutiny; and that the things we are doing are positive measures that will remove the criminal gangs and take action against them. There is a whole range of other things that we will look at in due course. He may smile at this again, but he needs to know that 1,000 more staff have gone into enforcement and returns because of the savings made on the Rwanda scheme, and therefore people who are here and have had their asylum claims refused, or who are here illegally, are now being returned. Enforcement returns are 19% up and voluntary returns are 14% up, and that is because we have shifted resources from the useless, wasteful Rwanda scheme, which did not return people or act as a deterrent, to a productive, forceful scheme that forces returns and is putting in place a border command. He used some of my lines back at me; we will be judged on how this scheme operates. Let us leave it at that, for the moment, for this noble House and for the noble Lord, because we will return to those matters in due course.

I just want to cover any other points that he made. There is a G7 plan, which includes Italy and other countries, that is looking at crossings from the Mediterranean. I think it will have an impact; he does not. Time will tell, and we will debate this continually in the future.

The noble Baroness, Lady Hamwee, began with Syria. Everybody internationally, with the possible exception—or definite exception—of President Putin and the Assad regime itself, welcomes the fall of the Assad regime, but it has raised some complications. We do not yet know how the new regime is going to operate; we do not yet know whether Syrians in the United Kingdom will feel safe to return to Syria; we do not yet know whether people will flee from Syria and make legitimate asylum claims. That is all under consideration. I cannot give her any assurances yet. She knows that we have paused the asylum scheme on Syria for that reason. I hope that we will be able to give some further news on that in the new year when, I hope, things have settled a bit more in Syria.

The noble Baroness mentioned people trafficking; I say that, yes, that is a crime we wish to crack down on. I mentioned the Schengen agreement, which is the piece of legislation we got an agreement on with the German authorities today.

The noble Baroness mentioned safe and legal routes, which are extremely important. She may not have seen it in the Statement, but it is a key part of government policy to ensure that people who need asylum can make those claims. If they are legitimate in this country, they can be processed quickly; if they are processed quickly, we can make some determinations that mean that we do not have to rely on the 200 hotels that the previous Government put in place, costing us millions of pounds each day; and, if there are safe and legal routes and people are agreed, they can integrate into UK society as asylum seekers who have sought, claimed and got asylum. The downside of that also remains: if people do not have a right to live in the United Kingdom and their asylum claims fail, we have to find mechanisms to remove them.

I hope that, overall, the House can welcome this as a positive Statement. I look forward to reaching out with a hand of friendship to the noble Lord, Lord Davies, to say that I hope that we can have some co-operation on these matters. We potentially share the same objective; we have simply had different means of getting there.

Women's State Pension Age Communication: PHSO Report

Statement

8.31 pm

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Baroness Sherlock) (Lab): My Lords, with the leave of the House, I shall repeat a Statement made earlier today in the other place by my right honourable friend the Secretary of State for Work and Pensions. The Statement is as follows:

"With permission, Mr Speaker, I would like to make a Statement on the investigation by the Parliamentary and Health Service Ombudsman into the way that changes in the state pension age were communicated to women born in the 1950s.

The state pension is the foundation for a secure retirement. That is why this Government are committed to the pensions triple lock, which will increase the new state pension by more than £470 a year from this April and deliver an additional £31 billion of spending over the course of this Parliament, and it is why Governments of all colours have a responsibility to ensure that changes to the state pension age are properly communicated so that people can plan for their retirement.

Before I turn to the Government's response to the ombudsman's report, I want to be clear about what this report investigated and what it did not. The report is not an investigation into the actual decision to increase the state pension age for women in 1995 or to accelerate that increase in 2011—a decision that the then Conservative Chancellor George Osborne said

"probably saved more money than anything else we've done".

Understandably, that comment angered many women and sparked the original WASPI campaign.

The ombudsman is clear that policy decisions to increase the state pension age in 1995 and since were taken by Parliament and considered lawful by the courts. This investigation is about how changes in the state pension age were communicated by the Department for Work and Pensions and the impact this may have had on the ability of women born in the 1950s to plan for their retirement.

I know that this is an issue of huge concern to many women, which has spanned multiple Parliaments. Like so many other problems we have inherited from the party opposite, this is something that the previous Government should have dealt with. Instead, they kicked the can down the road and left us to pick up the pieces, but today we deal with it head on. My honourable friend the Pensions Minister and I have given the ombudsman's report serious consideration and have looked in detail at the findings and at information and advice provided by the department which was not available to us before coming into government.

The ombudsman looked at six cases. He found that the department provided adequate and accurate information on changes to the state pension age between 1995 and 2004, including through leaflets and pension education campaigns and on its website. However, decisions made between 2005 and 2007 led to a 28-month delay in sending out letters to women born in the 1950s. The ombudsman says that these delays did not result in the women suffering direct financial loss but that they were maladministration.

We accept that the 28-month delay in sending out letters was maladministration, and, on behalf of the Government, I apologise. This Government are determined to learn all the lessons from what went wrong, and I will say more about that in a moment. We also agree that the women suffered no direct financial loss because of this maladministration. However, we do not agree with the ombudsman's approach to injustice or remedy, and I want to spell out why.

First, the report does not properly take into account research showing that there was considerable awareness that the state pension age was increasing. It references research from 2004 showing that 43% of women aged over 16 were aware of their state pension age, but it does not sufficiently recognise evidence from the same research that 73% of women aged 45 to 54—the very group that covers women born in the 1950s—were aware that the state pension age was increasing, or research from 2006 that 90% of women aged 45 to 54 were aware that the state pension age was increasing.

Secondly, the report says that if letters had been sent out earlier, it would have affected what women knew about the state pension age. However, we do not agree that sending letters earlier would have had the impact the ombudsman says. Research given to the ombudsman shows that only around a quarter of people who are sent unsolicited letters remember receiving them or reading them, so we cannot accept that, in the great majority of cases, sending a letter earlier would have affected whether women knew their state pension age was rising or increased their opportunities to make informed decisions.

These two facts—that most women knew the state pension age was increasing and that letters are not as significant as the ombudsman says—as well as other reasons, have informed our conclusion that there should be no scheme of financial compensation to 1950s-born women in response to the ombudsman's report. The ombudsman says that, as a matter of principle, redress and compensation should normally reflect individual impact. However, the report itself acknowledges that assessing the individual circumstances of 3.5 million women born in the 1950s would have a significant cost and administrative burden. It has taken the ombudsman nearly six years to investigate the circumstances of six sample complaints. For the DWP to set up a scheme and invite 3.5 million women to set out their detailed personal circumstances would take thousands of staff years to process.

Even if there were a scheme where women could self-certify that they were not aware of changes to their state pension age and that they had suffered injustice as a result, it would be impossible to verify the information provided. The alternative put forward in the report is for a flat-rate compensation scheme at level 4 of the ombudsman's scale of injustice. This would provide £1,000 to £2,950 per person, at a total cost of between £3.5 billion and £10.5 billion.

Given that the great majority of women knew the state pension age was increasing, the Government do not believe that paying a flat rate to all women, at a cost of up to £10.5 billion, would be a fair or proportionate use of taxpayers' money, not least when the previous Government failed to set aside a single penny for any compensation scheme and left us a £22 billion black hole in the public finances.

This has been an extremely difficult decision to take, but we believe it is the right course of action and we are determined to learn all the lessons to ensure that this type of maladministration never happens again. First, we want to work with the ombudsman to develop a detailed action plan out of the report, so that every and all lessons are learned. Secondly, we are committed to setting clear and sufficient notice of any changes in the state pension age, so that people can properly plan for their retirement. Thirdly, I have tasked officials to develop a strategy for effective, timely and modern communication on the state pension that uses the most up-to-date methods, building on changes that have already been made, such as the online 'check your state pension' service that gives a personal forecast of your state pension, including when you can take it, because one size rarely ever fits all.

We have not taken this decision lightly, but we believe it is the right course of action because the great majority of women knew the state pension age was increasing, because sending letters earlier would not have made a difference for most, and because the proposed compensation scheme is not fair or value for taxpayers' money.

I know there are women born in the 1950s who want and deserve a better life. They have worked hard in paid jobs and in bringing up their families. Many are struggling financially with the cost of living and fewer savings to fall back on, and they worry about their health and how their children and grandchildren will get on. To those women I say: this Government will protect the pensions triple lock so that your state pension will increase by up to £1,900 a year by the end of this Parliament; we will drive down waiting lists, so you get the treatment you need, with an extra £22 billion of funding for the NHS this year and next; and we will deliver the jobs, homes and opportunities your families need to build a better life. I know that on this specific decision many 1950s-born women will be disappointed, but we believe it is the right decision and the fair decision. I commend this Statement to the House".

8.39 pm

Viscount Younger of Leckie (Con): My Lords, it looks like we have the graveyard slot this evening. I am very sorry indeed that the House is so empty for such an important and serious subject. In fact, it feels more like a bilateral session—or perhaps I should say trilateral, if we bear in mind the Liberal Democrats. However, I thank the Minister for repeating this Statement made earlier in the other place. On this side, we are acutely aware of the long-running campaign by the WASPI women. The decision made today by this new Government will be a great, and in some cases devastating, disappointment for them.

We understand the strength of feeling on this. The Minister will not need reminding that in March the previous Government responded to the long-awaited report by the ombudsman, the PHSO, and I recall repeating the Statement in this House. The House should be reminded that it took well over five years for the ombudsman to produce its final report—the result of an investigation spanning over 30 years. When the report came, as the Statement outlines, the ombudsman took the unusual step of laying the report in Parliament and asking Parliament to make decisions in respect of remedy, instead of making recommendations itself. So here we are today with the remedy made by this Government.

