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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

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| Abbreviation | Party/Group |
|---------------------|------------------------------|
| CB | Cross Bench |
| Con | Conservative |
| DUP | Democratic Unionist Party |
| GP | Green Party |
| Ind Lab | Independent Labour |
| Ind LD | Independent Liberal Democrat |
| Ind SD | Independent Social Democrat |
| Ind UU | Independent Ulster Unionist |
| Lab | Labour |
| LD | Liberal Democrat |
| LD Ind | Liberal Democrat Independent |
| Non-afl | Non-affiliated |
| PC | Plaid Cymru |
| UKIP | UK Independence Party |
| UUP | Ulster Unionist Party |

No party affiliation is given for Members serving the House in a formal capacity, the Lords spiritual, Members on leave of absence or Members who are otherwise disqualified from sitting in the House.

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House of Lords

Thursday 12 July 2018

11 am

Prayers—read by the Lord Bishop of Chester.

Introduction: Baroness Boycott

11.07 am

Rosel Marie Boycott, having been created Baroness Boycott, of Whitefield in the County of Somerset, was introduced and took the oath, supported by Baroness Kennedy of The Shaws and Baroness Jenkin of Kennington, and signed an undertaking to abide by the Code of Conduct.

Introduction: Lord Anderson of Ipswich

11.12 am

Sir David William Kinloch Anderson, KBE, QC, having been created Baron Anderson of Ipswich, of Ipswich in the County of Suffolk, was introduced and took the oath, supported by Baroness Warsi and Lord Pannick, and signed an undertaking to abide by the Code of Conduct.

Sure Start

Question

11.16 am

Asked by **Baroness Massey of Darwen**

To ask Her Majesty's Government how many Sure Start centres have closed in the last two years; and what plans they have to maintain the benefits of Sure Start in improving the life chances of young people.

The Parliamentary Under-Secretary of State, Department for Education (Lord Agnew of Oulton) (Con): My Lords, based on information supplied by local authorities, 142 children's centres closed between 1 July 2016 and 30 June 2018. However, we will be spending a record £6 billion a year on childcare support by 2019-20. Since 2013, nearly 750,000 disadvantaged two year-olds have benefited from free early-years education. We have recently announced new actions to tackle the word gap. Our aim is to improve outcomes in early years, and children's centres play their part in this vital area.

Baroness Massey of Darwen (Lab): I thank the Minister for that reply. Is he aware that over 1,000 centres have closed since 2009? The Government have stated their commitment to social mobility, but social mobility begins in the early years. Is he aware that centres such as Sure Start centres have been evaluated very positively in relation to family stability and child development, which all contribute to future social mobility? Is he also aware that the level of inspections of those centres has gone down dramatically? Hundreds of these centres have not been inspected over five years. That is appalling. Are the Government really committed to early years education, given what is happening to it?

Lord Agnew of Oulton: My Lords, there are a couple of questions there. First, I confirm that the Government are very committed to early years education, and we have made a great commitment to it over the last seven or eight years. We know that centres with more evidence-based programmes are better at improving outcomes, and multiagency working gives beneficial results for children and families. That has informed our £10 million investment in What Works fund and our £8.5 million peer support programme. It is up to local authorities to decide which options to use.

On inspections, it was accepted several years ago that the process was not fit for purpose. To reassure the noble Baroness, however, services delivered through children's services centres are covered by other regulatory frameworks, and local authorities must ensure that services provided in the centres have the approved safeguards. Where there are specific safeguarding concerns, HMCI still has the power to inspect any children's centre, and the Secretary of State has the power to direct HMCI to inspect any centre.

Lord Storey (LD): My Lords, to quote the Minister, we want to improve the outcome in early years. Taking the point that the noble Baroness, Lady Massey, made, how on earth can you improve the outcome in early years, in children's centres, if you have scrapped inspections—1,000 have not been inspected for five years, and Ofsted have not had any inspections for three years—and abandoned the consultation you promised in 2015 in favour of a peer review? How can you improve outcomes when this is your response?

Lord Agnew of Oulton: My Lords, these are important questions, and I respect the noble Lord for his knowledge on this subject. We have adopted a different approach to early years. We have an ecosystem of support for early years; we have the children's centres, the Sure Start centres, family hubs and the two year-old and three and four year-old offers. We are seeing progress in those areas. For example, in the two year-old offer, 72% of disadvantaged children are now benefiting from up to 15 hours of free early education, and there are nearly 23,000 providers offering funded places for two year-olds, an increase of almost 8,500 providers since 2014.

Lord Laming (CB): My Lords, I am sure noble Lords agree that the Sure Start centres have provided a great opportunity for assessment and for remedial and preventive work with families going through periods of considerable stress. Without those centres, the downward spiral into crisis will not be reversed. Does the Minister agree that there is probably an association between the closure of these centres and the large increase in children coming into public care?

Lord Agnew of Oulton: My Lords, no, I cannot accept that correlation. As I mentioned, we have created an ecosystem of support for young children. I mentioned the two year-old offer a moment ago, but we also have a three year-old and four year-old offer of 15 hours' free childcare a week, which is worth £2,500 in childcare costs to parents. In September 2017, we doubled free childcare for working parents. On the effectiveness of Sure Start centres, while I accept that they have made

[LORD AGNEW OF OULTON]

a valuable contribution, the Audit Commission carried out an in-depth assessment in 2010—I use that relatively old date because it was what I might call “unadulterated” to the specification of the last Government. That report stated:

“Between 1998/99 and 2010/11 we estimate that £10.9 billion (including £7.2 billion for Sure Start, which had dedicated funding for health improvements in the early phase of roll-out) will have been invested in programmes aimed in whole, or in part, at improving the health of the under-fives, but this has not produced widespread improvements in health outcomes. Some health indicators have indeed worsened—for example, obesity and dental health—and the health inequalities gap between rich and poor has barely changed”.

If we look at the impact we are making—

Noble Lords: Too long!

Lord Farmer (Con): My Lords, the Minister mentioned family hubs. Several councils have preserved their children’s centres by turning them into family hubs where families of older children aged from nought to 19 can also receive support, thereby integrating and improving help for more families. Beyond the early years social mobility peer review fund, which is focused on improving early language outcomes, what support are the Government providing to local authorities to encourage the development of family hubs?

Lord Agnew of Oulton: My Lords, we should all acknowledge the great work that my noble friend Lord Farmer is doing on families and on raising awareness across government. We have announced the Unlocking Talent, Fulfilling Potential fund, which will help local authorities develop strategies to improve outcomes in early years, including through the effective use of children’s centres. Family hubs are part of that. We will be looking to ensure that these innovations are recognised and shared, and we want to spread these successful approaches. We know that a number of local authorities are already moving towards this model of support for children and families, but it is up to them to decide how to organise and commission services.

Baroness Armstrong of Hill Top (Lab): My Lords, I wonder whether the Minister understands that there is a real crisis in early intervention. Early intervention is the only way that we will deal with those very severe problems that the noble Lord, Lord Laming, talked about and the whole way in which young people are getting into gangs and not being enabled to live the life that we think they ought to live. Early intervention was beginning to work by using evidence-based programmes, such as Sure Start, and evidence-based parenting programmes. This Government have abandoned much of it, I think for ideological reasons as it was started under the previous Labour Government. It is shameful.

Lord Agnew of Oulton: I can only respectfully disagree with the noble Baroness. We have made a huge commitment to this phase of children’s education. Since 2013, nearly 750,000 of the country’s most disadvantaged two year-olds have benefited from our 15 hours’ free education, backed by more than £2 billion of public investment.

Baroness Walmsley (LD): Following up on the previous question, is the Minister aware that yesterday, the All-Party Parliamentary Group for Children published a report showing that many local authorities are unable to afford the early intervention programmes that have just been mentioned and are so effective? The result is that a lot of children in some parts of the country are not getting the services that they would with the same level of need in another part of the country. Many children and families in that situation are going into a downward spiral and getting to the point where they need much more invasive intervention—even taking the child into care. It is cheaper and more effective to intervene early, so will the Minister have a look at the 12 recommendations of that report? They have the evidence, and the Government ought to act on it.

Lord Agnew of Oulton: I thank the noble Baroness for bringing the report to my attention; I will certainly look at it. It is worth saying that although there has been a reduction in Sure Start centres, the proportion of centres serving the 30% most disadvantaged areas has remained constant, so the focus on disadvantaged areas has remained.

Human Fertilisation and Embryology Act 2008: Frozen Eggs Storage Question

11.26 am

Asked by *Baroness Deech*

To ask Her Majesty’s Government what plans they have to review the 10-year limit on the storage of frozen eggs for social reasons under the Human Fertilisation and Embryology Act 2008.

Baroness Manzoor (Con): My Lords, the statutory limit on the storage of eggs is set out in the Human Fertilisation and Embryology Act 1990, as varied by the Human Fertilisation and Embryology Act (Statutory Storage Period for Embryos and Gametes) Regulations 2009. The regulations make provision for storage for longer than 10 years if the patient has been rendered prematurely infertile. There are currently no plans to review these provisions.

Baroness Deech (CB): The Minister is quite right to spell out the law, but what she did not say is that, for most women, the limit for storing eggs is only 10 years because they are not prematurely infertile. The 10-year limit was introduced, I believe, under my chairmanship, when the risks of long-term storage were unknown. Does the Minister agree with me that, as the optimum time for freezing eggs is around the age of 30, a 10-year limit for social purposes means that the eggs have to be destroyed at an age of, say, the early 40s, when a woman may despair of natural conception with a partner, having paid a lot of money for storage over those 10 years? All it takes is an amendment to the 2009 regulations, which could easily provide for longer storage for women who have not yet completed their desired family. Will the Minister encourage the department to show some compassion for those women?

Baroness Manzoor: My Lords, the noble Baroness makes an important point, and I recognise her argument. As an ex-chairman of the HFEA, she will know that the law is not set in stone. I am not aware that there is any consensus on what a more appropriate maximum storage limit should be, but if a strong case can be made for a new maximum limit, the Government would certainly consider a change in the law if it was needed.

Lord Winston (Lab): My Lords, I declare an interest as the chairman of the Genesis Research Trust, which funds research into reproductive medicine. Is the noble Baroness aware that the Minister on the Front Bench who answered my Written Question at the end of last year showed that the figures for egg freezing were as follows: at that time, 4,841 eggs had been thawed for the process of making a pregnancy, 93 pregnancies had resulted, and there were 41 live births—that is to say, even the miscarriages are not properly represented—but the overall success per egg per freezing was less than 1%. Of course, I absolutely support what the noble Baroness, Lady Deech, is saying about having earlier freezing, but if freezing is left too late, this is the despicable result. Can the noble Baroness ensure that the Department of Health does something about the many private clinics that charge thousands of pounds to women who have their eggs frozen and claim a 40% to 60% success rate, and that is on record?

Baroness Manzoor: My Lords, of course, I recognise the tremendous, world-renowned expertise that the noble Lord, Lord Winston, has in this area. He asked a number of questions, and I cannot comment on the Written Answer on the numbers and figures that were given on the eggs that were frozen and thawed. However, I was interested to see the data published by HFEA in March on the ages of women freezing their eggs in 2016, which showed that roughly 67% were 35 or older. I recognise the argument that, as with every aspect of our body, eggs also get older, so the earlier they are frozen, it is potentially better. For those women freezing eggs for non-medical reasons, the 10-year storage limit would appear to provide a reasonable period for them to decide if they wish to go forward with fertility treatment. On the question of private clinics, the noble Lord is absolutely right. I am aware that clinics are advocating three or four cycles of treatment to freeze eggs. That can be very expensive, so it is important that women who want to go down that route regard the issue seriously because at the end of the day only 26% are successful.

Baroness Jolly (LD): My Lords, when the scheme was first set up, will the Minister clarify whether the reason for the 10-year limit was evidence or science based, or was it based on social determinants?

Baroness Manzoor: My Lords, when the 1990 Act was reviewed, the 2005 Green Paper consulted specifically and asked views on whether the time limit should be changed, and what new limit would be appropriate. There was no consensus among the responses on what a new limit should be, with a wide range of storage periods being suggested, from 10 months to 20 years. I am not aware of any consensus now of what would be

a more appropriate maximum storage limit. When the 2009 regulations were put in place, they were considering the potential storage needs of adults.

Baroness Thornton (Lab): My Lords, it seems to me that the Government are at sea and are having a problem with this area of regulation in two different ways. I declare an interest, as I have a niece who had cervical cancer at a young age and had her eggs harvested. She has had a full recovery and those eggs will, we hope, be put to good use. The 10-year limit does not apply to her, which seems very arbitrary, so it seems to me that the Government have to review that. Do not the Government also need to review the regulation of the private clinics because they are not treating women well? So, there are two things. The noble Baroness, Lady Deech, is quite right that the limit needs to be reviewed, but the private clinics also need to be reviewed. Does the noble Baroness think that that is true?

Baroness Manzoor: As I have said, the Government will review any legislation if there is consensus and a need for it. Currently, there is not sufficient consensus on the period for storage. On private clinics, there are HFEA guidelines that women should attend clinics now registered by it, but it is a matter of personal choice as to where women seek treatment.

Baroness Kramer (LD): My Lords, the Minister seems to suggest that the rationale for not reviewing the 10-year time limit is that there is no consensus over a particular time limit, including the 10 years, but surely this is where the Government are meant to offer leadership? Making a decision should not be about gathering a cluster of opinions and then trying to find the mean or the average of them, but to offer leadership in a situation where, clearly, a lot of problems have flowed.

Baroness Manzoor: My Lords, the Government are offering leadership. This is a very complex area; we have issues of ethics, medicine, the law and science all colliding together and, therefore, there has to be consensus on moving forward in some way. As I have just said, there was a consultation on this and the consensus in terms of storing eggs, sperm and indeed embryos went from anything from 10 months to 20 years. As the noble Lord, Lord Winston, indicated, the clinical issues will be taken into account and, if there is greater consensus, the Government are prepared to look at this. I have already indicated that.