I say at the outset that we take considerable offence at the right honourable Secretary of State for Work and Pensions in the other place politicising this. She said this afternoon that her Government would make the decisions in reference to the WASPI matter when the previous Government were not prepared to make them. This is unbecoming, and the Minister knows full well that it is simply incorrect. Will she agree that when the PHSO report was published in March, any Government would have needed the time to reflect on it? The election, she will know, was called in June, and back in March we said we would provide a report to the House once we had considered the findings. Where are we now? Is that not exactly what this Government have done? Will the Minister acknowledge this?

In making the decision that

"there should be no scheme of financial compensation to 1950s-born women",

the Government have repeated their long-playing record on their economic inheritance, as I heard in the other place earlier today. Can the Minister confirm how much of today's decision—her Government dismissing the significance that the ombudsman placed on the delayed letters sent to the women—was based on this, and how much was based on the Government's own analysis, from the PHSO report, that the case of the WASPI women was weak?

I am glad that the Government have taken responsibility for the events that occurred on the last Labour Government's watch—namely, for the decisions made between 2005 and 2007. They led to a 28-month delay in sending out letters, which the ombudsman identified as maladministration. As I said earlier, while I am sure that the Government's Statement today will be a disappointment to many WASPI women, I understand why they have taken this decision. As the Minister said, paying a flat compensation rate to all women at a cost of up to £10.5 billion would not be a fair or proportionate use of taxpayers' money.

On lessons learned, can the Minister tell us more about the action plan that the Government are working on with the ombudsman? What are the timings, and will it be published? That would at least give some comfort to those involved. If the Chancellor deems that future economic circumstances allow it, will the Government rethink their policy? Is this a temporary decision made in respect of the WASPI women, or is there a plan at any stage in the future to look to a financial remedy? That is a very interesting point.

Have the Government made any assessment of the number of women whose cases are strong? If not, why not? Why have they decided not to pay compensation to this cohort at least? Can the Minister explain how they are going to communicate this devastating news to the WASPI women individually, estimated to be in excess of 3 million, beyond the Statement issued today? What actions will the Government take to support the women, including some necessary pastoral or mental health assistance? Is there a plan? Given that the Government have not agreed with the ombudsman and have overridden some of its views in the report, such as disagreeing with the importance attached to the non-arrival of the letters, how much confidence do they now have in the ombudsman?

In a letter from the Minister to all Peers received today, for which I give thanks, she writes:

"Even taking the difficult decisions we are faced with in government, we feel a deep sense of responsibility to ensure that every pensioner gets the security and dignity in retirement that they deserve".

I say quite so, and warm words indeed, but does she really mean this? I have to contrast it with the Conservative's support for pensioners—the action on the ground. This includes introducing and protecting the triple lock, which has seen the state pension increase by £3,700 since 2010, meaning that there are now 200,000 fewer pensioners living in absolute poverty. The Conservatives introduced pension reforms, ensuring that everyone is automatically enrolled in a workplace pension scheme. The Conservatives introduced the winter fuel payment, ensuring that no pensioner has to live in a freezing cold home.

I suspect the House will know where this is leading. This announcement is another blow—one of many that have hit pensioners since 4 July. Regarding the Government's decision to cut the winter fuel allowance, can the Minister update us on the actual numbers of pensioners who have taken up pension credit, not just percentages? Is she comfortable with the current pension credit uptake numbers? How is this affecting the £1.6 billion announced and the expected saving for the Treasury resulting from the cut in the winter fuel allowance?

With these myriad questions, I look forward to the Minister's responses on another very difficult day for the Government.

Baroness Humphreys (LD): My Lords, today will be a day of disappointment for many women. They will feel that this new Government, by ignoring the independent ombudsman's recommendations, have turned their back on the millions of pension-age women who were wronged through no fault of their own. That has to be of concern.

Liberal Democrats have long backed calls for women born in the 1950s affected by the pension changes to receive proper compensation for the Government's failure to properly notify them of the changes, and have long supported the ombudsman's findings. Today's announcement is a hammer-blow to these women, who have fought tirelessly for many years to be properly compensated. I appreciate that the Government have had to make difficult decisions, but have they chosen to ignore the PHSO's recommendations because they disagree with the findings or because they do not want to find the money to rightly compensate these women?

The PHSO's ruling in March recommended that some women should get a payout and an apology. Obviously today they have received an apology, but they will not receive a penny of compensation for the maladministration found by the PHSO. Will the Minister outline why the Government have chosen to accept one half of the recommendation but not the other?

One WASPI woman dies every 13 minutes while this appalling scandal continues. Today's announcement will be devastating for the WASPI community, which has campaigned tirelessly to rectify the maladministration. Does the Minister really think that today's announcement is a fair solution?

Finally, in her letter to us today, and in the Statement, the Minister promises that this Government will protect the pensions triple lock, so that the yearly state pension is forecast to increase by up to £1,900 by the end of this Parliament. I welcome this promise. The pensions triple lock was a Lib Dem policy adopted by the coalition Government and I am proud of it, but this will be advantageous to all pensioners, not merely the WASPI women. Sadly, it in no way compensates these women for their losses. My colleagues in the other place have promised that they will continue to press Ministers to give those affected the fair treatment they deserve.

Baroness Sherlock (Lab): My Lords, I thank the ombudsman for the considerable work that went into producing this report. The issues it raises are complex and I am grateful that we have time to discuss them this evening, though I share with the noble Viscount the wish that we had more people here while we do it. I would always rather discuss these things with a wider audience.

I thank both noble Lords for their responses. Before I engage with the specific points that they raised, I want to say a few more words about the background to this. The noble Viscount began by, in essence, attacking my colleague the Secretary of State for politicising the issue and then went on to politicise it himself. Therefore, we can either do that—we can take it in turns to point at each other—or we can try to address the issues. I am going to try to do the latter.

We have been looking seriously into the issues raised since we came into office in July. That work has involved looking at what Parliament has said, examining the evidence submitted to the ombudsman, meeting the interim ombudsman and listening carefully to the views expressed by the women affected. We listened, we read, and we reflected before coming to a decision.

The most important thing, to start, is to be clear about what exactly the ombudsman investigated. The ombudsman did not investigate the decision, first taken in 1995, to equalise the state pension age for men and women. I know that many women have strong feelings about that change, particularly the decision taken by the former Government—the Conservative/Liberal Democrat coalition Government—in 2011 to accelerate the changes sharply, which made a significant difference to a number of women. That was a policy that Labour opposed at the time, but the policy was agreed by Parliament, maintained by subsequent Governments and upheld in the courts. It is not the issue at hand today.

What the ombudsman did investigate was how the change of the state pension age was communicated by DWP to the women affected. I can see a Whip on the opposite Benches shaking his head. That is literally what the ombudsman did; I invite him to read the report. The ombudsman concluded that between 1995, when the original decision was taken, and 2004, our communications,

"reflected the standards we would expect it to meet".

However, it found that between 2005 and 2007, there was a 28-month delay in DWP sending out personalised letters to the women affected. The ombudsman found that that constituted maladministration by the department. It argued that that led to injustice and proposed that financial remedy should be paid to those affected.

The Government accept the ombudsman's finding of maladministration. We are sorry for the 28-month delay in writing to the 1950s-born women and we are determined to learn lessons from this experience to ensure that it does not happen again. I will come back to that.

In response to the question from the noble Baroness, Lady Humphreys, the reason the Government accepted this in part is that maladministration is about the actions that were taken at the time when things went wrong. We recognise that those letters should have been sent 28 months earlier. They were not; we apologise for that and accept maladministration. Injustice and remedy are about the consequences of those actions. Where we diverge from the ombudsman is on the impact of that failure. That is why we accepted the finding of maladministration, but we are not able to agree with the ombudsman's decision on the approach to injustice and remedy. That is because the ombudsman had assumed that receiving those letters earlier would have changed what the women knew and how they acted, despite evidence to the contrary.

Research has shown that letters are not an effective means of communicating state pension information in the great majority of cases. Research from 2017 found that only one in four people who got an unsolicited letter remembered receiving and reading it. That suggests that sending letters earlier, as the ombudsman suggested, would not have affected what most women knew and, therefore, the decisions that they took. In other words, while we accept there was unnecessary delay in sending letters to women, we do not accept that that delay led to injustice in the great majority of cases. Given that, with the research suggesting that 90% of 1950s-born women were aware of changes to the state pension age, we cannot justify financial remedy. Paying compensation to all 1950s-born women at the rate proposed by the ombudsman, as the Statement said, could cost as much as £10.5 billion. We cannot justify paying out

[Baroness Sherlock]
such a significant sum of money—taxpayer money—when the great majority of 1950s-born women were aware of the changes and therefore experienced no injustice. Writing letters to those who were unaware would not have made a difference for most.

The noble Viscount, Lord Younger, asked whether we had assessed how many women's cases were strong. The answer is that we have not, for the reasons set out in the Statement. It is the same question, in essence, as whether we could create a targeted compensation scheme to compensate only those affected. Of course, we looked carefully at that possibility, but we concluded that such a scheme is impossible to deliver in a way that is fair and represents value for money. In fact, the ombudsman itself pointed out the challenges in doing that, as the noble Viscount will know, since I know he has read the report. It took the ombudsman, as it pointed out, nearly six years to investigate six cases.

To set up a scheme whereby the DWP would have to consider the detailed personal circumstances of as many as 3.5 million women born in the 1950s would take thousands of staff many years. In fact, we estimated that if we received claims from 60% of that 3.5 million, running a bespoke scheme would require 10 times as many staff as currently administer the state pension for all 12 million pensioners. That is the scale and the impact on the everyday running of the department.

Even more crucially, it would require us to make subjective judgments about whether giving each affected individual different information at different times would have led to different decisions and what the consequences would have been. Those are inherently difficult to consider, never mind prove, and it would be impossible to verify the claims for a scheme where someone self-certifies that they have suffered injustice. As a result, because we do not agree with the ombudsman's approach to injustice, because 90% of 1950s-born women were aware of the changes and because it would be impossible to set up a bespoke scheme that would be fair, reliable and value for money, we cannot justify paying compensation.