The Lord Bishop of Chester: My Lords, a man speaks with considerable hesitation on this very sensitive subject. Does the Minister agree that part of the success of the original Act was that there were certain clear boundaries laid out in it, not least the 14-day limit for experimentation on embryos? Therefore, whatever is decided in the future, I think the spirit of clarity is essential as we go forward. I can see the case for the 10-year limit being extended, but it needs to be done in a way that is quite clear in order to protect everybody.

Baroness Manzoor: The right reverend Prelate is absolutely right, and I have indicated that this is a very complex area that needs to be considered very carefully.

[BARONESS MANZOOR]

Of course, we must not forget that fertility begins to decline after the age of 35, so we do need to keep these issues continually under review.

Operation Conifer: Funding Question

11.36 am

Asked by **Lord Lexden**

To ask Her Majesty's Government what assessment they have made of the contribution of Home Office funding to Operation Conifer conducted by the Wiltshire Police.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, in line with the normal special grant process, an assessment was carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. This report is available online. HMICFRS was content that the costs of the operation were reasonable and proportionate.

Lord Lexden (Con): In view of the significant sum expended by the state on Operation Conifer, and in view of the relentless criticism that the operation has attracted, should not the highly unsatisfactory Conservative police and crime commissioner in Wiltshire, Mr Macpherson, be summoned to the Home Office for some pretty frank discussions? Have the Government noted the recent decision to prosecute the anonymous fantasist known as "Nick"—a decision that casts yet further doubt on the handful of unsubstantiated allegations left hanging over the reputation of Sir Edward Heath by Mr Macpherson's flat refusal to institute an inquiry? Indeed, one of those allegations was shown to be groundless by the *Times* newspaper last week. How can the Government go on resisting demands for an independent inquiry, which they have the power to establish? It is essential that such an inquiry be established to show that we remain a nation committed to ensuring that justice is done.

Baroness Williams of Trafford: I thank my noble friend for his questions. I know that, for certain Members of your Lordships' House, this is still not a satisfactory situation. In terms of summoning Mr Macpherson to the Home Office, the police are operationally independent of the Government. There are several remedies open to the PCC to further investigate, including an inquiry. Again, in terms of summoning him to the Home Office, I would like to inform my noble friend that the new Home Secretary, my right honourable friend Sajid Javid, and I have written to him again to outline the position that he is quite within his power to hold an inquiry.

As regards "Nick", my noble friend is absolutely right to bring up the issue, but obviously I cannot comment on individual cases. The general position is that the complainants in all sexual offences cases have anonymity for life, but, of course, if they are subsequently charged, they will have to go through the correct legal processes, which I understand is happening in this case.

Lord Blair of Boughton (CB): My Lords, perhaps I may return to an issue that I raised during the recent debate on PCCs initiated by the noble Lord, Lord Armstrong, and turn the issue into a direct question to the Minister. Can she explain to the House why the Home Secretary or his predecessor have not asked Her Majesty's Chief Inspector of Constabulary to send one of Her Majesty's inspectors to Wiltshire to examine and report back on Operation Conifer? HMIC is funded by the Home Office, so this is essential to the Question asked by the noble Lord, Lord Lexden. As I made clear in the previous debate, such investigations are part of the historic mission of HMIC, which will be much diminished if such action is no longer part of its remit. If the noble Baroness does not know the answer, will she write to me and place a copy in the Library of the House?

Baroness Williams of Trafford: My Lords, I thought I did know the answer and that I had reiterated it on several occasions. On the question of why not HMICFRS, the Secretary of State can at any time, under Section 54(2B) of the Police Act 1996, require HMICFRS to undertake an inspection on a specific police force or forces, which can be limited to particular matters or activities or a particular part of the force that he or she is concerned about. This power enables the Home Secretary to commission urgent inspection activities, and such inspection reports must be published. The Secretary of State also has powers under Section 54(3) of the 1996 Act to direct HMICFRS to carry out, "other duties for the purpose of furthering police efficiency and effectiveness".

Lord Paddick (LD): My Lords, in light of the noble Baroness's last answer, why have the Government not used these powers to enable HMIC to go to that force and carry out the inspection, as she suggested? Legally, it is not possible to libel the dead, but in practice it clearly is. It is not time that the Government considered a change in the law?

Baroness Williams of Trafford: As regards not being able to libel the dead, that has always been the case, but we keep legislation under review. The reason why this will not be done by HMICFRS is that it can carry out an inspection either of the whole force, part of the force or a particular activity of the force, and in this instance the Home Secretary does not see that this would be appropriate.

Lord Campbell-Savours (Lab): My Lords—

Lord Howell of Guildford (Con): I see my noble friend's difficulty in this matter, but would she not agree that, following the closure of the report by Wiltshire Police last year, the whole matter has been left in a most unsatisfactory state of limbo, with appalling stains left on the character of a deceased former Prime Minister? Has my noble friend noted—I am sure she has—that his accuser has now been charged with 12 counts of perverting the course of justice and one of fraud? May I urge her—I think with the backing of many of your Lordships—to take back the matter to her colleague the Home Secretary and point out that, in the interests of justice, further action is now required from his department and from the Government?

Baroness Williams of Trafford: I most certainly acknowledge my noble friend's point—that for many people this is a very unsatisfactory outcome. In terms of further things that the Home Secretary might be able to do, it is for the PCC to instigate an inquiry, should he wish to do so. He has stated to me in correspondence that he does not want to, for several reasons, but the option is open. The court case to which my noble friend refers will of course determine in due course.

Lord Rosser (Lab): I am sure that Members of the House are still somewhat baffled by the answers that have been given about why the Home Secretary has, as the Minister indicated, made his decision about an investigation by the inspectorate. However, I will move on from that and simply ask: is it not the case that Operation Conifer was more of a national investigation than simply a Wiltshire Police matter, and is not the logical extension of that that the Home Office should also be prepared to provide funding for an independent inquiry into the conduct of Operation Conifer, which in reality was simply delegated to Wiltshire Police?

Baroness Williams of Trafford: Operation Conifer was led by Wiltshire Police, so it was led by a local police force and was not a national operation. In terms of the funding for it, the Home Office has already provided £1.1 million of special grant. If special grants are applied for, the Home Office will consider them.

Business of the House

Timing of Debates

11.47 am

Moved by **Baroness Evans of Bowes Park**

That the debates on the Motions in the names of Lord Leigh of Hurley and Baroness Stroud set down for today shall each be limited to two and a half hours.

Motion agreed.

Business of the House

Motion on Standing Orders

11.47 am

Moved by **Baroness Evans of Bowes Park**

That Standing Order 46 (*No two stages of a Bill to be taken on one day*) be dispensed with on Wednesday 18 July to allow the Supply and Appropriation (Main Estimates) (No. 2) Bill and the Northern Ireland Budget (No. 2) Bill to be taken through their remaining stages that day.

Motion agreed.

Economy: Personal Savings

Motion to Take Note

11.47 am

Moved by **Lord Leigh of Hurley**

That this House takes note of the measures being taken to promote personal savings and the role they can play in building a stronger and fairer economy.

Lord Leigh of Hurley (Con): My Lords, first, I offer heartfelt thanks to those noble Lords who have chosen to speak today. I know that personally I normally allocate the night before a speech to prepare or finalise my words—yes, these words have been prepared—and that many of your Lordships do likewise. Given the competing demands last night, I am very grateful to those in this Chamber who have decided to speak today. I am looking forward to hearing from all speakers but perhaps I may say how much I am looking forward to hearing, in particular, from my noble friend Lord Lilley and how pleased I am that he has chosen this debate for his maiden. We very much look forward to it.

I also preface my remarks by reminding your Lordships of my interests as listed in the register. I am on the advisory board of Metro Bank plc, and am the senior partner of Cavendish Corporate Finance, which advises companies in the financial services sector, including those in areas that I will cover today.

Despite our relatively small numbers this morning, I notice and welcome the enormous expertise of all the other speakers in this debate. In passing, I observe that this is the beauty of having in your Lordships' House active working Peers of sufficient number to bring expertise to a debate like this, and it is why I am not convinced of the merits of too big a cull from our numbers of those with constructive knowledge.

Despite many predictions to the contrary, certainly given by some two years ago, much of the economy remains in good shape: GDP growth is up to 0.3% in May, from 0.2% in the previous quarter; ONS figures show exports at a record high of £620 billion in the year to May; tax receipts are up; and unemployment is down. However, as we consider these upward trends, we must of course consider something else—no, noble Lords will be pleased to hear that it is not the “B” word. We must consider the fundamentals that underpin this growth. How sound and sustainable are they?

There is a tendency to assume that all our prospects are determined by our legal and regulatory relationship with the European Union. Important though that is, we must not lose sight of matters that fall directly within our gift: technology, innovation, investment, research and so on. To add to that list, we are here to discuss savings, and specifically its role in making sure that our growth is sustainable and our productivity increasing. Governments tend to view savings with a degree of ambiguity: it is always tempting to encourage consumption now to boost tax revenues. One thing is certain about the UK, though: we never seem to save enough, regardless of where we are in the economic cycle of savings and tax revenues. However, the lack of savings harms our productivity by ultimately curtailing investment and innovation, and so it is neither trivial nor a quirk of the UK—it needs to be addressed.

What savings we do have are often locked up in unproductive assets such as property, stoking inflation and denying home ownership for too many. What can be done about it? In its most recent Financial Stability Report, the Bank of England states that household debt is now back below pre-financial crisis levels. If ever there is a time to pull hard on whatever policy levers we have, it is now. The economy is still growing and we need savings buffers to be replenished now.

[LORD LEIGH OF HURLEY]

Unsurprisingly, it is the least well off who have the least savings, forcing them to rely on high-cost credit. Clamping down on high-cost credit is not the answer. The reason why people use such services is not usually due to predatory lending, and is certainly not due to irresponsibility on the part of the borrower. It is simply not having savings to finance rainy-day activities such as trips to visit loved ones, white goods repairs or home improvement. The Building Societies Association is carrying out specific research into this. The biggest problem is affordability. The Government's decision to take anyone earning up to £11,500 out of tax altogether has created more opportunities to save. We now need good policy to ensure that these opportunities are taken up. That is why we should commend the Help to Save scheme—a better targeted scheme than its namesake, Help to Buy. Help to Save allows anyone entitled to working tax credit or child tax credit to deposit up to £50 a month and receive up to £1,200 in tax-free bonuses. In addition, auto-enrolment has changed the nature of pension savings for good, with millions now contributing, giving them a real economic stake in our economy for the first time. Indeed, the proportion of eligible people contributing to workplace pension has risen from a low of 42% in 2013 to 81% today.

Accompanying these new schemes is an improvement in the financial advice available, through the new single financial guidance body, chaired by Hector Sants. Sound advice is a necessary condition of embedding a savings culture so that we can empower a new generation to take control of their finances responsibly. With savings policy and the vehicles available becoming more dynamic, the advice needs to reflect this. Bringing the work of the commendable Money Advice Service, the Pensions Advisory Service and the DWP Pension Wise guidance into one place is essential. As people move from ISAs to LISAs to pensions saving, giving them a single point of contact will enable them to make better decisions.

I also commend the ABI, which has produced a guide for the industry on working with and providing products to vulnerable customers. After all, the industry should not and does not have to wait for the regulator to develop an approach to dealing with customers who need additional help and advice. Having a vulnerability policy in place should be its first act of leadership on this issue.

Turning to regulation, it is first important to give credit where credit is due. The FCA is developing a highly progressive, market-leading approach to regulating new products and services. The “sandbox” is being imitated the world over as the best way to allow fintech firms to test out their products in a live firing exercise, so that they can understand how they will be treated when they scale up to the mass market. For savings and investment, this dynamic approach is creating new opportunities in AI, machine learning, fraud prevention and cybersecurity, and opportunities for the firms themselves through so-called regtech, which actually reduces compliance costs for regulated firms.

More prosaically, there are areas where the FCA needs to do better, especially in its over-zealous approach to consumer protection, which does long-term damage to both providers and savers. For example, the funding

of FSCS is becoming hugely problematic for smaller firms. This is being driven by the lack of a long stop on claims, which means that pay-outs can still be demanded on advice that was provided in the 1980s. That does not seem right. It also means that the burden of covering this liability, of course, falls on those currently seeking advice, which seems unfair and makes the process more expensive for all those concerned.

Similarly, there remains too much legal ambiguity around the Financial Ombudsman Service, its judgments and the role of the FCA. Your Lordships will recall my comments in regard to the ombudsman during the Second Reading of the Enterprise Bill.

A good example of the issues with the ombudsman is the case of SIPPs, self-invested personal pensions. These are tax wrappers that enable investment into a range of HMRC-approved investments. The FCA has rightly acknowledged that SIPP operators are not responsible for the investment advice given to SIPP members—the former is responsible for the wrapper only—and yet this was overruled by the Financial Ombudsman Service, which is of course complete nonsense. The result is huge legal uncertainty for all SIPP providers and, more besides, continuing uncertainty as to the role of the ombudsman and its relationship with the FCA and the FSCS.

It might be a sensible starting point always to look at these issues from the perspective of the consumer—I understand that—but this should not include making judgments that are outside any current legal precedent. Ultimately, this will come back to the consumer, with less choice, more expensive advice and, yes, lower rates of savings and investments. I ask my noble friend the Minister to confirm to me—possibly later in writing—that it is still the Government's policy to allow savers to invest in unregulated investments of their choice through a SIPP, which is a huge attraction to many who want to make their own investments and savings choice. If that is the case, what steps will Her Majesty's Government take to ensure that SIPP providers will not be liable when, as is inevitable, some of these investments go wrong? I have seen huge uncertainty and I am very concerned about the SIPP market.

However, two other dynamics are potentially more impactful than government policy and regulation, both of which can be a force for good for savings: technology and new attitudes to responsible investment. First, technology is creating new products that make saving easier and even—believe it or not—fun for savers. Products such as Moneybox allow people to round up everyday purchases into investment funds. You buy your cup of coffee, you pay through Moneybox and you have the opportunity to put your change straight into a savings product. Monzo allows a customer to ring-fence a current account in any way to create pots of savings for different purposes. This is a far cry from filling in forms, going to the post office and getting plain vanilla, low-interest savings accounts.

Technology also helps with tackling the financial inclusion challenge. In 2012, 2 million people took out some form of high-cost credit. If they had access to savings pools this might not be necessary. Research has shown that if households had just £1,000 in accessible

savings their risk of debt would be reduced by 44%, which could prevent half a million families from falling into problem debt.

The desire to save is ubiquitous but higher barriers exist for the poorest. Tax-free incentives such as ISAs are aimed at those who can afford to save thousands of pounds a year, so new businesses looking to help the unbanked, such as Pockit, which Cavendish is helping, are to be welcomed. It has found that few high-incentive savings products currently exist for those who can afford to put away a few pounds every week or month.

I recognise that the Government are addressing this issue from different directions. Last night—before 7 o'clock—I went to a DCMS reception for the inclusive economy at No. 10 Downing Street, where I met Jerry Daring, a director of Money A+E, which has a government grant and is an award-winning social enterprise that provides money, advice and educational services to BAME, black, Asian and minority ethnic people, and seeks to reach out to other communities in London. As I mentioned earlier, the Help to Save scheme will begin to address this problem, but technology can help as well. Companies like Aire provide non-standard credit scoring tools that allow normally sub-prime or unbanked borrowers to access cheaper loans.

Secondly, responsible investment is becoming increasingly interesting to the next generation of savers. Some 77% of 22 to 29 year-olds in the private sector are now contributing to a workplace pension. As these pots are built up and technology allows better management and more transparency, where people's money is invested is becoming more important. The United Nations sustainable development goals create opportunities for people to save more, but by investing in things that matter to them. Closer to home, in 2016 Swindon Council crowdfunded a green bond to allow local residents to invest in local solar energy projects, which is marvellous. Connecting local savers to investment opportunities that they themselves have a community stake in can be very powerful.

While saving rates are still low, there are reasons to be optimistic. Government policy is coming together through different departments with new technology and evolving social attitudes to create the best opportunity we will get to embed a savings culture in the UK. In doing so we will improve our productivity and, most importantly, reduce financial exclusion. That is why I am pleased to move a debate on this subject and I look forward very much to the contributions of noble Lords and of course to the response of my noble friend the Minister.

12.01 pm

Lord Palmer of Childs Hill (LD): My Lords, I thank the noble Lord, Lord Leigh, for introducing this debate because it gives us a chance to look at the various problems and see what assets are available. I also look forward to the maiden speech of the noble Lord, Lord Lilley, which will follow my contribution.

So much more could be done to promote personal investment, but we need to recognise the current problems, which the noble Lord, Lord Leigh, did not dwell on as much as he did on the assets. I have received an email from the Building Societies Association, as I am sure

did all the speakers in this debate. It was really a bit of a nerve on the part of the association because building societies and banks are part of the problem. If you want to put money into a building society or bank account, which is the case for a lot of people, the rate of interest you will receive will be something like 1.5% if you are lucky. That is not an inducement to save. He also talked about ISAs. The low rates offered by building societies and banks, which I have already mentioned, are even lower for ISAs. You put your money into an ISA to get the tax benefits, but the building societies pay you less interest. The noble Lord says that ISAs are great, but they are not widely used by those at the bottom end of the income scale for the reasons that he himself mentioned. If the personal savings allowance free of tax is £11,500 and you can earn investment income if you are at the lower end of earnings of £5,000 without paying any tax at all, the benefit of an ISA with a lower rate of interest is not conducive to savings. That is a problem which I hope the Government will find some way to address.

What are the Government doing? They have an NS&I bond which on a one-year bond offers the wonderful sum of 1.45%—again, I am sure, an incredible inducement to those who want to save. Can the Minister ask the Government to consider once again an NS&I bond, which I have mentioned before in the House, paying 4% for a four-year bond? If that were to happen, it would bring in a vast amount of money to the government coffers and would look similar to taxation. It would mean that those people who wanted a secure investment could earn 4% if they tied their money up for four years, which really is not that much.

Can the Minister inform the House whether more people are investing in gambling with the National Lottery? I put my hand up and say that I do the same because ERNIE is probably a better and safer bet than hiding money under the bed, which I do not do, or putting it into a low-earning bank account. I have tried ERNIE and you can probably earn 2% per annum with a reasonable investment, with a big chance of winning a big prize. We have turned ourselves into a nation of gamblers.

Savings are not necessarily the best use of spare cash. For many, especially the heavily indebted, paying down debt is more beneficial than saving—reducing your mortgage is probably a better bet than savings. The noble Lord, Lord Leigh, quite rightly mentioned pensions. I am sure that other people who know far more about the pensions industry than I do will speak about it, but early pension draw-down is presenting a huge problem. Many people are investing their pension funds in inappropriate, costly or inefficient vehicles, severely damaging their savings. Some are actually being scammed. The Liberal Democrats worked hard in the passage of the financial guidance Act to make advice before draw-down a default option. This was sadly resisted by the Government.

The noble Lord, Lord Leigh, talked about unregulated investments. They are great for someone who wants to put a few thousand pounds of their accumulated wealth into something slightly riskier—much riskier in some cases—and probably earn a good rate of return but,

[LORD PALMER OF CHILDS HILL]

if you are at the lower end of the scale, putting all or large sums of your money in unregulated investments is dangerous.

The noble Lord also quite rightly, in a wide-ranging speech, spoke about workplace pensions. It is obviously a good thing to get people to save in the workplace with a pension, but the corollary is that if you are at the lower end of the scale and you are putting money into a workplace pension you are almost certainly not going to have money to put into a savings account because you have a limited amount—you buy a loaf of bread first, pay the rent and what is left is taken for the pension. That is good, but it does not encourage other savings. The Government promised at Section 21(6) of the Act to bring in regulations to prohibit cold calling for pensions by the end of June just past. Will the Minister say, since we are now in July, what the current timetable is?

Getting advice on savings is critical. This passes from the Money Advice Service, which is pretty good, and Pension Wise to the new single financial guidance body set up by the Act. Could the Minister tell the House what progress is being made and how he sees the single financial guidance body operating?

With low rates of return, many people are turning, as they have done historically, to the stock exchange. Confidence in the safety of using a stockbroker has been undermined severely by the failure of Beaufort Securities, a large stockbroking firm. Investors assumed that their investments were ring-fenced, but Beaufort Securities closed down and PwC, that well-known audit firm, was appointed the administrator. It initially said that the charges could be up to £100 million. The surprise was that this came as a first charge on cash and shares—even those of the investors. I believe that, after protests, the administrator's estimated costs were reduced to a mere £55 million. Of course, the FCA has a compensation scheme, so many of the smaller investors with brokers should be protected. In Beaufort's case, this leaves eight to 10 larger investors not covered by the compensation scheme.

My noble friend Lord Lee of Trafford has asked Written Questions and Oral Questions on this matter. The answers were quite amazing, because they do not seem to appreciate the damage that the situation is causing. We are asked to increase savings and investment, but the very thought that client assets—cash and shares—are not protected could lead to a flight of clients from very reputable small and medium-sized broking firms: if they remain investors they will flee to the apparent safety of larger firms. Are the Government aware of these fears and are such fears being addressed?

The Motion is about promoting personal savings: it is a good idea. The noble Lord, Lord Leigh, touched on some of the statistics and I will not repeat them, but more than 40% of working-age people have less than £100 in savings for emergencies: that is 17.3 million people without at least £100 in a savings account. If one makes that calculation on all UK adults, not just those in employment, then 13% have no cash savings whatsoever, including all the elderly, who should have savings.

Numeracy skills are particularly important. The Money Advice Service has said what affects savings, and I think it is worth repeating:

“Building a savings habit and a savings buffer to protect households from unexpected bills and increase financial resilience is a matter not just of situation (for example, spare cash available to save—determined by income, commitments and debts) but also skills (how engaged people are with their finances and how well equipped they are to manage them—for example, their numeracy) and ‘stance’?”

Do they have a “savings mindset” or a “‘live-for-today’ attitude”? What are their,

“perceptions of their financial situation”?

Do they have “financial confidence”, and what are their,

“feelings and beliefs about financial matters”?

As a chartered accountant, I have always been quite amazed at the lack of numeracy among very large numbers of people. They can probably add up the score in last night's semi-final, but beyond that they get into a bit more difficulty. What affects savings? It is having money there, and I am not talking about emergency money but money for the future. If you put your money into pensions, that is one thing, but how much else is left? There is a difference that we must identify in this debate between savings for the unexpected—the emergency, something in the pot that can pay for the roof repair or illness in the family or whatever—and such savings as pension contributions. There is a difference, and what we fail to realise is that many at the lower end of the social scale do not have the choice of having enough for the emergency, so they go to loan sharks, as too many of them do, or borrow on their credit card at usurious rates of interest, rather than saving for the future. I am all for promoting savings but I hope that other speakers in this debate will also identify the problems that people at the lower end of the scale have with saving, and that those who do have money must be able to put it in a safe place and earn a reasonable return on their savings.

12.13 pm

Lord Lilley (Con) (Maiden Speech): My Lords, I am grateful to noble Lords and staff of this House for their warm welcome and unfailing helpfulness since I arrived here.

I perhaps owe noble Lords an explanation of the title I have adopted of Lord Lilley of Offa, since many have assumed that this refers to Offa's Dyke along the Welsh Marches, with which I have no known connection. In fact, King Offa gave his name to the ward of Offa in my constituency of Hitchin and Harpenden, where he had his palace and I for the last 20 years have had my home. He also built the abbey in St Albans, which was my previous constituency, so I selected the name Offa as a tribute to both the constituencies I had the privilege to represent for more than 34 years.

Having done so, I thought I had better check out King Offa, in case he had done anything embarrassing. I discovered that he reigned from 757 to 796 AD. At that time, our European neighbours were united under Emperor Charlemagne in what historically minded Euro enthusiasts see as a precursor to the European Union. Charlemagne, hoping to bring Britain under his sway, proposed that his son marry King Offa's daughter. Offa, wary of England becoming a vassal

state and wanting a fair and equal partnership, as the Prime Minister might say, determined that he would accept only if Offa's son married Charlemagne's daughter simultaneously. Emperor Charlemagne was so enraged by this impertinence that he closed all European ports to English shipping—an early example of a “no deal” outcome. However, the trade war hurt Europeans at least as much as it hurt us and, thanks to the mediation of the Church—I hope right reverend Prelates will stand by in case they are needed in the future—trade was resumed after a year or two. I am happy to say that King Offa negotiated the first trade treaty between this country and our European neighbours. This certainly is not an occasion to reflect on the lessons to be drawn from this and subsequent attempts throughout history by continental rulers to bring this country to heel by restricting our trade, except to note that they all failed.

Before moving to the less contentious subject of this debate, I hope noble Lords will bear with me if I mention, as I have been advised by several noble Lords is normal procedure on maiden speeches, the experience I hope to bring on subjects which may come before this House in future. Certainly, trade is a subject I hope to return to in future debates, though not primarily in the context of Brexit. My first career was working in developing countries on aid and development programmes and, because of that, David Cameron asked me to chair his policy commission on globalisation and global poverty alongside Bob Geldof—an unlikely pairing, but one which would bear fruit, not least in my conviction that the best route out of poverty for developing countries is trade. As a result, I founded and co-chaired for 10 years the All-Party Parliamentary Group on Trade Out of Poverty, which remains a passion of mine.

My second career was as a partner of a major firm in the City where I specialised in investment in the energy sector. In the Commons, I served on the Energy and Climate Change Committee—I hope to return to those topics, too.

As Secretary of State for Trade and Industry, I was involved in negotiating the last successful international trade treaty, the Uruguay round, and also implemented the single market programme in this country, as well as negotiating the first passporting directive, all of which I hope may be of use in forthcoming debates on the Trade Bill and Brexit.

Finally, in my five years at the Department of Social Security, followed by 20 years as an ordinary constituency Member on the Back Benches, I came to the conclusion that most of the social problems in this country are either caused or aggravated by the acute housing crisis we have in Britain—that is one of the issues I want to focus on in future—and that most of our economic problems were related to the lack of vocational and technical skills of our indigenous population. Those are the two issues I care about most, and I hope to offer every support to my supporter and noble friend Lord Baker of Dorking—he does great work on that front.

I congratulate my noble friend Lord Leigh of Hurley on securing today's debate on an important subject, when the level of savings in this country is so low. It is matter of importance to me because, as Social

Security Secretary, I was responsible for the pension system and for coping with those who had been unable or unwilling to acquire sufficient savings to cope with emergencies or, above all, with their old age.

I shall make a few brief observations. First, discussion about savings in this country is dominated by an unhealthy obsession with tax reliefs and incentives. In fact, there is little evidence that tax reliefs affect the amount people save; they affect merely the form in which they save it. Moreover, the main beneficiaries of tax incentives are, by definition, those with large savings, who are also usually those with large incomes. Tax reliefs can have no impact on those who are too poor to save and have little, if any, effect on those whose time horizons are too short to recognise the need for saving. This obsession with tax reliefs has created a bewildering labyrinth of incentives which is costly to navigate and off-putting to those with limited financial expertise, so they have the reverse effect to that which is intended.