I think it is worth dwelling for just a moment on the fact that this is not about the state pension age because I think that is one of the biggest challenges. We understand that that is difficult, but that decision was made in 1995 and has been settled, and I think nobody is arguing for reopening that.

The noble Viscount asked about learning lessons. The DWP is committed to learning lessons from the ombudsman's findings so that we can deliver the best possible services in future. This case highlights just how important it is to get communication with our citizens right. We have already taken steps to make this better. We regularly engage with stakeholders and customer representatives, not just in general, but to test and provide feedback on many of the communication materials that we put out.

However, as the Secretary of State said, there is more to be done. The action plan is something that we are going to work on with the ombudsman. We will report on that in due course, and I will keep the noble Viscount informed as that work develops. We are determined to work with the ombudsman to develop an action plan identifying and addressing all the lessons this experience offers. We are continually developing our policy on communicating state pension age changes, rooted in our commitment to give clear and sufficient notice of any changes to those affected.

The noble Viscount quoted in my comment in the letter I sent to all Peers earlier today that

"even taking the difficult decisions we are faced with in government, we feel a deep sense of responsibility to ensure that every pensioner gets the security and dignity in retirement they deserve".

I will allow myself one little bit of politics here. It is that, despite the very large hole in the finances that the previous Government left, we have none the less managed to find the money to maintain the triple lock, which will involve spending £31 billion, with the result that the new state pension and the basic state pension will go up by 4.1% next April, and in the case of the new state pension, the full yearly rate by the end of the Parliament is likely to be £1,900 higher.

The decision today does not mean that we do not understand that some women are facing financial hardship. The noble Viscount asked me for figures about pension credit. I can tell him that 150,000 people applied for pension credit in the 16 weeks following the announcement. Of those 42,000—I think, from memory, and I will write to him if I am wrong—had a successful claim. We know that at the very least there are those extra numbers of people, significantly more than there would have been in the comparable period previously, who are already getting pension credit and there may be many more. People have until 21 December to apply. Those cases that are in before that deadline will get processed and in due course those who succeed will get not only get the winter fuel payment, which is what the noble Viscount brought up, but all the benefits of pension credit itself and all the passported benefits that it brings with it.

This was a difficult decision to make. There were other questions. The noble Baroness, Lady Humphreys, asked whether we just disagree or whether it is about money. I hope I have answered that. I have set out the arguments. The noble Baroness may or may not disagree with them, but I have tried to set out the reasoning the Government did. We tried throughout this to follow the evidence. That is all that a Government can do when faced with a report such as this. We went through it incredibly carefully. It is evidence that the noble Viscount will be very familiar with. Since he was doing my job before me, he will have had it rather longer than I have. We spent the past six months going through it in detail. We have considered the evidence, and we have made what we believe is the right decision. That does not mean it was not a difficult decision, and I recognise that it will be a disappointing one for many 1950s women. It is not a reflection on their campaigning or anything else, but we feel that, despite that, it was the right decision, for the reasons I set out, and I hope that the House can accept that.

The Earl of Effingham (Con): My Lords, perhaps the Minister might allow me to clarify something. She highlighted that I was shaking my head. Just for the record, I was communicating with her noble friend Lady Anderson about the supplementary questions. I was not shaking my head at anything she was saying.

Baroness Sherlock (Lab): I apologise for oversensitivity on my part. I thank the noble Earl for clarifying that.

9 pm

Baroness Bryan of Partick (Lab): My Lords, I would like to ask a supplementary question. I first congratulate my noble friend on her new position. I am only sorry that it has come on the same day as this announcement and that she is thrown right into this difficult debate. I know she will be extremely aware that the very women who are most affected by the change in pension age and the delay in sending out notifications are the very same ones who were least aware of the changes. In many cases, they had already taken the decision to leave work, usually because of caring responsibilities, but with the expectation that they would receive their state pension on the date that they had been led to expect, and hopefully before their savings ran out. These women were probably the most isolated, care-worn and least able to access information online. In many cases, the letters came too late to allow them to make alternative plans.

Just because an injustice is widespread does not mean that it should be ignored. I repeat the question asked by the WASPI women today: what is the point of those six years of the ombudsman giving the report if the Government can simply ignore it?

Baroness Sherlock (Lab): My Lords, I thank my noble friend for her opening comment. I fully recognise the point that she is making. There will be women out there who are very disappointed. There will be many women who expected to retire at 60 and then found that they could not. I hope she will agree with me that one of the biggest drivers of that concern and of the impact was the decision of the previous Government to accelerate those state pension changes in 2011. That meant that they were brought forward very sharply, which had a significant impact on a number of women. However, that is not what the ombudsman was talking about today, it is not what the report was about, and it is not what we are doing here.

I should say at the outset that letters are only ever one part of any communications system. There was extensive communication. The ombudsman found that our communications between 1995 and 2004 were just as they should be. The ombudsman was also aware that a lot of other kinds of activity were going on. There were advertising campaigns, work with employers, and all sorts of information going out. The letters were only one small part of that.

The 28-month delay in those letters has led us to believe not that there are not women who had hoped to retire at 60 and were not able to do so, but that this injustice was not caused by the failure that we described. It is because of this that we simply do not feel able to do it. We had to come back to the evidence. Is the evidence there that that specific act of maladministration caused that injustice? We do not believe that it did, and therefore we do not believe that it was appropriate to provide a compensation scheme.

Baroness Anderson of Stoke-on-Trent (Lab): My Lords, I beg to move that the House—

Viscount Younger of Leckie (Con): I would like to come back briefly with a further question, as there is time; we do have time for Back-Bench questions as well as Front-Bench questions. As regards the future, can the Minister give us a feel for how progress on AI is going in the department in respect of the data for WASPI women?

Baroness Sherlock (Lab): My Lords, I would like to talk to the noble Viscount outside to understand exactly what he is asking about AI. If he can clarify the question, I will be very happy to write to him with an answer.

Lord Davies of Brixton (Lab): My Lords, could I—

Baroness Anderson of Stoke-on-Trent (Lab): I apologise to the noble Lord, but he was not present at the start of the Statement, so he cannot participate.

Lord Davies of Brixton (Lab): It is under the guidance

Baroness Anderson of Stoke-on-Trent (Lab): My Lords, we were three minutes into the Statement. I am sorry, but the noble Lord cannot participate.

House adjourned at 9.03 pm.

Grand Committee

Tuesday 17 December 2024

3.45 pm

Arrangement of Business

Announcement

3.46 pm

The Deputy Chairman of Committees (Baroness Watkins of Tavistock) (CB): 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.

Recognition of Professional Qualifications and Implementation of International Recognition Agreements (Amendment) (Extension to Switzerland etc.) Regulations 2024

Considered in Grand Committee

3.47 pm

Moved by ***Lord Leong***

That the Grand Committee do consider the Recognition of Professional Qualifications and Implementation of International Recognition Agreements (Amendment) (Extension to Switzerland etc.) Regulations 2024.

Lord Leong (Lab): My Lords, these regulations were laid before the House on 4 November 2024. Before I turn to my opening comments, I draw the Committee's attention to the correction slip issued in relation to the draft regulations as they were originally laid. This corrects a minor error in the date of a statutory instrument referred to in the Explanatory Note. It also provides an update to a footnote on page 4 to refer to the Welsh statutory instrument that was made on 18 November 2024.

These regulations implement the agreement on the recognition of professional qualifications that the UK and Switzerland signed in June 2023. Switzerland is the UK's 10th-largest trading partner. Implementing this agreement boosts UK exports and encourages Swiss investment into the UK. In 2023, services trade with Switzerland was worth £27 billion. The professional and business services sector, which relies heavily on regulated professions, accounted for £13.8 billion of that total.

These regulations place a legal duty on UK regulators to recognise comparable Swiss professional qualifications and provide regulators with the necessary legal powers to do so. In parallel, Switzerland is passing legislation requiring Swiss regulators to recognise UK qualifications, meaning that UK professionals also benefit from reduced barriers to working in Switzerland.

The Government are using powers in Section 3 of the Professional Qualifications Act 2022 to make these regulations. These powers were first used in December 2023, when the Government implemented the recognition of professional qualifications provisions of the UK's free trade agreement with Norway, Iceland and Liechtenstein through the Recognition of Professional Qualifications and Implementation of International Recognition Agreements (Amendment) Regulations 2023; I will hereafter refer to these as the EEA EFTA regulations.

The provisions under the Swiss agreement are very similar to those in the UK's free trade agreement with EEA EFTA. Therefore, these regulations add Switzerland as a specified state to the EEA EFTA regulations. The Swiss agreement also contains an annexe that provides certain Swiss and UK lawyers with a bespoke route to recognition of their professional qualifications between Switzerland and the UK. These regulations amend the EEA EFTA regulations to implement these additional provisions for Swiss legal professionals. The regulations will come into force on 1 January 2025, when the existing recognition of professional qualifications provisions in the UK-Switzerland citizens' rights agreement expire. This will ensure continuity in recognition provisions and a smooth transition for UK regulators and Swiss professionals.

I will now provide details about the regulations. They place a legal duty on regulators to recognise comparable Swiss qualifications; they prescribe the procedure that regulators must follow in recognising Swiss qualifications; they enable regulators to refuse to recognise Swiss professional qualifications where certain conditions are met; they prescribe compensatory measures that regulators can require a Swiss professional to take in certain circumstances; and they amend sectoral legislation to enable regulators to meet those requirements where they do not currently have the power to do so. The regulations include specific provisions that apply to the regulators of advocates, barristers and solicitors.

The Department of Health and Social Care has separately taken forward legislation to regulate anaesthesia associates and physician associates. Therefore, the regulations extend the obligation on the regulator of anaesthesia associates and physician associates to comply with both agreements.

I reassure the Committee that under these regulations it remains the responsibility of independent regulators to set standards for their profession and decide who meets those standards. Regulators will need to decide whether a qualification from Switzerland is comparable to a UK qualification and can refuse to recognise the qualification where certain conditions are met, and can prescribe compensatory measures which a professional can be required to take.

In accordance with Section 15 of the Professional Qualifications Act, the Department for Business and Trade consulted regulators about the implementation of this agreement. A formal consultation ran from February to April 2024 and sought regulator views on the implementation approach and the regulations. Respondents were supportive and officials from my department engaged with regulators on the feedback.

The regulations cover professions that are regulated by the UK Government and professions that are regulated at a devolved level by Scotland and Northern Ireland. This approach has been taken after extensive engagement with the devolved Governments. The regulations do not apply to Welsh regulated professions. The Welsh Senedd made regulations implementing the agreement for Welsh-regulated professions on 18 November 2024. These regulations will come into force on 1 January 2025.

[Lord Leong]

In accordance with Section 17 of the Professional Qualifications Act 2022, the Department for Business and Trade ran a consultation with the Scottish Government and the Northern Ireland Executive from August to September 2024. The Welsh Government were not formally consulted, but the consultation was shared with them. The consultation sought views on the implementation approach and requested that the Scottish Government and the Northern Ireland Executive identify any amendments to devolved government legislation.

The Scottish Government and the Northern Ireland Executive agreed that the regulations were sufficient to meet the obligations of the agreement, and confirmed that the regulations were workable in practice and that their regulators could meet the obligations under the regulations. The Scottish Government submitted minor amendments, which have been incorporated into the regulations. The Northern Ireland Executive are making amendments to their devolved legislation. A UK government response to this consultation was published on GOV.UK.

To conclude, these regulations bring into effect the recognition of professional qualifications system contained in the Swiss agreement. They ensure that the UK is meeting its obligations under international law and provide certainty for regulators. They also ensure a smooth and transparent system for Swiss professionals to have their qualifications recognised, once the provisions in the Swiss citizens' rights agreement expire. This brings tangible, long-term benefits to the United Kingdom.

Baroness Garden of Frognal (LD): My Lords, in the absence of anybody else, I thank the Minister very much for setting out so clearly these regulations. Over the years, I have been involved in all manner of discussions about recognition of vocational and professional qualifications. I have never come across a regulation as clearly good as this one. It seems to be totally uncontroversial. It is broad, is it not? It covers Lords, pilots, osteoporosis people and all sorts of interesting professions. My briefing said that no speech was required but I cannot resist saying that we on these Benches fully support this measure.

Lord Jones (Lab): My Lords, I thank the Minister for his informative remarks, made in the most clear and precise tones imaginable. I acknowledge also my appreciation of the manner in which these regulations have been drawn up and the helpfulness of the Explanatory Memorandum.

With regard to the Explanatory Memorandum, at paragraph 4.2 there is reference to aptitude tests. Do the Minister's officials have any idea how many such aptitude tests are taken annually, and what has been the situation on those tests in Wales? Is there a record in the department?

Do these regulations particularly apply to medicine? It is clearly of importance when the NHS and private medicine are considered. What are the major professions that come under these regulations, not simply medicine?

I should like to ask about Wales specifically. At paragraph 4.5, I am looking at the "territorial scope" and it is clear that Wales is separate. Is that the case for other nations? How many regulations are undertaken by the Welsh Government? Is there assistance to Wales in the making of regulations of this kind and if there is, what is the nature of that assistance? Is it by officials only? Do Ministers meet face to face, from one Parliament to another? Is it otherwise down the line, or is it simply a set of regulations totally made in Wales by Welsh Senators and Welsh Ministers?

Lord Leong (Lab): My Lords, I am grateful for the support from the noble Baroness, Lady Garden of Frognal, and for the contribution made by my noble friend Lord Jones. I will come to my noble friend's questions. I will try to answer everything but if I do not cover all his questions, I will definitely write to him.

As regards the aptitude test, most of the regulators operate autonomously, so it is up to individual regulators to manage the various assessments. The aptitude test will be covered by the respective regulators themselves. Currently, these regulations cover over 200 profession but some of the royal-chartered professions, such as accountancy and engineering, are not covered by them. My noble friend Lord Jones asked how many people had taken the aptitude test in Wales and how they managed it. I am afraid I do not have the answer and will have to write to him.

As I have set out, the regulations implement the UK-Switzerland recognition of professional qualifications agreement. They require regulators to operate routes to recognition for comparable Swiss professional qualifications, in accordance with the agreement. They give powers to regulators to recognise comparable qualifications where necessary. The regulations provide certainty for professionals and UK service sectors, allowing them to continue to access smooth and transparent routes to recognition once the citizens' rights agreement provisions expire at the end of this year. As Switzerland is also passing legislation requiring Swiss regulators to recognise UK qualifications, these benefits are reciprocal.

As I have emphasised, these regulations continue to uphold the principle of regulator autonomy as set out in the Professional Qualifications Act 2022. Departmental officials have also engaged extensively with regulators and the devolved Governments throughout the implementation of this agreement. I trust that noble Lords understand and recognise the need for these regulations and the benefits that they will bring to the UK's services trade. Once again, I thank all noble Lords for their contributions, and commend these draft regulations to the Committee.

Motion agreed.

Information Sharing (Disclosure by the Registrar) Regulations 2024

Considered in Grand Committee

4.01 pm

Moved by ***Lord Leong***

That the Grand Committee do consider the Information Sharing (Disclosure by the Registrar) Regulations 2024.

Lord Leong (Lab): My Lords, in speaking to the information-sharing regulations, I shall also speak to the Companies and Limited Liability Partnerships (Protection and Disclosure of Information and

Consequential Amendments) Regulations 2024. These regulations are part of a series of statutory instruments designed to implement the reforms introduced by the Economic Crime and Corporate Transparency Act 2023, which I will refer to as the 2023 Act.

This Government are committed to holding accountable those who exploit our open economy. For instance, in the past few weeks, we have outlined our new anti-corruption agenda and our goal to make the UK a hostile environment for all forms of corruption. Corporate transparency is vital in tackling such corruption and economic crime. The 2023 Act enhances corporate transparency in the UK by reforming Companies House, granting it greater powers to verify information, tackle economic crime and improve the reliability of the companies register. At the same time, the Act introduces reforms to Companies House processes and increases protections for individuals at risk of fraud and other harms.

Work to implement the changes at Companies House is well under way. Since March, stronger checks on company information have allowed the organisation to cleanse the register of false and suspicious information. In parallel, Companies House is undergoing a significant organisational transformation to support the delivery of these reforms. Although considerable progress has been made, there is still much to do. We are here today to consider the next set of regulations to the Companies House reform programme. I will start with the Information Sharing (Disclosure by the Registrar) Regulations 2024.

The 2023 Act enhanced the registrar's ability to share non-public information with enforcement agencies and other public authorities to support their functions. Additionally, the 2023 Act empowered the Secretary of State to make regulations enabling the registrar to share information with designated persons for specified purposes. For example, there may be situations where it would be advantageous for the registrar to share information with certain officeholders tasked with managing insolvency proceedings. These officeholders are typically insolvency practitioners but could also include the official receiver or, in Scotland, the Accountant in Bankruptcy.

While the Companies Act 2006 permits the registrar to share information with agencies when carrying out a public function, the work of these officeholders generally pertains to private matters. These include identifying and recovering assets during insolvency proceedings. Therefore, the registrar currently lacks the power to share information with officeholders for such purposes.

These responsibilities often extend beyond asset sales to legal actions. They could involve applying to the court to reverse transactions made before the insolvency took place that disadvantaged creditors. Where a director has allowed a company to continue trading while insolvent, this could also involve seeking an order making that director liable for the additional losses incurred by creditors. The information-sharing regulations will enable the registrar to share crucial information with insolvency officeholders, enhancing insolvency processes and helping to maximise returns for creditors.

I turn to the Companies and Limited Liability Partnerships (Protection and Disclosure of Information and Consequential Amendments) Regulations 2024. It is key that individuals running companies and other entities register their details so that they can be held accountable for the entity's affairs. However, having one's personal information publicly displayed can increase the risk of harm, such as fraud, identity theft or cases of domestic abuse.

Currently, an individual can already apply to protect their residential address from the public register in certain cases. Protection means that the address is not publicly visible. However, the law does not allow protection of a residential address that was previously used as a company's registered office address. Companies House regularly receives requests for protection of these residential addresses from many individuals. These include those at risk of harm because of the public availability of their residential address as a registered office address—for example, those in witness protection, judges and parliamentarians. These regulations are the first of several reforms to enhance the protection of personal information. They will allow applications to protect a residential address where it was previously used as a company's registered office address.

The regulations also make specific provisions for the scenario of dissolved companies. There are a number of reasons why a party would want to apply to court to restore a dissolved company to the register: for instance, to claim assets or pursue legal claims. To do this, the applicant requires the company's former registered office address. To support this, these regulations ensure that an application to protect a residential address that was a dissolved company's last registered office address can be made only from six months after the company's dissolution. The registrar will also be able to disclose a protected residential address to certain persons who require the dissolved company's registered office address to make a restoration application.

Lastly, the instrument amends legislation that applies company law to limited liability partnerships, following changes to company law made by the 2023 Act and this instrument.

In conclusion, these regulations strike the right balance between privacy and transparency. Individuals will benefit from greater protection of their personal information, while protected information will be available for law enforcement, public authorities and others with a legitimate reason to access it. Together, these instruments build on the 2023 Act, strengthening our commitment to support legitimate business and tackle economic crime. I hope the regulations will be supported, and I beg to move.

Lord Sharkey (LD): My Lords, we will support both of these instruments, and I will be brief. The first instrument is a straightforward and necessary increase in the disclosure powers of Companies House and, as the Minister has made clear, the SI extends disclosure powers to cover non-public organisations and specifies to whom information may be disclosed and under what circumstances. All this seems clear and with obvious benefits, although I confess that I am not at all clear what a "judicial factor", mentioned in Regulation 3(g), is or does. Perhaps the Minister could enlighten us.