Secondly, that is not to say that there should be no recognition of savings in the tax system. On the contrary, the tax treatment of savings should be based on the simple principle that income should not be taxed twice. You should not be taxed when you earn the money you save and when you realise those savings as a pension or whatever. This is a matter of equitable principle rather than incentives.

Thirdly, as long as people pay the same marginal tax rate when they draw down their savings as when they earned them, it makes no difference whether tax relief is given on contributions, as we do for pension schemes, or on withdrawals, as we do for ISAs. Despite what many people believe, both methods have an identical arithmetical impact. We should give one relief or the other on any source of savings, but not both or neither.

Fourthly, there may be a case for using the tax system to channel some savings into specific kinds of investment—for example, more risky equity or early-stage investments—but we should not imagine that that will increase the total level of saving and investment in the economy, and we should be cautious about encouraging people to take undue risks with their money if they are not in a position to do so.

Fifthly, the main concern of the state is to ensure that people who have the means to save for a rainy day, for temporary hardship and, above all, for their old age do save when they have that opportunity rather than becoming a tax burden on more prudent citizens. People who cannot defer gratification or have very short time horizons are the least likely to be motivated by tax incentives, however generous or ingenious. Reluctant though I am to say it, ensuring that everyone builds up their savings when they have the means to do so requires an element of compulsory saving and/or restrictions on drawing down savings. Auto-enrolment in workplace pensions is a good step in that direction, particularly for those who perhaps cannot bring themselves to go to full-scale compulsion.

Sixthly, unlike with tax reliefs and incentives, requiring everyone to save a minimum amount of their disposable income may increase the total level of saving and investment in the economy and thereby increase the level of incomes in future.

[LORD LILLEY]

Those were the principles that lay behind the scheme that I announced in 1997 for what was called basic pension plus. It was intended that, over a generation, it would ensure that everyone received a basic pension, not only guaranteed by the state as at present—and that guarantee would continue—but backed up by a savings pot. Moreover, it would have massively increased capital ownership because everyone would own their pension pot, they could pass it on to their family if they died before it was drawn down as a pension and they could put more money into that pot and benefit from superior investment performance while being protected by the guarantee of their basic pension against underperformance. If it increased the total level of investment in the economy and that boosted economic growth by just 0.1% a year, the scheme would have paid for itself.

That particular scheme died with the 1997 election defeat and I do not imagine that it will be resurrected, but I still believe that the principles that I have outlined today should guide the evolution of our savings and pensions system in future.

12.23 pm

The Lord Bishop of Chester: My Lords, on behalf of the House, I thank the noble Lord, Lord Lilley, for his splendid maiden speech and look forward to many contributions from him in future. He mentioned the kingdom of Mercia; Chester was the northern outpost of that kingdom, so I look forward to collaboration with the noble Lord, as we do collaborate on a think tank concerned with energy and climate policy. The noble Lord had a very distinguished record in the other place, but some of us remember him most for singing at the Conservative Party conference, to the tune of “Land of Hope and Glory”, words which I have deliberately forgotten for the purposes of today’s speech. He brings an incisive mind and great integrity to the House, and we look forward to his further contributions.

I am also grateful to the noble Lord, Lord Leigh of Hurley, for securing this debate and for his informative and skilful introduction. I shall look up Monzo, one of the saving apps to which he referred, afterwards.

Given that around 40% of people of working age have no savings and that half of those who use credit cards apparently do not pay them off at the end of the month—to choose just two of the multiple range of indicators one could choose from—there are deep, if complex, issues facing our society at the level of personal finance.

I happily and gratefully acknowledge the various recent government initiatives which have attempted to respond to these, notwithstanding the possibility that they may not be as effective as hoped. The Help to Save scheme for low-income families, the various manifestations of ISAs—including the recent Help to Buy and lifetime ISAs—and the National Savings bond, which offers a slightly more generous rate of interest than can be achieved elsewhere, will all have some helpful impacts for individuals and families over the coming years, I do not doubt.

I would like to offer some comments on broader aspects of the situation which we face. I refer first to housing because buying a house used to be the main

way in which individuals and families saved for the future, as the principal on a mortgage was gradually repaid. Until about 10 years ago, the proportion of people who owned their own home was on a long-term rising trend. The process of paying off a mortgage, typically for people who might have got into the housing market in their 20s or 30s, was essentially a form of steady saving. A majority of young people now have to rent—in some cases, they choose to rent—which means that they do not have the stake in wider society which saving and house owning itself help to provide. This debate is not about home ownership and housing policy as such, but the issues are quite deeply connected, as the intentions behind the Help to Buy and lifetime ISAs indicate.

On the housing front, we seem to have reached an unsatisfactory position, with the lack of a clear national policy that is likely to deliver the houses we are going to need in future and need today. For my part, I see little alternative to a return to more direct government and local authority investment as part of the necessary response, along with appropriate management and regulation of the mortgage market. I do not see how just leaving things essentially to the market will work. That has been the fundamental approach for the past 30 years; it has clearly not generated the housing that we need but has generated quite fundamental problems. For those on the housing ladder, it has worked well, of course. The persistent and progressive rise in house prices has been popular with home owners. For those who have benefited—and I have been one of them—wealth and savings have increased almost without effort.

Now, however, we have a real dilemma. Let us suppose that the supply of houses for sale increases to the point where the market starts to reduce their prices. Those who have bought houses in recent years will then experience a loss in their investment—that is, their savings—and all sorts of political stresses and strains would result. This is why I have come to think that the Government really have no choice but to act to control and regulate aspects of the housing market much more proactively than has been the case in recent decades. If this does not happen, I fear that the well-meaning ISA schemes which are designed to help people on to the housing ladder, will not be very effective.

The housing-related aspects of saving are only part of a larger picture, of course, which properly includes pension saving and a wider provision for care needs in old age. I wholeheartedly welcome the auto-enrolment provisions on the pensions front, but they must not be allowed to mask the fact that very many employees are now in defined contribution pension schemes, which are much less generous than the defined benefit schemes that they would have enjoyed in the past. The same is true for the self-employed, as annuity rates have lowered the pension value of the funds for which they have saved.

From whichever angle one views the situation, there is a need to encourage a culture of greater financial responsibility and one more orientated towards saving in our country. Our savings ratio is way below other developed countries, and that is simply storing up problems for the future.

This is a subject in which the Church has taken a certain interest over the years. Some time ago, in collaboration with the Church of Scotland, the Church of England launched the Churches' Mutual Credit Union, and it would be helpful to have a renewed interest and support for credit unions in general. Perhaps when he responds, the Minister will say something about the contemporary view of the role of credit unions. For some reason, they seem rather to have slipped from our attention.

More recently, the most reverend Primate the Archbishop of Canterbury, who served on the banking commission after the recent financial crisis, set up a task group on responsible credit and saving. Out of this has come a submission to the current consultation on PSHE arguing that serious financial education should begin at primary school and continue throughout a child's school career. The most reverend Primate's Just Finance Foundation is helping to run financial education programmes in 120 schools, in partnership with the financial education charity Young Money, under the title LifeSavers. LifeSavers helps children learn how to manage money wisely and provides training and resources for teachers to carry on that work in the classroom. Nearly 15,000 children have already taken part in LifeSavers, and 1,000 teachers have been trained through the continuing professional development scheme that LifeSavers offers.

There are wider social dimensions and impacts, of course. Disputes and strains around finance are a significant factor in adult relationship breakdown, with all the trauma and cost, both to the individuals and to wider society, which generally result from relationship breakdown. I hope the Minister will comment on how the recent government savings initiatives can be supported and complemented by much better financial education, in partnership with the charitable initiatives I have described and which other noble Lords have mentioned.

I conclude with a final, rather broad and perhaps disputable comment. In my adult life, I have watched the development of a more consumerist culture based on the primacy of the freedom of the individual. This has had many benefits—and I would not deny that for a moment—but it has also had a downside. The more that a society is based on the freedom of the individual, the more likely it is that that society will generate winners and losers, and reinforce the winning and losing outcomes. America is the prime example here, with its persistent and large underclass, and it has also fed the gambling problem in our society, which we are attempting to deal with now by, for example, reducing the stake on betting terminals from £100 to just £2. There is a grinding of gears going on as the Government try to implement that.

It is the task of government and of society as a whole to be alert to the downside that results from a free society, which is intrinsically the right way to organise ourselves, and to counteract the unfortunate consequences that tend to result. We also have a growing underclass that sees little point in saving seriously for the future, just as we have a prison population that is twice what it was earlier in my adult life.

The issues behind today's debate are for the whole of society and touch on these broader social issues. That is why the recent pension and ISA developments, welcome as they are, risk merely scratching the surface of the challenges we face unless they are faced more comprehensively.

12.34 pm

Baroness Altmann (Con): It is a pleasure to follow the right reverend Prelate, and I, too, congratulate my noble friend Lord Leigh for initiating this debate on the important issue of the fall in the savings rate. I also offer my congratulations to my noble friend Lord Lilley on his brilliant maiden speech. We all look forward to hearing many more words of wisdom from him in the coming years.

This is a debate about the role of savings in economic growth, building a stronger and fairer society, and promoting personal savings and the savings habit, which is surely an element dear to the hearts of most of us Conservatives and, indeed, most of us in this House across all parties. I congratulate my noble friend the Minister and the Government on some of the excellent initiatives that have been introduced to promote and build up a savings culture once again. Many of us have been concerned that that savings culture has been lost or damaged in recent years, partly due to the Bank of England's emergency measures of quantitative easing, which have driven interest rates down so low, and have caused serious problems to pension schemes in this country.

The introductions of auto-enrolment and the pensions freedoms have been excellent opportunities to increase the coverage of pensions and make them more user friendly. In addition, we have had the Pension Wise service, which will be merged into the single financial guidance body, which is something that we could and should have had years ago—a national scheme that will help individuals better understand how to manage their money and pensions. Indeed, it will include debt, too.

The charge caps on default funds in pension schemes, after so many scandals with excessive what we call "rip-off" charges for so many years, are again extremely welcome. I also welcome the increase in ISA allowances, but I shall come back later to express some concerns about the overall ISA framework.

On exempting savings interest from tax, every little bit helps when interest rates are so low. That is certainly to be commended. The Help to Save scheme, which a number of noble Lords have mentioned, will I hope be an excellent initiative. And then there is help with debt generally, in controlling excessive charges on high-cost credit. All these things are to be commended, but many areas still need improvement.

I shall focus on some of the ways in which issues such as saving and debt are causing problems in the economy, and some of the possible resolutions, before finishing with some of the longer-term issues for savings and investment. From the point of view of the Lords Select Committee on Financial Exclusion, it was clear that there are real problems across the country, with 31% of the population reporting signs of financial distress. Twenty per cent of 18 to 24 year-olds are

[BARONESS ALTMANN]

having problems with credit scores, which will lead to a rise in debt levels and in the use of high-cost debt, which are a significant cause for concern. The Bank of England's analysis responded to concerns about the extreme rise in debt levels across the country, suggesting that they were not of such concern because increases in borrowing rates had been matched by rises in the value of financial assets. That did nothing to assuage my concerns or those of many others because, of course, most people who have high debts do not own financial assets, and therefore are negatively affected.

We are seeing this in the workplace. I declare an interest; I am advising a social enterprise that is trying to help workers manage their high-cost debt in the workplace through salary deduction and consolidation at lower rates. We know that financial worries exacerbate stress and mental health issues. These are already the biggest causes of sickness absence from the workplace, with 17.5 million working hours lost as workers take time off due to financial stress. Barclays did a study in 2014 which suggested that 46% of employees worried about finances. In 2017, the CIPD suggested that 25% of employees said that financial problems affected their work performance. Indeed, in the public sector for some reason that was 30%. So clearly there are issues. If employers can see the clear self-interest in helping their staff reduce debt costs and manage their debts, using programmes such as salary finance, which enable employers to deduct debt repayment from their staff's salaries so they do not have to keep worrying about juggling debts and about where and how to manage repayments, it could be a win-win by improving productivity, staff well-being and the financial resilience of our population, which is so important as we move forward. We have had some years of very reasonable economic performance, but we cannot expect that necessarily to continue, so if we are able to build up financial resilience, that can only be of benefit to society as a whole.

I cannot properly speak in this debate without mentioning the exciting and brilliant topic of pensions—at least, I think they are exciting and brilliant. As the noble Lord, Lord Palmer, said, this brings us to the important issue of the difference between savings for a rainy day and investment for the longer term. Too often I feel that the public—and indeed sometimes policy—confuse the two and think of it all as savings, whereas there is a fundamental difference in terms of long-term investment. Pension saving by its nature is long term. We have hundreds of billions of pounds built up in pensions in this country. I know that we keep reading headlines about the pensions crisis and that there is not enough in pensions, but there is a huge sum of money in pensions, and we perhaps have an opportunity to focus on using those assets productively.

There is an attempt, on which I commend the Government, to use more of the assets of local authority pension schemes to invest in infrastructure. Consolidating the schemes, we could use pension assets for social housing and environmentally and socially responsible investing. There is an opportunity in the workplace with auto-enrolment. Will the Minister comment on the opportunity to engage in particular young people

but workers of any age with what their pensions are invested in and to educate them and enable them to understand investment? So many people fail to understand the first thing about pensions, despite the fact that, with the pension freedoms, they are the most brilliant product. They are user friendly and can be used in ways in which we did not use them before. As we spread auto-enrolment across the whole workforce, this is increasingly important.

I shall just mention some notes of caution and ask the Minister to comment on some of them. First, as has been mentioned, it is vital to help consumers. A proper ban on cold calling is long overdue. All the scandals I have seen in pensions have started from a cold call. We worked hard across the House on the Single Financial Guidance Body and on the Bill that has just gone through to try to introduce a proper ban on cold calling that would require the FCA, the regulator, to prevent and disallow providers using leads from unregulated lead generators that started with a cold call. That is work in progress and has not yet been achieved.

There is also an issue with the ombudsman. A report has been issued today, I believe—I do not know whether my noble friend has had time to see it—on some of the failings of the Financial Ombudsman Service. There is great merit in helping consumers by merging some of the activities of the various consumer services that are there to help the public. The Pensions Ombudsman does not deal with all pension complaints. The Financial Ombudsman Service deals with some of them, the Pensions Ombudsman with others. Would it not make sense to have every pension complaint dealt with by one ombudsman?

My noble friend Lord Lilley mentioned pensions tax relief. I have long believed that most people do not have the first clue how much they get from pensions tax relief or what it is worth, yet we spend more than £40 billion a year on it. If we could rebadge pensions incentives as a flat-rate top-up, a bonus that you get for saving in a pension that is contributed to by the taxpayer, people would start to understand it and value it.

One could get even more radical and suggest that auto-enrolment, once it is bedded in, becomes compulsory. That would mean that the Treasury might not need to spend any of the money it spends currently on tax relief on auto-enrolment pensions, saving the taxpayer a fortune. The value of the pensions tax relief is tiny compared to the value of the employer contribution, which is a major incentive. Going on from that, it would be possible to have more generous incentives, funded by the taxpayer, to encourage people to build on more than the minimum under auto-enrolment, which I think most of us would agree will not give you a huge pension. It will give you a bit extra, above what the state can give you.

There is a scandal in the pensions system at the moment which I am very concerned about. I have raised it in the House several times and I implore my noble friend to take this issue back and ask for urgent action. It concerns what are called net pay administration schemes. There are millions of low-paid workers—this applies only to workers earning below £11,850—who

are auto-enrolled into a pension administered in such a way that they cannot get the 25% bonus of tax relief that they are due. Most people do not know about it. I do not want most people to need to know about it. I urge the Government to deal with it so that these people, who are surely those who need most help with pension saving, end up with the money they are owed. I do not want another big scandal on this.

The other issue that concerns me is the lifetime ISA. In my humble opinion, it is dangerous, confusing to the individual and a huge mis-selling risk. Most people who go into it will need financial advice—but not necessarily a financial adviser—because they will not understand the penalty of at least 6% that they will pay if they take the money back. If we want to incentivise house purchase, we should do so directly, rather than confusing people with something that masquerades as a pension but has completely the wrong behavioural incentives. With pension freedoms, pensions are brilliant, because there is now more reason to keep them into your 80s, and that is what pensions should be about: lasting for the rest of your life, not giving you a pot of money to spend at age 55 or 60.

That brings me to my final point, which is that we must address the issue of saving for social care. Nothing has been done on this. We spend £40 billion incentivising retirement saving in just one product—the pension—yet a pension is not enough to see people through 21st century retirement. I recently had a response from the Government to a Written Question which identified that the over-65s—just the over-65s—have on average almost £40,000 in ISAs. There are millions of people with this money; it is not earmarked for anything. We know that the baby boomers are criticised for having savings, pensions and houses, but we should be harnessing that and celebrating it. If we look forward 10 or 15 years and they start needing care, but they have spent all that money, we will have a problem. However, if we have encouraged them to keep some of the money they have saved for care, we will have the beginnings of some kind of resolution to the care crisis, which makes the pension crisis pale into insignificance.

There is not a penny set aside for the future funding of social care—not by individuals, or the Government, whether national or local—and this cost is coming. Perhaps we could have a care ISA allowance. People could rebadge the ISAs they have, and maybe we could incentivise that by making them inheritance tax-free. That would not cost the Government much at all right now, but it would mean that people could save for later life. We could maybe allow people to take money out of their pensions tax-free if it were used for care in later life. Anything we can do to help people—the baby boomers, in particular—keep their ISAs and pensions for later life would be commended. I would be most grateful if the Minister would comment on that. I congratulate my noble friend again on raising this important debate.

12.51 pm

Lord Suri (Con): My Lords, I thank my noble friend Lord Leigh for introducing this most important debate. I welcome my noble friend Lord Lilley, whom we used to see guest speaking when my noble friend Lord Young of Cookham was our MP.

Saving is a necessity. Without savings, or a bank account to put savings into, it is practically impossible to meaningfully participate in the modern economy. Even travel is increasingly difficult without a bank account and some healthy savings to draw upon. I consider that my success is partly based on a strong habit of saving, and the savings of others made available to me through loans and guarantees. The fact that some do not have savings or a bank account is the scourge of financial exclusion, and ought to be considered a contributor to economic malaise. It is a surprising fact that nearly 2 million people in this country do not have a bank account. That ought to give us pause for thought. This country has one of the most advanced financial systems in the world. A few minutes away in the City of London, we have some of the finest minds and technology in existence figuring out new and innovative methods of banking, but we overlooked an issue piling up on our own front door.

In my view, the issue starts from an early age. If one is born into a family without a regular habit of saving or with an inability to save, one does not learn the habits required at an early age, such as setting aside a portion of the pay cheque, shopping around for the best perks and rates, and understanding how to use a bank account and receive or send funds. This is regrettable, if understandable, but we can make changes through the national curriculum. I am pleased that financial literacy has been a statutory requirement as part of the curriculum since 2014, but more needs to be done.

Given all that we teach children, it seems to me that a greater focus is needed on important tasks that all of us here probably take for granted. If children and teenagers are given some practical advice on saving and banking, I strongly believe that they will be more disposed towards participating. Young people are far more likely to be at risk of financial exclusion: some 8% of them do not have a bank account, compared with 0.7% of the national population. Since there is to be education targeted at younger people, it ought to be accompanied by a range of accounts targeted at them too.

The public sector should not seek to get involved with this, bar the notable exception of the National Savings and Investments Bank. Instead, there ought to be a partnership with banks to create these new products and market them sensibly so that young people can make an informed choice. If they get into the habit of putting money into the bank early, they will not lose it. There is a quiet joy in putting in the pennies and seeing the pounds take care of themselves.

The other area this feeds into is universal credit. At present, claimants face enormous difficulties accessing their social security payments if they do not have a bank account. Furthermore, the monthly payment risks those without good spending habits running out of money. I support monthly payments as they mimic normal wages, but further emphasis should be put on financial education as this system is brought online and more people are switched over.

12.57 pm

Lord Northbrook (Con): My Lords, we should all be grateful to the noble Lord, Lord Leigh of Hurley, for raising this important topic for the House to discuss.

[LORD NORTHBROOK]

We do so in the context of the ONS stating that the UK savings rate in 2017 was at its lowest since 1963. Conversely, the level of consumer debt is rising rapidly. The rating agency Fitch states, according to an article published by the *Daily Telegraph* in May, that UK households are borrowing more than they are saving for the first time since the late 1980s. According to the Association of Accounting Technicians ISA working group report of March 2018, household debt has increased by 7% over the last five years, including a 20% increase in consumer credit.

The Government deserve great praise for their encouragement of savings. However, one consequence of their very success in keeping inflation under control is that interest rates have also been very low. A consumer mentality may have developed for some to question the point of saving when they are getting such a low return on their money, particularly if they are fearful of putting money into the stock market. The four main areas I wish to cover where the Government are encouraging savings for those fortunate to have reasonable spare cash for the medium to long term are ISAs, National Savings & Investments—NS&I—self-invested pension schemes and, finally, the Help to Save scheme. Any criticisms of mine on these are not meant to be of the concept as a whole, but more about the complications that have developed over time.

ISAs are the child of the original PEP and TESSA schemes introduced by a Conservative Government in 1987 and 1990 and succeeded by ISAs. The Government deserve praise for raising the savings limit from the original £3,000 for a cash ISA and £7,000 for a stocks and shares ISA, to £20,000 a tax year for one or the other. These measures can be said to have simplified the ISA landscape and made ISAs more attractive. Unfortunately, other changes over the past 19 years have complicated the issue. Five extra types of ISA have been introduced, four of which have weaknesses as well as strengths.

First, there is the junior ISA. It is very important to encourage more children to adopt a savings habit, and having an account helps this. However, existing standard child savings accounts are not ordinarily subject to income tax anyway, because they would rarely produce enough income to exceed the personal savings allowance of £1,000 for 2018-19.

Secondly, there is the Help to Buy ISA. The scheme enables people saving for their first home to receive a 25% boost to their savings from the Government when they buy a property of £250,000 or less—£450,000 in London. According to HM Treasury, the Help to Buy ISA has helped over 106,000 property completions, and the average age of a first-time buyer in the scheme is 27, compared to a national first-time figure of 30, which indicates that it makes a real difference. However, there are weaknesses. To complicate matters, the scheme is due to be scrapped in 2019 and rolled into the lifetime ISA—which I will come on to—although subscribers can continue saving into their account until 2029. Help to Buy ISAs should lose “ISA” from their title to avoid confusion. This should be relatively straightforward, as there are already numerous other government house-buying schemes, such as equity loan and shared ownership, which do not have the ISA title

associated with them. In addition, removing this from the ISA family would take away the confusion between investing in this and in a cash ISA.

Thirdly, the most complicated recent ISA is the lifetime ISA, as referred to by my noble friend Lady Altmann. It has its strengths. A LISA can be used to buy a saver’s first home or to save for later life. In addition, the Government will add a 25% bonus to the subscriber’s savings, up to a limit of £1,000 a year if the maximum £4,000 is saved. However, its weaknesses outweigh its strengths. The age restrictions are unnecessary and restrictive. Savers must be over 18 and under 40 to open a LISA, and cannot make contributions beyond the age of 50, so this can hardly be considered a lifetime investment. Savers cannot take their savings out of a LISA until they are over 60 unless they pay a punitive penalty, which is 25% if they withdraw money or transfer the lifetime ISA to another type of ISA before reaching the age of 60. As the FCA has repeatedly made clear, many investors wrongly believe that the 25% charge is just giving up the 25% bonus. However, as my noble friend Lady Altmann has already pointed out, the charge is equivalent to losing the whole government bonus and paying a further 6.25% charge on the investor contribution portion of the withdrawn sum. Overall, a lifetime ISA is probably not as effective in saving for later life as are most pensions. Although there is a bonus, there is no employer contribution or tax relief.

Fourthly, there is the innovative finance ISA. It has advantages: it provides increased choice to investors and has the potential to improve competition in the banking sector by diversifying the available sources of finance. But its weaknesses are also apparent: there are few products and consequently a low take-up. It could be replaced with an investment allowance, which would largely achieve the same objective. It could also be argued that it dilutes the ISA brand.

On National Savings & Investments, I refer to oral evidence given to the Treasury Select Committee in May by the NS&I chief executive. In the last reported financial year it raised £11.8 billion, which he said was about 10% of the total raised through NS&I and the gilts market. Interestingly, it now regards the Post Office as a rival, whereas in the old days all NS&I products were sold through it. NS&I has a useful role, but it is necessary to watch its interest rates. This is proven by its pensioner bonds, which were issued at a very generous rate of 4%, causing a stampede of people who wanted to invest in them. The new bonds now offer a rate of 2.25%, even though this is still very competitive by current interest rate standards.

In the area of pension fund savings I will look at two areas: tax relief on contributions and the change to annuity rules on withdrawals. Since 2011, the Government have decided to reduce the total lifetime allowance to SIPP’s from £1.8 million to £1 million. “So what?”, you might say, as it still seems a large figure. But there are unintended long-term consequences. Individuals may well become more reliant on the state in the long term, adding extra pressure on the NHS in particular. I have also heard that doctors are retiring early simply to avoid breaching this limit, which also adds to pressure on the NHS. In the short term the reduction is saving the Government money on tax relief,

but in the long term it will create an extra cost. If the Government cut back on the lifetime allowance further, as I suspect, I strongly believe that the amount of tax relief clawed back should be put towards the social care budget for pensioners; I am cribbing shamelessly an idea of my noble friend Lady Altmann.

The change in annuity rules was welcome. However—the Government cannot be held responsible for this except to flag it up more—some individuals have already failed to realise that if they withdraw more than a certain percentage of their funds, they could be clobbered with a tax charge of up to 45%. It has been a clever way to raise more tax, but again it may have long-term consequences. Pensioners could exhaust their own pension fund pot and become more reliant on the state. Overall, though, I approve of the change to the annuity rules, if investors take a sensible course of action to them.

The Help to Save scheme, which was mentioned by many other speakers, is a very good example of a new government initiative to promote personal savings by lower and middle-income groups. As many other speakers have said, around 16.8 million people have less than £100 in savings available to them at any time. I served as a member of the Financial Exclusion Committee, and I highly recommend our report of March 2017, which highlighted the background to the scheme. It will be open to 3.5 million adults in receipt of universal credit, and it works by providing a 50% government bonus on up to £50 of monthly savings into a Help to Save account. The bonus will be paid after two years, with an option to save for a further two years, which means that people can save up to £2,400 and benefit from additional government bonuses worth up to £1,200. Help to Save was welcomed by our witnesses, who also noted that matched funding schemes were one type of savings product that had been proven to work well.

Finally, one product feature also referred to in our report that has the potential to help those on low incomes is “jam-jarring”. This is a feature of a small number of accounts—chiefly offered by some credit unions and prepaid debit card products—whereby customers can automatically put aside amounts from their income into virtual “jam jars” for regular essential expenses such as rent and utility bills, preventing money set aside for one expense being used for another.

In summary, the Government have done much to encourage personal saving in a low-interest-rate environment. Indeed, the total figure given to our committee of all ISA savings had reached the very impressive figure of £8 billion at the time of our report. However, as indicated by the low savings ratio figure, this disguises the fact that a lot of people are not saving or are unable to save, and, as stated at the start of my speech, people are borrowing more than they are saving for the first time since the 1980s.