We are generally happy with measures that improve the utility or performance of Companies House. Appropriately increased and targeted disclosure powers are definitely a good thing, but arguably more important

[Lord Sharkey]

is the ID-checking regime at Companies House. In that context, it was good to see Companies House quoted in last Wednesday's *Times*, saying:

"We take fraud seriously and all allegations are fully investigated. We are preparing to introduce compulsory identity verification checks. This will provide greater assurance about who is setting up, running, owning, and controlling companies".

That is welcome news, if a little overdue. Can the Minister say when Parliament will see these new and obviously vital proposals?

The second SI essentially, as the Minister said, deals with the disclosure of residential addresses on the public companies register. It proposes new circumstances in which these addresses may be protected from exposure via Companies House registration details. Here, I declare a kind of interest: I have, for the past nine years, benefited from a Companies House exemption, under the existing regime, from disclosure of my residential address. The circumstances surrounding my exemption were clear and compelling enough to qualify for non-disclosure, but they would not serve to protect from exposure any address currently or formerly used as a company's registered office.

This instrument will allow an application to protect a residential address when it was previously the registered address for the company, and this will apply, mutatis mutandis, to LLPs. There are appropriate protections against using this new power to frustrate challenges to the dissolution of a company, as the Minister mentioned. This all seems very sensible, and the EM notes in paragraph 5.8:

"Companies House has for a long time been inundated with requests for this kind of protection, as the previous law prevented many people from protecting publicly available address information that put them at risk, for example in cases of domestic abuse".

In paragraph 6.5, the EM says:

"Further regulations will be made in due course to introduce additional measures preventing the abuse of personal information on the companies register".

I encourage the Minister to make rapid progress on these new proposals. Companies House needs all the help it can get.

Lord Sharpe of Epsom (Con): My Lords, I apologise for missing the first SI. I meant no discourtesy; it was an administrative error entirely of my own making, and I particularly apologise to the noble Lord, Lord Leong. However, I would have welcomed the regulations because, as Conservatives, we believe in good governance, personal responsibility and safeguarding our economy from exploitation. We believe that the measure delivers exactly that.

On information-sharing and companies, we welcome the Information Sharing (Disclosure by the Registrar) Regulations 2024. This legislation is a clear and necessary step in strengthening the integrity, transparency and security of our systems. At its core, these regulations empower the registrar to share critical information with designated bodies. This will enhance co-operation between government departments, regulatory agencies and enforcement authorities, ensuring a more joined-up approach to tackling crime, fraud and misconduct.

For too long, bad actors have exploited the gaps in our information-sharing framework, hiding behind outdated systems and fragmented oversight. The result has been criminal networks, fraudulent companies and rogue entities syphoning off resources, undermining fair competition and eroding public trust. We owe it to law-abiding businesses and citizens to level the playing field and close these loopholes.

Furthermore, these regulations are proportionate and pragmatic. They strike the right balance between enabling necessary disclosures and protecting sensitive data. Conservatives have always championed individual freedom and privacy, and this legislation respects those values while enhancing national security and economic resilience. This is not just a technical reform; it is about ensuring confidence in our institutions, trust in the free market and the rule of law. By empowering the registrar, we are sending a clear message that the UK will not be a haven for those who flout our laws and/or exploit our systems.

I also welcome the draft Companies and Limited Liability Partnerships (Protection and Disclosure of Information and Consequential Amendments) Regulations. This legislation marks an important step in safeguarding our economic landscape, while enhancing the transparency and integrity of our corporate structures. These regulations are critical for addressing two fundamental challenges: the protection of sensitive information and the facilitation of responsible disclosure.

By ensuring that data held by companies and limited liability partnerships is appropriately safeguarded, we are protecting businesses, individuals and the integrity of the UK's economic infrastructure. At the same time, targeted and necessary disclosures will empower regulators, enforcement bodies and government agencies to act decisively in identifying wrongdoing and preventing abuse.

4.15 pm

As Conservatives, we have always supported the free market, but we know that with freedom comes responsibility. When loopholes exist, they are exploited by those who seek to manipulate our systems, to evade accountability and to engage in criminality. This legislation tackles that head-on. It provides a balanced framework that protects honest enterprise, improves trust in our corporate sector and ensures that those who break the law cannot hide behind anonymity or inadequate oversight.

Moreover, these regulations address emerging challenges in our globalised and digitised economy. They bring clarity and modernisation to the way information is handled, ensuring that the UK remains a trusted place to do business. This not only strengthens our economic reputation but reinforces the principle that integrity is non-negotiable.

In conclusion, I commend this draft legislation. Let me ask: can we allow our businesses and partnerships to remain vulnerable to exploitation, and do we not have a duty to ensure that the UK remains the gold standard for transparency, integrity and fair competition?

Lord Leong (Lab): My Lords, I am very grateful for all contributions and I thank especially the noble Lord, Lord Sharpe, for supporting these regulations. As he knows, the work was undertaken by the previous Government and we have made it a legal entity and brought forward the power to implement the legislation. I am sure there is common ground here. We all want to fight economic crime and ensure that privacy and transparency are balanced.

I will respond to the questions from the noble Lord, Lord Sharpe. On the use of the judicial factor, this basically relates to Scotland. The judicial factor is an officer of the court whose role is to protect the estate itself. This applies only in Scotland. On the issue of identity verification, work is being done and we hope to see proposals at some point next year.

On the wider question of Companies House reform, let me share with noble Lords what has been done so far. From March 2024, the registrar has to be able to query a request for information, remove material from a register of their own volition or on application in a more timely way, analyse information for the purpose of crime prevention or detection, disclose information from anyone for the purpose of the exercise of the registrar's function, and move the registered office address, service address, and principal office address to default addresses.

Companies now have to comply with the new rules about company and business names. A company must not be registered by a name that is intended to facilitate criminal purposes and Companies House has greater powers to direct a company to change its name or to change the name if the company is not compliant, to declare its lawful purpose, notify and maintain an appropriate registered office address and registered email addresses and confirm new information in annual confirmation statements.

Companies House has commenced a process to remove names and addresses used without consent. This includes the removal of officers and people with significant control, where previously those wishing to have their details removed would have had to apply to the courts. So far, Companies House has removed 50,400 registered office addresses, 39,600 office addresses and 36,700 PSC addresses, redacted 37,100 incorporation documents to remove personal data used without consent and removed 7,800 documents from the register, including 800 false mortgage satisfaction filings that would have previously required a court order. So Companies House has done a lot, but there is further to go. The reform of Companies House is ongoing and more instruments will be brought to the House, I hope, next year.

In summary, today's debate has highlighted the importance of getting the Companies House reforms in the 2023 Act right. These regulations mark another vital step towards realising these goals and I commend them to the Committee.

Motion agreed.

Companies and Limited Liability Partnerships (Protection and Disclosure of Information and Consequential Amendments) Regulations 2024

Considered in Grand Committee

4.20 pm

Moved by ***Lord Leong***

That the Grand Committee do consider the Companies and Limited Liability Partnerships (Protection and Disclosure of Information and Consequential Amendments) Regulations 2024.

Motion agreed.

Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2024

Considered in Grand Committee

4.20 pm

Moved by ***Lord Livermore***

That the Grand Committee do consider the Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2024.

The Financial Secretary to the Treasury (Lord Livermore) (Lab): My Lords, with the leave of the Committee, in moving this instrument, I shall speak also to the Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2024 and the Short Selling Regulations 2024. Noble Lords may be aware that the Secondary Legislation Scrutiny Committee raised the ring-fencing and short selling regulations as instruments of interest in its secondary legislation report, published last month.

The regulations being introduced today will ensure effective, proportionate regulation for the financial services sector in three ways: first, by reforming the ring-fencing regime to be more flexible while upholding financial stability safeguards; secondly, by creating a new framework for the regulation of short selling; and, thirdly, by enabling better supervision and enforcement of designated activities under the Financial Services and Markets Act 2023.

I will first address the reforms to the ring-fencing regime for banks. As noble Lords will know, ring-fencing was introduced following the global financial crisis, on the recommendation of the Independent Commission on Banking, and came into full force in 2019. It requires large complex banks to separate the services that they provide to households and small and medium enterprises from investment banking activity.

In 2022, an independent statutory review of the regime recommended updates to ensure that it operates as intended and is proportionate. This statutory instrument improves the regime and implements changes from the review. The reforms that it contains will improve competition in the banking sector, reduce costs and support economic growth. They have been developed with the Prudential Regulation Authority, which is content that they also maintain appropriate financial stability protections.

The reforms will ensure that, in future, only the largest and most complex banks are subject to the regime, with two key changes. The first of these is an increase in the primary deposit threshold—the amount of core deposits a bank can hold before it is required to ring-fence—from £25 billion to £35 billion. This accounts for growth in the deposit base and other relevant economic indicators since ring-fencing was introduced, and supports competition. The second is the introduction of a new secondary threshold that exempts retail-focused banking groups from the regime where investment banking activity accounts for less than 10% of common equity tier 1 capital.

[Lord Livermore]

This statutory instrument also makes changes to the way in which banks within the regime can operate. It introduces measures to encourage more investment by ring-fenced banks in UK small and medium enterprises and to reduce the compliance burden associated with the regime. It also creates significant new flexibilities to allow ring-fenced banks to operate globally, subject to Prudential Regulation Authority rules, as well as to provide a wider range of goods and services to their customers.

I turn now to the Short Selling Regulations 2024. Short selling is the practice of selling a security that is borrowed or not owned by the seller with the intention of buying it back later at a lower price to make a profit. Short selling plays a role in the proper functioning of financial markets. It provides essential liquidity to markets, which drives investment in British companies; it helps drive economic growth; and it helps ensure that investors pay the right price when investing in shares.

This statutory instrument introduces a more streamlined UK short selling regime, which focuses on equities rather than both equities and sovereign debt. The new regime also includes a reformed public disclosure regime for short selling to ensure that there is transparency over short selling activity, without the issues identified with the current regime through the 2022 call for evidence.