1.09 pm

Lord Davies of Oldham (Lab): My Lords, first, I extend my congratulations to the noble Lord, Lord Lilley, on his maiden speech. The noble Baroness, Lady Altmann, reflected on the fact that we will benefit from his contributions in the years to come. However, with the

present level of national debate on Brexit, I imagine that we will be hearing from the noble Lord in our debates in the slightly shorter term.

Secondly, I congratulate the noble Lord, Lord Leigh, on introducing this debate—not only because the topic is of such significance but because of the extensive way in which he covered some very real issues relating to savings that need to be faced by the Government. He is slightly more bullish on the economy than I will be when I make my general comments, but I agree with him entirely that people’s propensity to save relates very much to their earning power and their level of security with regard to the economy. Therefore, the Government’s first task is to do better than they have in recent years.

The noble Lord emphasised that there were some advantages from the development of workplace pensions. We all recognise that and welcome it on this side of the House. However, our anxiety, which has been clearly expressed in the debate—the noble Baroness, Lady Altmann, referred to it—is that workplace pensions might detract from people’s approach to saving in other respects, yet that depends on two things. One is the nature of employers’ schemes. Those vary a great deal and it would be a mistake if we attributed to the pension schemes that are evolving the features of the best examples of those provided in the past, often by companies with extensive resources which could and did afford to look after their workers’ pensions, having been much more generous than is likely to be the case at present.

The second is the number of people in employment. We all know that the Government constantly boast that employment is at a high level, and it is true that a high level of people have a full-time or part-time job that provides resources for them. However, many who are in the gig economy are employed and therefore come up on the bright side of the Government’s employment ledger but, when it comes to the employer’s contribution or even the worker’s ability to save, the earnings level that they are operating at in many instances—we have seen how even substantial employers treat people in the gig economy and those in part-time work, easily reducing their hours at will—means that a substantial section of our population cannot be expected to benefit from the new proposals for the development of pensions.

We welcome the substantial increase in the number of those who have taken up these schemes, as they will play an important part in the future, but the anxiety is that they might direct resources away from other schemes with greater advantages. The noble Lord, Lord Palmer, indicated that an awful lot of the saving that currently goes on in our society is negative saving—that is, the returns are lower than the rate of inflation—and that encouraging people to save is encouraging them to reduce their overall assets. Therefore, we must be very concerned about the rate of inflation but we also need to recognise that people are currently extremely wary of saving because of the persistence of low interest rates, which means that they do not expect to get significant returns from many of the offers to save. Of course, we in the Opposition support the measures that enable people to save for the future and the genuine incentives to encourage saving, but we need to

[LORD DAVIES OF OLDHAM]

ensure that people pay due regard to the fact that there will come a time in life when the costs are high and earnings are very low, and that it will be necessary to have adequate resources.

I have much appreciated the contributions from noble Lords, particularly the extent to which the right reverend Prelate, the noble Lord, Lord Lilley, and others emphasised that we need to prioritise financial education and understanding. Far too many people in our society are still largely ignorant of the financial situation they face. People get into debt because they pursue potentially the worst route for borrowing. That happens through ignorance and through the desperation of approaching debt, but it is also due to a lack of knowledge of how adequately to resolve that debt. I appreciated the number of speakers who emphasised that.

I also recognised what the right reverend Prelate said when he referred to the fact that an obvious form of saving is buying a property, and he spoke about the development of home ownership through mortgages. We all accept that in the past such assets were more easily achieved, but these days a substantial number of our younger population have no chance at all of reaching the level of savings necessary to undertake a mortgage against the house prices they are confronted with. We have a rent generation and we need to think about the support that that generation will need when they do not have the obvious support that comes with buying a house with a mortgage, as the right reverend Prelate emphasised.

The Chancellor has sought to emphasise that he wants to increase the level of saving. However, we are worried about the extent to which certain initiatives, particularly the lifetime ISA, which has been referred to by several noble Lords, will be a deterrent to individuals pursuing better strategies in the long term. ISAs have an element of glamour about them but that glamour can be appreciated only by people who are already reasonably resourceful and in a position to take them up. We recognise, however, the incentives that support them.

The lifetime ISA and the Help to Save scheme have shown that the Government are concerned about the long-term position of people in our society, but I am not so sure we are all convinced that there is a level of fairness attached to these provisions. We see a lack of government measures to address the problems faced by those on much lower incomes than those to whom ISAs are addressed. We understand that the Government have recognised that people have great difficulty saving when they are getting help from universal credit. Given the enormous difficulties the Government have had in rolling out their universal credit proposals, it is not surprising that people's confidence has been shaken, along with their ability and proclivity to save.

Quite a significant percentage of our population are in work and yet still have recourse to use foodbanks. I note that the Government purported to recognise that with regard to the health service, when they were shocked to discover that nurses had such low pay that they were going to foodbanks. But it is more extensive than nurses, and it is an indication that this debate is about not just the improvement of savings but fairness.

We need to be fair to those who have the greatest need in our society and who have to manage budgets in such extreme circumstances that they have very little excess to address to savings.

We in the Labour Party are particularly concerned about levels of credit and credit cards. It has now reached proportions where the Government ought to act and, if they do not, the next Labour Government certainly will. We think there should be a cap on the charges that credit cards attract, because we are all too well aware that many people can get into real difficulty using them. It seems obvious that it is necessary for some limitations on this. The Government have seen the extensive growth of credit card usage and know the significant number of people who have regular debts that they are just not, at any time, paying off, and therefore that debt is increasing. The Government need to act in these areas.

Part of the problem for people trying to save is that they face great difficulties in this economy. There is an indication that, this year and next, there may be some improvement in wage growth. It follows seven years of Governments, led by the Conservative Party, under whom wages have not risen at all. That is a phenomenon that we have not seen for very many years. I have in the past suggested that it goes back to Napoleonic times—it certainly goes a long way back. We must recognise that people's confidence is bound to be shaken in circumstances where their incomes do not improve.

It would be churlish if we did not recognise the extent to which the Chancellor is seeking to address savings overall, and we give credit to the attempts to put forward initiatives. However, we share with many others reservations about the strategies being pursued, as have been identified in this debate. In fact, I tore up a third of my speech after the noble Baroness, Lady Altmann, made such detailed challenges to the Minister. In replying to the debate, he will have to spend all his time dealing with the points that she alone made. Other points have been made by other noble Lords, however, and I know the Minister will address them.

This has been an interesting and constructive debate. It is an indication of a fundamental problem in our society. We are talking about the long-term necessity of savings against a background in which the present position of the economy, and the predictions of where we will be in the next five years, are such that it will be a very difficult case for the Government to convince people that the future is sufficiently secure for them to take steps towards significant savings.

1.26 pm

Lord Young of Cookham (Con): My Lords, I begin by joining others in thanking my noble friend Lord Leigh for securing this debate and for his speech in support of the Motion. I was particularly struck by the point that he made about the potential of modern technology to help saving—the ability to put small sums of money in a pot and to let it grow—and I will say a little more later on about the role of fintech in this important area.

I thank all noble Lords who have taken part, not least my noble friend Lord Lilley. This is the second time I have had the good fortune to listen to a maiden speech from my noble friend. I was on the Front

Bench in another place on 24 November 1983, when the new Member for St Albans spoke. It was an outstanding speech at the beginning of a long and successful career. Back then, he spoke of the imperatives of containing public expenditure, and in particular our contribution to the European budget, but went on to reassure the House that he had always been a passionate supporter of our membership of what was then the European Community. In the intervening 35 years, he played a leading role in the Thatcher and Major Governments, as well as being shadow Chancellor in Opposition. As other noble Lords said, we look forward to him sharing with the House his experience in a wide range of government departments. I noted with interest the six principles he enunciated which should guide policy on saving. I will make a quick comment on his suggestion that there is a bewildering array of tax reliefs. The Conservative Party believes in choice and flexibility for savers. That is why several different ISA types are available, depending on an individual's age, risk appetite and savings goals. Having listened to two of his maiden speeches, I wonder where we will both be for his third.

The Government recognise the significant role that savings play in enabling individuals and families to achieve their aspirations. Savings bolster household wealth and support the economy by stimulating “sustainable” growth—a word used by my noble friend Lord Leigh—and innovation. Household saving tends to be lower when household wealth is high and unemployment is low. Household financial net wealth as a proportion of income is close to its record high, while the unemployment rate is at its lowest since 1975. The thrust of our policy has been not just to reinforce a savings culture in those who have always saved but to promote that culture in those who need it most and those who have traditionally not made it a priority—namely, those on low incomes and the young, as mentioned by many noble Lords, including the noble Lord, Lord Palmer.

I note the important use of the word “fairer” in my noble friend's Motion—a point that was emphasised by the noble Lord, Lord Davies. We have indeed sought to help people at all income levels. This is easier to achieve if more people are taking more pay home. Because of increases to the personal allowance, a typical basic rate taxpayer will pay £1,075 less income tax in 2018-19 than in 2010-11, allowing more headroom for saving. Again, this point was made by my noble friend Lord Leigh.

However, we have to do much more, particularly with the groups I mentioned earlier—those on low incomes. The Money Advice Service in 2016 told us that four in 10 working people across the UK lack a savings buffer, with less than £100 in savings available to them at any one time—a point made by the noble Lord, Lord Palmer. One-quarter of households have total financial assets that are less than £1,100; and almost 26% of working adults have no savings. This evidence speaks to a demonstrable lack of a financial safety net for many in our society, leaving households in a state of financial uncertainty—a point well made by my noble friend Lady Altmann. With that uncertainty comes vulnerability to unexpected bills or income shocks and, as many noble Lords said, exposure to loans at high rates of interest.

The noble Lord, Lord Palmer, made a useful distinction, reinforced by my noble friend Lady Altmann, between money put aside for retirement—long-term savings—and money available for emergencies. That is a useful distinction that we have to bear in mind.

The reforms introduced by this Government are a critical step in tackling the barriers to savings and ensuring that the right incentives are in place for savers so that they can build up a necessary buffer, either by saving through NS&I with total security or with other investments where we have taken steps to minimise the risk of misselling or fraud. The noble Lord, Lord Davies—who is never churlish—was good enough to compliment the Government on some of the initiatives they have taken in order to achieve this mutually acceptable goal of helping those on low incomes.

A key initiative, which was referred to many times during the debate, was the introduction of a Help to Save scheme in 2018 for working people on low incomes, who will be able to save up to £50 a month and benefit from a 50% government bonus. This recognises the point made by the noble Lord, Lord Palmer, and others that tax relief is of no use if people's incomes are below their personal allowance—hence the substitution of tax relief with a government bonus.

Help to Save will support working families on low incomes to build up their rainy-day savings buffer. The scheme will be open to adults in receipt of working tax credit or universal credit with minimum household earnings equivalent to 16 hours a week at the national living wage. We estimate that 3.5 million people will be eligible and anticipate a take-up of 10% in the first year.

Turning to young people—again mentioned by many noble Lords—we recognise the challenges they face in becoming home owners. That is why we launched the help to buy ISA in December 2015. This helps first-time buyers save up a deposit for their first home, with a 25% bonus on up to £12,000 of savings. To the end of December 2017, over 170,000 bonuses, worth £132 million, have been paid, which supported over 125,000 property completions.

The right reverend Prelate the Bishop of Chester made a broader point about housing. Over £40 billion is being invested in housing and we are taking initiatives on rented housing—for example, promoting three-year tenancies. A number of noble Lords mentioned the use of pension funds. Some pension funds are now investing in rented housing, an area in which traditionally they have not invested, and that is helping to increase the supply of housing.

We created a new lifetime ISA from April 2017 that enables younger people to save up to £4,000 a year, tax free, with a 25% government bonus. My noble friend Lady Altmann repeated today the reservations that I am sure she has made on earlier occasions about the lifetime ISA. It has now completed its first full year of operation and initial reports to HMRC show that for the 2017-18 tax year, approximately £130 million has been paid to 14 LISA managers in respect of over 170,000 investors. This encourages the next generation, to whom my noble friend Lord Leigh referred, to get into the habit of saving and helps them to simultaneously save for both a first house and later life with the same product.

[LORD YOUNG OF COOKHAM]

A number of suggestions were made during the debate—including from my noble friend Lady Altmann—that there should be a social care ISA. As she knows, there will be a Green Paper on social care in the autumn. As to the suggestion from my noble friend Lord Northbrook that, were there to be any further reductions in tax relief on pensions—I have no idea whether there will be—any savings from that reduction should be put into a special pot for social care, I am sure that the authors of the social care Green Paper will bear that in mind.

My noble friend Lord Northbrook made a number of suggestions for simplifying and rationalising the ISA family. He referred to the Help to Buy ISA which, as previously announced, is due to close to new entrants in November 2019. However, the lifetime ISA offers similar support for those who are looking to buy their first home.

As to those who are even younger—a point raised by my noble friend Lord Suri and others—the Government also believe that financial education is key in helping people increase their financial capability and build up their financial resilience, an expression used by my noble friend Lady Altmann. It is particularly important that children and young adults receive financial education to help them shape their financial habits later in life. This is why financial education was introduced to the national curriculum in England in 2014 as part of the curriculum for citizenship education for 11 to 16 year-olds.

Moving on to advice, I pay tribute to the work carried out by my noble friend Lady Altmann at the DWP to promote both auto-enrolment and the Single Financial Guidance Body. Further work to improve financial capability for the population as a whole is currently undertaken by the Money Advice Service, which delivers our financial capability strategy. However, as my noble friend mentioned, the functions of MAS—including its work on financial capability—will soon be merged into the new Single Financial Guidance Body, which will simplify the existing public financial guidance landscape and make it easier for people to get help with money matters. The noble Lord, Lord Palmer, asked what its objectives will be. It will work with the charitable organisations mentioned by the right reverend Prelate.

Again on the population as a whole, from April 2016 the personal savings allowance—which has not been mentioned in the debate but is important—and ISAs have meant that over 95% of people have no tax to pay on their savings income, and we have given people more freedom of choice when deciding where to save tax-free. ISAs are more generous than ever before, as my noble friend Lord Northbrook mentioned, and we made the largest ever increase to the ISA limit, from £15,240 to £20,000, in April 2017. They remain an incredibly popular product, with around half of UK households having one. Of the 21.6 million individuals who benefited from holding an ISA in 2014-15, over half had incomes of under £20,000.

At the other end of the age spectrum, the Government have made security in retirement a central part of their reforms since 2010. The introduction of auto-enrolment

has reversed the previous decade-long decline in workplace pension saving. It has changed the culture of saving, making workplace pension saving the norm for a new generation. Over 9.7 million people have been automatically enrolled since 2012.

My noble friend Lord Leigh mentioned advances in technology, which he is right to point out are being used to make it easier for some people to save. The fintech sector has the capacity to deliver huge benefits across society. It is a fantastic example of how competition can be a force for good. The Government's new fintech sector strategy, published on 22 March, explains how we intend to ensure not only that the UK remains the best place in the world for fintech, but that these opportunities are realised in full.

It is hoped that these measures will stimulate a robust savings culture in this country and contribute to overall household wealth. Indeed, we have witnessed the financial position of households improve significantly since the financial crisis. Household net financial worth as a share of income is close to record highs, and debt-to-income is significantly below pre-crisis levels. Debt interest payments to income are also at a record low.

Perhaps I may turn to some of the issues raised; I apologise in advance for not answering them all. My noble friend Lord Leigh asked about SIPPs. The HMRC framework for permitted investments for SIPPs does not dictate what can be placed in a pension; rather, it sets out what types of investments attract tax relief. The effect of this, as he said, is that many more types of investments can now be placed into pension schemes as SIPPs. The FCA has rules in place which oblige SIPP operators to assess if there are problems with an investment or an introducer. As a result of these rules, SIPP operators are required to take appropriate action, including stopping certain investments. They must also take reasonable steps to ensure that a proposed underlying investment for a SIPP is a genuine asset and not part of a fraud or scam. However, perhaps I can take up my noble friend's generous offer to write to him about that in more detail.

A number of noble Lords, including the noble Lord, Lord Palmer, and my noble friend Lady Altmann, asked about pensions cold calling. As they both know, amendments were made to the Financial Guidance and Claims Bill as it passed through this House a year ago. We will be launching a consultation on the draft regulations shortly and we intend to lay the regulations before Parliament in the autumn. The Economic Secretary to the Treasury will also publish a statement shortly providing a progress update and outlining a timetable for delivering the ban. The noble Lord, Lord Palmer, asked if I would introduce a 4% NS&I bond. That is slightly beyond my capacity at the Dispatch Box, but we note his request. NS&I's operating framework supports a fair and competitive savings market by ensuring that the products it offers balance the interests of savers on the one hand and taxpayers on the other, while also looking at the market as a whole.

The right reverend Prelate raised the role of credit unions and mentioned the important work the Church has done in promoting savings and helping people who are vulnerable. I am well aware of the Churches'

Mutual Credit Union, a mutual society formed in collaboration between the Church of England, the Church of Scotland, the Methodist Church of Great Britain, the Church in Wales and the Scottish Episcopal Church—a broad church if ever there was one. The Government remain committed to supporting credit unions, which provide vital services to financially underserved communities.

My noble friend Lady Altmann raised an issue which I know she has talked about before: pensions tax relief and low-income workers, and the fact that the tax relief does not filter through to those below a certain threshold. We are well aware of this issue, and in December the DWP published its review of automatic enrolment and committed to exploring the difference in treatment that she referred to, making the most of new opportunities while at the same time balancing simplicity, fairness and practicality. We will engage with stakeholders to see if we can resolve that problem.

A number of noble Lords mentioned that it is difficult to promote saving when interest rates are so low. It is a valid point but the other side of the coin is that low interest rates have helped households and businesses through difficult economic times, and while it may not have been in the interests of pensioners, many pensioners have children and grandchildren who will have benefited from low mortgage rates, and they have an interest in businesses doing well. Low interest rates have certainly helped businesses. As I say, there is the other side of the coin as regards low interest rates.

My noble friend Lord Suri asked about progress in making available bank accounts for those who currently do not have them. The Treasury's 2017 publication shows that in total, there are nearly 8 million basic bank accounts open in the UK, while just over 900,000 new accounts were opened between July 2016 and June 2017.

I am conscious that I have not gone through all the issues that were raised and I will write in response to the outstanding ones. To conclude, the Government recognise the importance of savings and we have taken action to support savers at all income levels and at all stages of life through a range of aims such as saving for a rainy day, for retirement or towards home ownership. We have made significant changes over recent years, including introducing the personal savings allowance. This means that over 95% of people have no tax to pay on their savings income, all of which contributes to the building of an economy that is fit for the future, and a stronger, fairer place for our people to thrive. We take to heart all the suggestions that have been made during the debate, and once again I thank noble Lords for their contributions.

1.44 pm

Lord Leigh of Hurley: My Lords, I thank all noble Lords who have taken part in this debate. One never knows quite what to expect in any debate, but I had not expected a debate on savings to include an extremely interesting lesson about eighth-century politics. I am extremely grateful to my noble friend Lord Lilley for that and for his welcome remarks in his maiden speech. The noble Lord, Lord Davies of Oldham, was typically gracious enough to compliment my noble friend Lady Altmann. We all benefit from my noble friend's extremely

detailed knowledge of the savings and pensions industries—I will always remember to differentiate between the two—but she does not have a monopoly of wisdom. The time that was kindly allotted to us enabled a number of very interesting arguments to be fully developed. It was a pleasure to hear those arguments taken forward and to have a short-lived break from Brexit, which I understand will change very shortly.

My noble friend the Minister was, as ever, most courteous in his response. There is a limit to what the Government can do in a low-rate environment, but one thing they can do is listen to good advice. For that, I am very grateful.

Motion agreed.

EU Exit: Future Relationship White Paper Statement

1.46 pm

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, with the leave of the House, I shall now repeat a Statement about the UK's future relationship with the European Union. The Statement is as follows:

“Let me start by paying tribute to my right honourable friend the Member for Haltemprice and Howden, and his Herculean efforts along with those of my honourable friend the Member for Wycombe and the wider DExEU team to get us to this point in both the negotiations and the successful passage of the EU withdrawal Bill through Parliament. It is a striking achievement. My right honourable friend is a loss to the Government, but I suspect, with the mildest apprehension, a considerable gain to this House.

Shortly, we will publish the Government's White Paper on the UK's future relationship with the European Union. It is a new and detailed proposal for a principled, pragmatic and ambitious future partnership between the UK and the EU in line with the policy agreed at Chequers last week. I am placing a copy of the White Paper in the Libraries of both Houses, but let me briefly set out the key proposals.

Mr Speaker, the Government are determined to build a new relationship that works for both the UK and the EU, one grounded in our shared history but which looks to a bright and ambitious future: a relationship that delivers real and lasting benefit to both sides.

First, the White Paper confirms that the UK will leave the European Union on 29 March 2019, forging a new way in the world outside the single market and outside the customs union. It safeguards the constitutional and economic integrity of the UK. It reclaims the UK's sovereignty and it protects our economic interests by minimising the risk of disruption to trade. It delivers on the instruction we received loud and clear from the British people: to take back control of our laws, our borders and our money.

In delivering on this vision, the Government propose an innovative and unprecedented economic partnership based on open and free trade. We will maintain frictionless trade through a new UK-EU free trade area for goods

[LORD CALLANAN]

underpinned by a common rulebook covering only those rules necessary to provide for frictionless trade at the border. This will support business and meet our shared commitments to Northern Ireland and Ireland, thus avoiding any reliance on the so-called backstop solution. A key component of this will be our proposal for a facilitated customs arrangement, a business-friendly model that removes the need for new routine customs checks and controls between the UK and the EU, while enabling the UK to control its own tariffs to boost trade with the rest of the world.

We want a deep and comprehensive deal on services based on the principles of international trade. Our approach minimises new barriers to service provision, allowing UK firms to establish in the EU and vice-versa, and provides for mutual recognition of professional qualifications.

On financial services, we propose a new economic and regulatory approach with the EU that will preserve the mutual benefits of our uniquely integrated markets while protecting financial stability and our autonomy of rule-making. Crucially, our proposals on services provide the UK with regulatory flexibility in the sector, including our dynamic, innovative digital sectors, which will, in turn, open up new possibilities relating to trade with the wider world.

As we leave the EU, free movement of people will come to an end. We will control the number of people who come to live in our country. We will assert stronger security checks at the border. The Government will also seek reciprocal mobility arrangements with the EU, in line with the approach we intend to take with other key trading partners. In practice, having ended free movement, this is about enabling firms to move their top talent across borders to deliver services; facilitating travel without a visa for tourism and business trips; and making sure that our students and youngsters, in the UK and the EU, continue to benefit from the educational opportunities in universities, colleges and the rich tapestry of cultural life across the continent.

Next, the White Paper addresses Europe's security, which has been and will remain the UK's security. This is why the Government have made an unconditional commitment to maintain it. The Government's proposal is for a new security partnership with the EU to tackle shared, complex and evolving threats, enabling the UK and the EU to act together on some of the most pressing global challenges. It is important that the UK and the EU can continue operational co-operation on law enforcement and criminal justice to keep people safe across Europe. Our proposals extend to other areas of co-operation of vital importance to the UK and the EU, including the continued protection and exchange of personal data, new arrangements on fishing and co-operative accords on science and innovation, culture and defence research.

When we leave the EU, the European Court will no longer have jurisdiction over this country. At the same time, we need to be able to interpret what we have agreed accurately and consistently and manage any future bones of contention sensibly and responsibly. Our proposals provide for proper accountability and

the consistent interpretation of UK-EU agreements by both parties. We envisage resolving disputes that may arise through arbitration, which is fair, balanced and reflects global practice. To provide the foundation for an enduring new relationship, the agreement must be flexible enough to enable us to review and, if necessary, revise its operation over time, as is common in free trade agreements across the world.

Finally, I will make one thing clear: we will not sign away our negotiating leverage, or spend taxpayers' money in return for nothing. The financial settlement agreed in December, which was substantially lower than EU demands, was agreed on the basis that it would sit alongside a deep and mutually beneficial future partnership. We agreed that we would meet our commitments as they fall due, with ever declining payments over a finite period, which add up to a tiny fraction of what would have been our net contribution.

Both sides have been clear that nothing is agreed until everything is agreed. Indeed, that is in keeping with the spirit of Article 50. There should be a firm commitment in the withdrawal agreement requiring the framework for the future relationship to be translated into legal text as soon as possible. If one party fails to honour its side of the overall bargain, there will be consequences for the whole deal. For our part, the UK Government are today demonstrating our ambition and resolve to ensure that we build that deep and special partnership with the publication of this White Paper.

The Prime Minister first outlined a blueprint for a deep and special relationship with the EU at Lancaster House and expanded it further in her speeches in Florence, Munich and at Mansion House. Those speeches have shaped, and they continue to shape, our negotiations with the EU.

I am confident that a deal is within reach, given the success that the Prime Minister and her negotiating team have already had so far. Most issues under the withdrawal agreement have been resolved, with a deal in place to secure the rights of more than 3 million EU citizens living in the UK and around a million UK citizens living in the EU, and we have agreed a time-limited implementation period that gives businesses, Governments and citizens the certainty to plan their lives and invest for the future. Next week, we will publish a White Paper on the withdrawal agreement and implementation Bill, setting out how we will give effect to the withdrawal agreement in domestic law and demonstrating to the EU that the UK is a dependable negotiating partner—one that will deliver on its commitments.

Our discussions with the EU will squarely focus on our shared future. This White Paper sets out how we can achieve that new partnership. Now, it is time for the EU to respond in kind. We approach these negotiations with a spirit of pragmatism, compromise and friendship. I hope that the EU will engage with our proposals in the same spirit, and I plan to meet Michel Barnier next week to discuss the detail in person.

At the same time, the Government are preparing in the event that this spirit of pragmatism and good will is not reciprocated. On Monday, I spoke with my right honourable friend the Prime Minister. We agreed to

step up our planning for a no-deal scenario, so that the UK is ready for Brexit no matter what the outcome of these negotiations. It is the responsible thing for a Government to do.

This White Paper sets out the right Brexit deal, delivering on the result of the referendum by taking back control over our money, laws and borders; supporting the economy by maintaining a strong trading relationship after we have left; ending free movement, while avoiding a hard border between Northern Ireland and Ireland, or between Northern Ireland and Great Britain; restoring the sovereignty of Parliament and the authority of the UK Supreme Court; seizing the opportunity to forge new trade deals around the world; and maintaining co-operation with the EU in many other areas that we prize, including vital security co-operation to keep our people safe.

This is our vision for a bold, ambitious and innovative new partnership with the EU. It is principled and practical, faithful to the referendum. It delivers a deal that is good for the UK and for our EU friends, and I commend this Statement and the White Paper to the House”.

1.56 pm

Baroness Hayter of Kentish Town (Lab): My Lords, I thank the Minister for repeating the Statement. I obviously have not had time to read the document. It was given to journalists at 9 o'clock this morning. The MPs did not even get it when they should have started, but I did, so I thank the Minister. I have had an hour with the document; we know how to do things in this House. Because I have not had time to read the whole thing I will leave detailed comments to our debate on 23 July—assuming it is still in play by then. The three-page Chequers document having failed to survive three days of Cabinet unity, I hope that this 98-page document perhaps survives 98 days.

It is of course welcome that we now have a negotiating proposal—perhaps some 12 months overdue—and I am pleased that it is more comprehensive than the Chequers statement, acknowledging the importance of services, data issues, broadcasting, justice, security and other issues highlighted in the reports of the Lords EU Committee. We look forward to a second White Paper foreshadowing the withdrawal and implementation Bill next week.