There can, however, be risks associated with short selling. As such, it is important for the Financial Conduct Authority to have the tools necessary to monitor short selling activity effectively and to intervene. This statutory instrument provides the Financial Conduct Authority with broad rule-making powers in relation to short selling. This will allow the Financial Conduct Authority, in effect, to oversee short selling in UK markets. It will also mean that the UK's short selling rules can be adapted and updated by the Financial Conduct Authority in a more agile way in the future—for example, to better adapt to new global standards or to take account of market innovation and new business models.

This instrument also retains the Financial Conduct Authority's powers to intervene in short selling activity in UK markets in exceptional circumstances—an important feature of the current regime.

Finally, the Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2024 give the Financial Conduct Authority the broad rule-making power for short selling that I have just mentioned. The new short selling regime operates under the designated activities regime introduced into the Financial Services and Markets Act 2000 by the Financial Services and Markets Act 2023.

The designated activities regime allows the Treasury to designate certain activities to be regulated by the Financial Conduct Authority without the requirement for those carrying on the activities to become full authorised persons, such as banks or insurers. This enables proportionate regulation of activities where it would be inappropriate to require full authorisation.

The designated activities supervision and enforcement regulations enable the Financial Conduct Authority to supervise and enforce rules that it makes under the designated activities regime. They do this by extending the Financial Conduct Authority's existing supervision and enforcement powers under the Financial Services and Markets Act 2000, so that they can be used in relation to designated activities, even where those carrying out the activities are not authorised persons. The extension of these powers applies, in the first instance, to designated activities covered by the Consumer Composite Investments (Designated Activities) Regulations 2024 and the Short Selling Regulations 2024. This will enable effective supervision of the regimes that those regulations introduce.

In closing, these SIs ensure that our financial services industry is subject to a rule book that is fit for purpose, more proportionate and tailored to UK markets. I beg to move.

Baroness Bowles of Berkhamsted (LD): My Lords, first I declare my interests in financial services, as in the register—just in case. I will speak to the Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations and then to the Short Selling Regulations.

The set of rules and provisions under which the FCA can give directions is important. Every time something is the subject of such a direction or supervisory action, there is an opportunity to go to a tribunal. I wonder whether the Minister has any statistics, from looking at the FCA's present powers and at when tribunals can be invoked, on how frequent that is. I am trying to get at one of the things that has irritated me, which, as the Minister knows, is that the FCA seems quite slow to respond when something is going on in the market. One's instinct, if we know that something is going wrong, is to want quick action. These provisions allow that, but they could always be subject to challenge. So how might that interfere? The question is a little theoretical, but is anything already being done in that way with which we might compare it? I realise that that information might not be to hand; if it is not, I would be happy to have a letter.

4.30 pm

The particular instances when these directions can be given—they are not sort of day-to-day things—are laid out separately in the statutory instruments relating to that subject matter. So, we have the short selling one before us today and a few weeks ago we dealt with the CCI one. I noticed that the consumer composite investments regulations say:

"The FCA may give a direction only if it appears to the FCA—

(a) in the case of a direction given to a person, that in carrying on the activity the person is failing, or is likely to fail, to comply with a requirement imposed on the person by designated activity rules made by virtue of regulation 6, or

(b) in the case of a direction given to a person or a description of persons, that it is desirable to exercise the power for the purposes of advancing any of the FCA's operational objectives set out in section 1B(3) of FSMA 2000".

Two of those are to do with consumers and the other one is basically to do with the integrity of markets. But the provisions for short selling are different. It still has the first one about failing, but it does not have the one about the FCA's operational objectives, and then it has a list of other things that are relevant vis-à-vis short selling—I do not need to read them out.

So I am slightly puzzled as to why the one to do with the operational objectives does not appear as a routine. It seems that the two that were put into the consumer composite investments regulations seem to be two fundamental points: that you are failing or that it is not in line with the FCA's operational objectives. I would have expected those to be replicated in every statutory instrument that comes along as they go into the designated activities regime. So I am curious about why it is left out.

I can see that it might have been thought that the consumer side does not apply quite so much to things such as short selling, but I think that would be wrong and, in any case, there are still others. But, apart from that, I am relatively happy with the proposals, as long as they are not so tribunal-bound that they cannot act, and we have not missed out on putting in other occasions when they might want to be able to intervene.

With that, I turn to the short selling regulations. I am well aware of the history of those regulations, which were a spinoff from AIFMD and extraordinarily difficult to negotiate to get into anything halfway sensible. So, it is quite nice to see that actually most of it has now been kept and that, of the things that the UK objected to most and we could not get out of, two have been have taken out—and for the most part, that is reasonable. I think some people say, "Well, why can't you short sell sovereign debt and have sovereign CDSs?" I think that the liquidity is such that you do not have to worry about whether you are going to be able to get hold of them, but experience has shown that, if you cannot short the sovereign, the markets will find a way to do the equivalent, which means shorting those people who are holding the sovereign, which happens to be banks–and it is probably a worse thing to be shorting banks than it is to be shorting the sovereign. So it is a reasonable provision to not have those in any more.

The other one was to do with how much transparency there should be over short selling provisions. We went round and round this argument at the time, and everybody was very cross about all the short selling that had been done against Greece and during the financial crisis. They wanted to know who the culprits were but, generally speaking, the aggregated numbers are what really matters. If you have too much transparency, you can expose the strategies of other financial organisations, so I agree that going back to where we used to be is correct in that sense.

In reading through the response on short selling, I noticed that there were more than 800 consumer respondents, most of whom responded in a standard way—I think online. In their response, the Government explained that a lot of the things said by consumer respondents were more relevant to the US situation. That was probably a fair statement, although I obviously do not have access to the consultation documents. However, this again shows that people are interested in what goes on in short selling. They are concerned, even if they do not know exactly what the legislation is. To some extent, that reinforces my thinking that it is necessary to consider how consumers view things. Apart from that, there were only about 25 respondents, which is not very many.

I have to say, on my favourite subject of consumer collective investments, that there was a substantial response to that consultation, which the Government not only ignored and said very little about but then did precisely the opposite of what was said. There is an interesting contrast between the way in which that was dealt with—I know that the noble Lord was not necessarily the Minister at that time—and the more sympathetic way in which the consumers were dealt with. That is all I have to say at the moment.

Baroness Kramer (LD): My Lords, I shall speak to these three statutory instruments in the order in which they appear on the Order Paper. I know the Minister spoke to them in a different order—three, one, two—but I am much more simple-minded, I am afraid, so will go with one, two, three. I am also speaking without the professional experience of my colleague and others who are present in this debate, even if not participating, so there is an element of "man-on-the-street reaction" to some of the questions I have around these various statutory instruments.

I will start with the designated activities regulations. I would like to understand much better the circumstances under which this first of the three SIs allows the FCA to exempt businesses or persons from being an authorised person when they are carrying out activities such as short selling and credit default swaps. Indeed, the language is quite loose, so it may well include other complex financial structuring and sales.

The reason that I would like to understand those circumstances is that I remain very exercised by the 2008 financial crash. It is an experience from which we all have to learn, and which we must be careful not to forget, but it was, to a significant extent, triggered by the ignorance and negligence of businesses and people who were carrying out structured finance. Indeed, credit default swaps in particular were at the heart of much of the crisis. Short selling, which is wrapped into this SI, particularly uncovered short selling, is definitely a risky activity. Why should these risky activities be carried out by people who have not been through an authorisation—in effect, an approval process?

I understand that the industry often says that this is an onerous process but, having been on the committee that first recommended that process, the heart of the authorisation process is to verify that the person carrying out the activity meets the test of being fit and proper. Indeed, the core of the process is a criminal records check and a process to verify that the expertise and experience that has been claimed by the individual or the business is actually true. Neither of those can ever be taken for granted. People who have been involved in financial mis-selling over and over again turn out to be serial offenders whose history was never checked and who are shown to have been involved in previous mis-selling practices. We saw that extensively with the mini-bond scandal but it has a much wider history than that.

Firms have told me that, since they have had to go through the authorisation process, they have been shocked to find how many of their decision-makers were hired not on the basis of their expertise or CVs but because they were a friend of somebody who was important in the organisation who had highly

[Baroness Kramer]
recommended them. When they started checking the CVs, as the Minister may be aware, they discovered that many people had gravely exaggerated; the experience and expertise that they had claimed turned out not to have a whole lot of substance behind it.

In an industry where there is so much at stake and so much capacity to manoeuvre and do the wrong thing, why are we limiting the authorisation process? I want to understand better the circumstances in which the FCA will make the decision that the authorisation process need not apply. It is a pretty significant decision. I understand the industry push-back; all the organisations feel that they are virtuous, so why should anybody look over their shoulders?

On the whole I am comfortable with the second SI, which focuses on short selling, but I do not understand—here, I am in a different position from my colleague, my noble friend Lady Bowles—why individual firms will no longer be required to publish net short positions above 0.5% of issued capital. I should have thought that investors would like to have this information, but I understand that, from a systemic perspective, an aggregate number may be sufficient for the regulator. However, it concerns me that we are reducing transparency in this area and I should like to understand much more clearly why transparency has been such a problem that it has to be removed. It does not take a lot of activity for this information to be public, so it cannot be particularly onerous to publish it. What are the harms that the industry feels exist because of publication? Perhaps we could have some examples of where a firm has been harmed. Presumably, that evidence has been put before the FCA or we would not have the drafting of this SI.

Why can the Treasury arbitrarily change the threshold for reporting net positions to the FCA? To me, the Treasury does not need to be accountable to anybody for changing that threshold and I just do not understand why that is and what the circumstances are.

I am also concerned that the financial services industry has been playing the growth mantra in order to move to a lighter-touch regulation environment. Whenever there is a debate on short selling on the Floor of the House, many people stand up and argue for uncovered short selling to be allowed far more extensively on the grounds that it will bring more players to invest in high-risk projects. The argument is made continuously that uncovered short selling will increase the liquidity in the market and offset any increased risk. I regard uncovered short selling as a risky activity, and I am not clear how this SI impacts on the FCA's scope—without reference to Parliament, scope increases to allow a much greater range of uncovered short selling. As I was reading the language, I could certainly see that interpretation as possible.

4.45 pm

The third of the SIs—the one that the Minister focused on at the beginning—is on ring-fencing. I feel pretty strongly about this issue, having gone through the experience of listening for two years to our banks describing the actions that created the crises of 2007 and 2008. Among that evidence, one of the most important conclusions that we as a committee came to was that the lure of the free money from retail deposits, and the lure of putting that into risky investments, was irresistible to what some people call the "casino" side—the investment side—of banking. The Government and the regulator have already lifted the bankers' bonus cap, and they have weakened the clawback for bonuses received on deals that go badly wrong. I start to worry when those two changes are combined with amendments that provide easier access to that so-called free money—the retail deposit money.

The changes in this SI are restricted: they largely change the size of the banks that have to obey ring-fencing rules. Can the Minister tell me how many banks are affected by that change? It would be nice to know the identity of the current set of banks that would be affected by the change because that would give us a sense of how much risk is being added into the market.

I understand that the Government are hopeful that money from deposits—the free money—will go into UK SMEs. I say to the Minister that I think he is an optimist, as I do not think a lot of it will happen, but we must recognise that, as UK SMEs scale up, they have a high failure rate—it is about 49%—so there is a real impact in fuelling those kinds of investments. We must be careful not to take financial stability for granted but to understand that it requires constant vigilance. If the Minister could help me with those issues, I would be grateful.

Baroness Neville-Rolfe (Con): My Lords, I rise to address these three significant pieces of legislation, which collectively aim to refine and enhance the regulation of our financial services sector. The measures come at a pivotal time for not only our financial services industry but the broader economy, as we navigate the challenges and opportunities presented by our post-Brexit regulatory autonomy.

My overall concern is that we are moving too slowly and too modestly to reduce the constraints that existed in the EU regime, and to encourage the competition and dynamism that we need for growth. This means that the US financial services industry and the industry in newer markets, such as Singapore, are eroding our prime position despite our dual advantage of time zone and the English language. Questions have been asked about the effectiveness of our stock market; indeed, that was highlighted today by the reaction to the Canal+ listing in London, which, obviously, we all welcomed. We look forward to debating the reforms announced in the Mansion House speech.

In the light of all this, the instruments demand careful scrutiny. I will also follow the sequence on the Order Paper. The first measure under consideration deals with the supervision and enforcement of designated activities. This legislation builds on the regulatory framework of the Financial Services and Markets Act 2000, empowering regulators to oversee specific activities that pose systemic or consumer risks. From our perspective, this is a necessary and prudent step. By focusing regulatory attention on designated activities rather than institutions alone, we can ensure that oversight remains targeted and proportionate.

Yet it is vital that this power is exercised judiciously. Overzealous enforcement could stifle innovation and deter smaller players and start-ups from entering the

market at all. We would like to see a regulatory approach that provides clarity and certainty, enabling businesses to thrive while protecting consumers and market integrity. We also want to keep compliance costs down for business, especially smaller business. Historically, that has not always been the way of the financial regulators—nor, I am afraid to say, of the Treasury. Does the Minister agree that financial regulation should be more careful about the costs that it imposes? I know from the Mansion House speech that the Chancellor wants to be more competitive; I would like to see that reflected in financial regulation.

Incidentally, I was surprised to see this in paragraph 9.1 of the Explanatory Memorandum:

"The government does not generally assess successful enforcement action—such as fines levied after a breach of rules—as a cost to firms".

From my experience, enforcement can be very costly to a firm: in legal fees, to fight any unfairness and possible reputational damage; in diversion of management time and talent; and in finding money from tight budgets for any fine. That is a good reason for a firm to comply with the established rules but it is also a reason for our regulators to work hard, in order to make compliance with the law easy, and not to judge themselves on the amount of fines they levy.

There is a related point on which I would very much welcome a response. The Minister may be aware of the huge concerns raised by the financial services sector about the FCA's proposals earlier this year to name and shame firms involved in FCA enforcement action. It is consulting again, I am glad to say, on modified proposals. Can the Minister say whether the FCA intends to apply these new rules to the persons who are within the designated activities regime, which is at issue today, rather than, or as well as, the authorised persons regime? I know that the Chancellor, like her predecessor, has expressed concerns about naming and shaming. Clearly, we need to tread with great care in this area.

I look forward to hearing the answers to the questions from the noble Baroness, Lady Bowles of Berkhamsted, about tribunals and speed. I should like to say that her grasp of technical aspects of financial services law is extremely helpful to this Committee in the scrutiny of complex SIs such as these; we owe her a great deal. However, I have to say, I am not sure that I completely agree with her on FCA objectives, as I think that responsible growth and dynamism need also to come through in the way the FCA behaves.

That brings me to the second measure, which addresses short selling—an activity that has long been a point of contention in financial markets. Short selling, when responsibly undertaken, contributes to market liquidity and price discovery, as the Minister explained. Personally, I would have been more radical in moving away from the EU regulation, and perhaps in giving the FCA narrower rule-making powers. However, the proposed regulations seek to establish a robust framework for managing the risks of short selling while preserving its legitimate role, for example in times of crisis; I think that "exceptional circumstances" was the term the Minister used.

Moreover, on public disclosure, I welcome the move to a list of securities that are within the scope of the rules—this is in paragraph 5.11 of the second SI's Explanatory Memorandum—rather than having a list of shares the FCA considered to be exempt. This will be clearer and easier. However, I urge the Government to ensure that the reporting and compliance burdens on market participants arising from this new instrument remain proportionate. Excessive red tape hinders the competitiveness of our financial markets, and I believe that we still have too much of it.

I say in response to the noble Baroness, Lady Kramer, that I, too, have learned a lot from history. She mentioned what I think she called "casino banking" but, as a former bank non-executive director—long after the financial crisis—I can vouch for the thoroughness of the checks that are made on personnel with responsibilities. My only concern is that this might be a less leisurely process because, obviously, personnel changes are often needed to run organisations well.

The third and final measure relates to amendments to the ring-fencing framework established in the wake of the global financial crisis. Ring-fencing was designed to protect retail banking operations from the risks associated with investment banking. Although this principle remains sound, the financial landscape has evolved considerably since the original provisions were enacted.

The proposed amendments rightly seek to introduce greater flexibility into the ring-fencing regime. This is a sensible response to changing market dynamics and the need for regulatory frameworks to evolve. Having said that, I think that increasing the limit from £25 billion to just £35 billion is timid, especially given recent inflation. Like the noble Baroness, Lady Kramer, I would like the Minister to remind the Grand Committee which of our banks will need to be ring-fenced going forward and to name some of those that will escape and be able to grow and diversify, both here and overseas, more easily.

In other respects, I say to the Minister and his officials that the Explanatory Memorandum and de minimis assessment on this instrument were very thorough and helpful.

As Conservatives, we understand the critical importance of maintaining the UK's status as a global financial hub. This requires not only robust regulatory frameworks but a willingness to adapt and innovate in response to new challenges and opportunities, such as AI. I urge the Government to continue the processes of dealing with retained EU law and of engaging with industry stakeholders in order to ensure that domestic measures are implemented effectively and without unnecessary burdens or delays. In doing so, it should be possible to foster a competitive financial services sector that drives economic growth and innovation, creates jobs and enhances our nation's global standing.

Lord Livermore (Lab): My Lords, I am extremely grateful to all noble Lords who have spoken—specifically, the noble Baronesses, Lady Bowles, Lady Kramer and Lady Neville-Rolfe—for their comments and questions and for, as others have observed, the extraordinary level of expertise that they bring to this debate and, as a result, the level of scrutiny that they are able to provide. I apologise for speaking to the instruments in an order other than that on the Order Paper.

[Lord Livermore]

The noble Baroness, Lady Bowles, began by focusing on the designated activities SI. She asked about the direction power. The designated activities regime provides a power of direction to the Financial Conduct Authority. The Treasury can, by regulations, switch on that direction power for the Financial Conduct Authority's supervision of any given designated activity. This statutory instrument sets out additional procedure for how that power may be exercised, but it does not create or switch on the direction power itself.

The noble Baroness, Lady Bowles, also asked for some statistics on the frequency of tribunals. I will write to her on that, as she requested. If she does not mind, I will also write to her on her second question, which was about the differences in the power of direction between CCIs and short selling.

The noble Baroness then went on to focus on the short selling SI. She asked how the views of consumers were considered. These reforms were informed by extensive industry engagement, taking into account views from a wide range of market participants, including consumers. The new UK regime will ensure that the regulation works effectively to protect against the risks of short selling while improving UK competitiveness.

5 pm

The noble Baroness, Lady Kramer, asked about the Government's view on uncovered short selling. The ability to settle is an essential aspect of any financial transaction. The Government are of the view that restrictions on uncovered short selling must continue to be a core part of the regulation of short selling; they also form part of international standards for short selling. This statutory instrument gives the FCA a broad rule-making power in relation to this; this includes the ability to maintain the current prohibition on uncovered short selling. On the noble Baroness's question on designated activities, I will write to her with more detail on the authorisation of specific people.

She also asked about transparency. Public disclosure of short selling is important to provide investors with information and transparency on how it affects the price of shares. This, in turn, provides certainty and confidence to the market. Feedback to the call for evidence on the Short Selling Regulations highlighted significant issues with the current public disclosure regime. This new aggregated net short position disclosure regime will continue to provide transparency on short selling activity, while avoiding the potential distortive impacts of the current public disclosure regime. The Financial Conduct Authority will continue to have access to data on individual net short positions to monitor short selling activity effectively. I will also write to the noble Baroness on why the Treasury has control of the disclosure threshold.

Baroness Kramer (LD): Can I ask the Minister for clarification? It would seem that, if individual entities are disclosing their net short position, it is possible for an investor to understand whether the price is being affected by one institution that is making a very big play or by a series of institutions that are making a similar play. That is important information, and I have no idea how you can get it once everything is aggregated —unless I have misunderstood all of this completely, which is perfectly possible.

Lord Livermore (Lab): Since I am going to write to the noble Baroness on those other two points, it is probably best that I write to her on that one, so that we can be absolutely clear.

In the meantime, I move on to the questions on the ring-fence from the noble Baroness, Lady Kramer. She spoke about a return to casino banking, but she will understand that I disagree with her on that point. These are sensible, technical reforms on which the Treasury has undertaken detailed work with the PRA. The PRA is satisfied that they maintain the appropriate financial stability safeguards. The Treasury has considered the combined overall risk of reforms to the sector, alongside detailed cost-benefit analysis through an impact assessment. That impact assessment concluded that the reforms will improve outcomes for banks and their customers by making the ring-fencing regime more flexible and proportionate, while maintaining appropriate financial stability safeguards and minimising risks to public funds.

The noble Baronesses, Lady Kramer and Lady Neville-Rolfe, asked which specific banks will be removed from the ring-fence as a result of these measures. The reforms create significant new optionality for banks, with the eventual benefits depending on their commercial decisions. It is for the banks to announce how they will utilise the new flexibilities created in the regime and the Government do not comment on specific firms.

The noble Baroness, Lady Kramer, also asked about firms being taken out of the ring-fence as a result of the primary threshold. No firms will leave the regime as a result of increasing the core deposit threshold.

The noble Baroness, Lady Neville-Rolfe, in contrast to other noble Lords, spoke of these reforms being too slow and modest. She also asked what assessment the Government had done on the impact of these SIs. We published impact assessments alongside both the ring-fencing and short selling statutory instruments, which set out their estimated impacts on firms. Both these statutory instruments are estimated to result in a net cost saving for industry.

The noble Baroness also asked how these SIs will deliver growth. There are several measures in the ring-fencing SI that have an impact on growth. We are increasing the core deposit threshold at which banks become subject to the regime, allowing them to grow, as well as exempting retail-focused banks from the regime. We have also introduced new flexibilities for ring-fenced banks to invest in UK small and medium enterprises. The Short Selling Regulations introduce a streamlined short selling regime, which reduces costs for firms and improves UK competitiveness, while still effectively protecting against the risks of short selling.

The noble Baroness also asked about the powers that the supervision and enforcement statutory instrument provides. Those regulations extend the normal powers that the Financial Conduct Authority already has over designated activities. They will allow the Financial Conduct Authority to supervise designated activities

even where those carrying on the activities are not authorised persons. They mean that it will be able to gather information on and launch investigations into persons carrying on designated activities, and to enforce its designated activity rules, by publicly censuring or imposing financial penalties on persons who breach them. The Financial Conduct Authority will also be able to restrict or prohibit persons from carrying on the activity if necessary. I will write to the noble Baroness, Lady Neville-Rolfe, on the broader FCA enforcement approach.

Baroness Neville-Rolfe (Con): Before the Minister goes on, I want to ask about naming and shaming. Is it to be done at the stage when enforcement becomes public? Can we be clear when the naming and shaming will take place? The Government are still considering exactly what they are going to do on naming and shaming, I think. It would be good to have confirmation on that because this area is of particular concern to the industry, for an obvious reason: the reputational hit of naming and shaming is substantial.

Lord Livermore (Lab): If there is anything more that I can usefully add, I will include it in the letter that I will write to the noble Baroness.

A final question was asked about why we have increased the limit by just £10 billion. It was recognised when the ring-fencing regime was originally designed that the threshold would need to be adjusted over time to reflect the evolution of banking practices and growth in the deposit base. The Treasury considered several metrics, as well as financial stability and competition considerations, in proposing the £10 billion increase.

Increasing the deposit threshold will provide smaller banks with more headroom to grow before being subject to the requirements and costs of ring-fencing. This will support domestic competition in the retail banking market. A competitive and dynamic market improves outcomes for depositors. The reforms may also encourage inward investment in the UK, as new entrants to the UK banking market will have more room to grow and develop economies of scale before becoming subject to the regime.

I hope that I have covered all noble Lords' questions. As I say, I will write on the points that I indicated.

Motion agreed.

Short Selling Regulations 2024

Considered in Grand Committee

5.07 pm

Moved by ***Lord Livermore***

That the Grand Committee do consider the Short Selling Regulations 2024.

Relevant document: 9th Report from the Secondary Legislation Scrutiny Committee

Motion agreed.

Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2024

Considered in Grand Committee

5.07 pm

Moved by ***Lord Livermore***

That the Grand Committee do consider the Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2024.

Relevant document: 9th Report from the Secondary Legislation Scrutiny Committee

Motion agreed.

Silicon Valley Bank UK Limited Compensation Scheme Order 2024

Considered in Grand Committee

5.08 pm

Moved by ***Lord Livermore***

That the Grand Committee do consider the Silicon Valley Bank UK Limited Compensation Scheme Order 2024.

The Financial Secretary to the Treasury (Lord Livermore) (Lab): My Lords, I beg to move that the Committee do consider this order, which is related to the 2023 resolution of Silicon Valley Bank UK Limited. This order confirms that the former shareholder of SVB UK is not entitled to compensation following the transfer of the bank's shares to HSBC UK Bank plc.

As noble Lords know, in early March 2023, SVB UK experienced severe financial distress, resulting in rapid deposit outflows. This crisis, originating from its US parent entity, quickly spread to its UK subsidiary. By Friday 10 March, the Bank of England, acting as the resolution authority, declared its intention to place SVB UK into a bank insolvency procedure, absent any meaningful new information.

Over the subsequent weekend, a private sector purchaser was identified. On Monday 13 March, the Bank of England exercised its power under the Banking Act 2009 to transfer the shares of SVB UK to HSBC UK Bank plc. This action was taken following consultation, with the Prudential Regulation Authority, the Financial Conduct Authority, the Treasury and the Bank of England reaching the judgment that the resolution conditions set out in the Banking Act had been met.

The Banking Act requires the Treasury to make a compensation scheme order when the private sector purchaser power is exercised. This order is a mechanism to establish in law what compensation, if any, is due to former shareholders of the resolved firm. The Bank of England undertook a provisional valuation when placing SVB UK into resolution. That valuation found that SVB UK's shareholder would not have made any

[Lord Livermore]
recoveries had the firm been placed into a bank insolvency procedure, and therefore no compensation is due to SVB UK's former shareholder. The Bank of England then commissioned an independent valuation of SVB UK, which confirmed that no compensation is due to the previous shareholder of SVB UK. The order before us today confirms in law the findings of these valuations: that the former shareholder of SVB UK is not due any compensation.

The compensation scheme order for SVB UK is a necessary step to formalise and conclude the resolution process and confirm that no compensation is due to the former shareholder. This decision is based on thorough valuations and adheres to the legal framework established by the Banking Act 2009. I beg to move.

Baroness Kramer (LD): My Lords, the Minister may be pleased to hear that I have very little to say on this SI. It makes sense to me. The Bank of England report on the transfer of Silicon Valley Bank UK to HSBC argues clearly and logically that, in any reasonable scenario, SVB's UK tier 1 and tier 2 capital would have been wiped out, so there are no grounds to compensate the former US parent.

However, the fact that this SI is needed raises a question. The resolution of large banks that fail would require wiping out shareholders and calling in bail-in bonds under the MREL procedures without compensation. Would those processes all require a report and an SI to be laid in order for action by the Bank of England to be legal? If that is what the legislation currently says, is there a flaw in the resolution legislation? If there is a flaw, does it need to be rectified? In other words, it seems extraordinary that we need an SI under these circumstances at all.

Baroness Neville-Rolfe (Con): I also welcome the draft Silicon Valley Bank UK Limited Compensation Scheme Order 2024. It rightly confirms in law that no compensation is due to shareholders of Silicon Valley Bank UK Ltd on the transfer of shares to HSBC UK Bank plc in March 2023, when, as the Minister explained, the former experienced rapid deposit outflows.

The swift action that the last Government took to facilitate the sale averted a potential catastrophe for tech start-ups and small businesses dependent on that bank—precisely the kind of enterprises that can help to drive Britain's growth and innovation in the decades to come. The special resolution regime reinforced trust in the financial system while reminding us that stability is the foundation upon which innovation thrives.

Although I welcome this order, can the Minister clarify how the lessons learned from this well-handled crisis will inform future regulation of mid-sized banks? Further, can he elaborate on how the scheme aligns with our wider growth agenda? To my mind, the tech sector is critical to Britain's global competitiveness, and maintaining its trust in the financial system is key to sustaining our position as a world-leading hub for innovation—an ambition that is under some challenge, as I mentioned earlier. But I am very happy with this order.

Lord Livermore (Lab): My Lords, I am grateful to the noble Baronesses, Lady Kramer and Lady Neville-Rolfe, for their support for the compensation scheme order.

The noble Baroness, Lady Kramer, asked whether this SI was genuinely needed. In terms of the specifics, I can assure her that I would not be standing here if it was not, but I will write to her about the hypothetical that she raises.

I am grateful to the noble Baroness, Lady Neville-Rolfe, for the points that she made. I agree very much with what she said about the importance of the action that was taken. She asked whether we have learned the lessons from that for future regulation. I point to the bank resolution Bill that I have just taken through the House. It is absolutely informed by the experience of the Silicon Valley Bank episode and directly flows from it.

The noble Baroness also asked how this order relates to the growth agenda. As I always say, stability is the first pillar of the growth agenda. Financial stability is as important as economic stability and I believe that this order will help to ensure financial stability as that platform for growth. With that, I commend it to the Committee.

Motion agreed.

Committee adjourned at 5.15 pm.