In today's foreword, the Brexit Secretary talks of achieving agreements that are “unprecedented”, “unrivalled” and “unparalleled”. Given that we will be asking our European partners to break with their conventions and legal norms, it might have been advisable for the Government to set out such detail rather earlier. Furthermore, it would have been better if, as in the Monks amendment passed by your Lordships' House, the Government had sought Parliament's endorsement of their negotiating mandate before discussions with Brussels. That would have given real authority to Mrs May ahead of her talks.

The Chequers paper was a rather miserable little “concord”. It had nothing on services, despite the UK being the world's second-largest exporter of services, with £63 billion of non-financial and £27 billion in financial services being sold in the EU and comprising

80% of our economy. Luckily, though, services have found their way into the White Paper with plans for an “ambitious economic partnership”, with,

“continued and relatively liberalised trade in services”,

and mutual recognition of professional qualifications, the Government acknowledging the importance of access to talent, the ability to move people across borders—including fly-in, fly-out—and cross-border data flows, as well as the needs of the creative industries.

The White Paper wants the new economic and regulatory arrangements to be based on autonomy of each party over decisions regarding access to its markets, with a bilateral framework of treaty-based commitments to underpin the operation of the relationship, respecting the regulatory autonomy of both partners. Whether this amounts to something acceptable to the 27 members of the single market, especially as the White Paper also rules out passporting, which will exclude EU nationals and firms from access over here, is, I contend, a big question. It will be vital for our future relationship to encompass and safeguard our wealth-creating, tax-paying service sector, so what assurance can the Minister give that this White Paper approach will achieve this, and will be acceptable to our European partners?

With regard to EU migration, the Leader of the House said on Monday that,

“no preferential access will be offered to EU workers that is not on offer also to other trading partners”.—[*Official Report*, 9/7/18; col. 813.]

Today's Statement confirms this, saying that the approach to EU mobility will be in line with that for other trading partners. Obviously, at present the arrangements for EU workers are very different from those with any of the 57 countries with whom we have trade agreements via the EU and which the Government want to continue. Are the Government therefore saying that in future workers from South Korea, for example, or any other of our trading partners will have equal access to jobs as do EU nationals? Or is Dominic Raab right when he said on the “Today” programme this morning that whether EU citizens would get special treatment was “subject to negotiation”—in which case, why is it not part of the negotiating proposals? Will the Minister clarify which of these two is the Government's intention?

The Recruitment & Employment Confederation, for example, has stressed that:

“Mobility needs to form part of the exit agreement”,

including temporary and seasonal roles. For example, it wants the right to work to be attached to the individual, so that they can move from job to job as their career moves, and not be attached via sponsorship to a single employer or the promise of a permanent contract. Meanwhile, any move to put EU workers on a par with those from far-flung countries would not be well received by the food and drink industry, highly dependent on EU nationals. Business needs to know about this and soon. What is the position of the Government?

A central tenet of the White Paper is to keep the UK in a free trade area for goods, to help create a frictionless border and reduce supply-chain worries, but there are two big problems with this. First, part and parcel of many goods is the design, the IP and the

[BARONESS HAYTER OF KENTISH TOWN]
servicing of those products. An example is Rolls-Royce engines, where the maintenance, the servicing, the training, the data exchange and IP are bound up with the straight export of physical hardware. It is not that easy to distinguish between the two. Secondly, the proposed mechanism, what is called a facilitated customs arrangement, rather makes Heath Robinson look simple. It expects VAT, standards, numbers, rules of origin details, safety and hygiene all to be checked by remote, high-tech and yet to be developed software. I have my doubts.

The negotiation on future relationships with the EU are of immense consequence to Gibraltar as well as to the devolved authorities. Will the Minister therefore reassure the House on their involvement in drafting the White Paper and confirm that Gibraltar and the Scottish and Welsh Governments are content with its content and will be fully consulted as negotiations continue? We all want a successful outcome to negotiations on our long-term relationship with Europe. It is our closest neighbour, our ally and our largest trading partner. It is key that the so-called European Research Group—it may be a group but it is not European in outlook, nor is research its methodology—does not derail a deal that could be in the national interest. The White Paper may not be the right answer—we have yet to digest it—but the Minister would be wise to heed the words of his noble friend Lord Hague, who wrote that hard-line Brexiters need to realise that the type of Brexit available is constrained by three factors: the current parliamentary arithmetic, the needs of big manufacturers for frictionless trade, and the complex realities of the Irish border. He warned that fighting against that reality, à la David Davis, Boris Johnson and the ERG, with no alternative is an “indulgence not a policy”.

Labour has an alternative, within a customs union and with a proper agreement on services, but for now our attention will be on what has been published today. We will see whether it meets our tests—to preserve and grow jobs, to maintain standards in the environment, to share prosperity throughout the country, and to safeguard peace in Northern Ireland. I look forward to our longer debate on 23 July on all that.

Baroness Ludford (LD): My Lords, naturally it is a landmark moment that we finally have a government position on Brexit after more than two years, but that exhausted sense of relief is tempered by a huge number of caveats. The first of these is that it has in fact not calmed tempers within the Conservative Party but ignited an all-out war within the governing party: strong and stable this plan is not.

I will have to mix my foodie metaphors. On Monday, I said that the Chequers plan looked like a series of fig-leaves—over the sovereignty of Westminster to reject EU regulations, over the autonomy of the UK legal order, over the pretence of business-friendliness—and I maintain those critiques now that we have the White Paper. However, in addition I suggest that the White Paper describes not a soft nor a hard Brexit but a scrambled Brexit. This is exemplified by the farce of the Secretary of State for Exiting the EU starting his Statement in the other place before MPs had a copy of

the White Paper. He actually tried, after the uproar, to suggest that the clerks might be to blame, but actually the Statement is predicated on being delivered before the White Paper is published. It says:

“Shortly, we will publish the Government’s White Paper”,

on Brexit. So it was always intended that the Statement would be made before the White Paper. I think this is executive arrogance rather than taking back control for Parliament.

The scrambled incoherence of the White Paper is exemplified by the suggestions on the agri-food sector. Page 16 of the White Paper talks about,

“a common rulebook for agriculture, food and fisheries products, encompassing rules that must be checked at the border, alongside equivalence for certain other rules, such as wider food policy”.

There are quite a few contradictions there. How is it frictionless trade if there have to be checks at the border? How does that common rulebook for agri-food work if the UK is outside the common agricultural policy and the common fisheries policy? How can you have a common rulebook for some aspects of food but equivalence for other aspects of food policy? Perhaps the Minister will explain and unravel some of that. The fact is that the facilitated customs arrangement is baroque, complicated and bureaucratic; it is likely to collapse under the weight of its own contradictions.

As the noble Baroness, Lady Hayter, said, how on earth can you separate goods from the services that are essential to their production, whether that is legal services, software, intellectual property or others? There is also the serious worry about the potential for fraud and smuggling with these differential tariffs that are meant to be applied at the border; that is leaving aside the question of whether the EU will agree to operate its intended side of the arrangement.

Michel Barnier is surely right. He said that only staying fully in the single market and the customs union can guarantee frictionless trade, yet the Government maintain this claim of “frictionless trade”. That is an absolute term; it does not mean a little bit of friction—it means no friction. How do the Government intend trade to be frictionless? How can there be an independent trade policy, which is alleged in the White Paper, if the UK has committed itself to a common rulebook, including on agri-food products? How will that work when the US invites us to accept the famous bleached chickens and GM food?

The cakeism which runs throughout this White Paper is exemplified by the comments on services—a massive hole in the plan—which are 80% of our economy, and which we do not intend to be part of the single market. When one thinks of the efforts previous Conservative and other Governments have made to try and deepen the single market in services, this is a betrayal of everything that Mrs Thatcher tried to do.

Can the Minister tell me how,

“new arrangements on financial services”,

will,

“preserve the mutual benefits of integrated markets”,

while maintaining the autonomy of rule-making? Those two are surely in contradiction. We will not have integrated markets with autonomous rule-making.

I fear that what the Government are setting up is a further loss of trust in the public. There were so many deceitful statements that came out of the three pages after the Chequers meeting last Friday, which appear to be repeated in the bits of this White Paper which I have been able to read. For instance, the White Paper says:

“We share an ambition for our country to be ... more prosperous than ever before”.

But the Government’s own impact statements, which we finally wrestled out of them, all show that we will be poorer. Our economy will shrink; we will have less money for public services. So how will we be more prosperous if the Government have committed to the statements made by the OBR? There are so many statements in here that are just not true, such as that this will,

“return accountability over the laws we live by”,

to the UK Parliament. We will comply with the common rulebook, and yet we will have autonomy over our laws. It does not add up; we are setting up for the people to be let down and it is the people, therefore, who should have the final say on what the Government come back with. Otherwise, the forces that led to the decision in the referendum two years ago will just be magnified.

Lord Callanan: I thank both noble Baronesses for their comments. Let me address some of the issues that they raised.

First, I am grateful to the noble Baroness, Lady Hayter, for her comments about the prompt delivery of the White Paper in this House. I am glad to see that our processes are more efficient. When I was preparing for appearing here, I was listening to the exchanges in the House of Commons, so I dashed to the Printed Paper Office here to check that they had sufficient copies to deliver to everybody. Noble Lords were busy collecting them at the time and said they had them available in good time; I am pleased she got hers and I hope the noble Baroness, Lady Ludford, received hers in time as well. There was some information that was released to the press under embargo, as is normal practice, but it was released only once the Secretary of State stood up—

Baroness Hayter of Kentish Town: My Lords, I am really sorry, but it was at 9 o’clock this morning.

Lord Callanan: My information is that the embargo was not allowed to be lifted before the Secretary of State rose to his feet.

In answer to her other questions outside the process of delivering the White Papers, I can confirm that it is our ambition to reach a comprehensive deal on services. Will it be acceptable to the European Union? I hope so. We approach the negotiations in good faith and we will engage positively. We hope there will be a positive reaction because we want to reach a deal and get an agreement.

The noble Baroness asked about freedom of movement. I confirm that freedom of movement will end and she should be delighted to hear that, seeing as both my party and hers stood on promises at the last election to say that we would end freedom of movement. We have said that, in line with the commitments given in many

free trade agreements, we will seek to negotiate a mobility partnership with the EU, but that will not be the same as freedom of movement. This will cover things such as intra-company transfers, students, tourists and service providers, but it will not be the same as freedom of movement.

The noble Baroness made some quite good points about how to distinguish between goods and services; that is something we need to explore further with the EU, but a “good” is traditionally defined as something that physically crosses a border.

The noble Baroness asked about Gibraltar and the devolved Administrations. I can confirm that we did consult extensively with devolved Administrations, including sharing some drafts of certain parts of the White Paper where they were relevant to them. We did take on board and accept some of their comments.

I am not sure where the noble Baroness, Lady Ludford, was going with her fig-leaves analogy. Perhaps this was reference to the agri-foods being able to cross borders, so she will be delighted to know that, with the common rulebook on agri-foods, her fig-leaves will be able to seamlessly cross over the borders.

Again, in terms of delivery of the White Paper, I think I have answered that question from the noble Baroness, Lady Hayter.

I can confirm that we will be outside the common agricultural policy and the common fisheries policy, although we have said that we want to try and agree a common rulebook on agri-foods. We do not believe that will be a barrier. As the noble Baroness knows, the EU itself argues that CAP subsidies are not market distorting within the WTO, so there should be no problem in agreeing our own policies on environmental and CAP protections.

In terms of the common rulebook, we have been clear that we only want to agree a common rulebook in terms of those regulations that are necessary to enable frictionless border controls—or rather, no border controls because of a friction-free border.

In terms of free trade agreements, one of the benefits of the FCA partnership, if we can agree to it, is that it will allow us to set our own tariffs. I confirm that it is a priority of this Government to negotiate a free trade agreement with the US, and the noble Baroness will see references in the White Paper, as well as to our ambition to negotiate similar agreements under the Trans-Pacific Partnership.

In terms of financial services, we have been clear that we want to agree a close future relationship with the EU that preserves the mutual benefits of our uniquely integrated markets and protects financial stability. At the heart of this new partnership will be a set of binding, bilateral commitments that provides certainty and stability of access to each other’s markets and firms, while allowing the UK and the EU to exercise autonomy of regulatory decisions through their own domestic processes.

On the final point about accountability of laws, this will be a different arrangement. As the noble Baroness well knows, under the European Communities Act European law has direct effect in the UK; Parliament has effectively no choice about it. If we agree the

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common rulebook, then Parliament will have to adopt any future EU goods regulations, but it will have a sovereign choice about whether to do so. If it chooses not to, then we will have to accept the market consequences of that, but it will be a choice that this and future Parliaments will be able to make, so that is a different situation to that which pertains under the existing European Communities Act.

2.19 pm

Lord King of Bridgwater (Con): My Lords, does my noble friend recognise that this Statement and the White Paper do rather better than one or two of the statements that came out of Chequers in continuing to emphasise the point that frictionless trade is as important for jobs among our friends in the European Union as it is for jobs in this country? If that does not exist in any way, that would be hugely damaging to jobs in Europe as well as in this country.

Lord Callanan: I totally agree with my noble friend, who speaks great sense as always on these matters. Of course, free trade is in the mutual best interest of both parties; we cannot say that too often.

Lord Kerr of Kinlochard (CB): My Lords, I am grateful to the Minister for making sure that we, unlike our friends in another place, were able to read the White Paper. I have got as far as page 16 and it is there that I would like to ask for some elucidation. It is very good that we have at last put some cards on the table. That is a couple of years too late but better late than never. The White Paper is clearly a very substantial body of work, which will take a lot of reading by us and, I would have thought, a great deal of negotiating in Brussels.

I want to start on an element which the Minister highlighted. The FCA or facilitated customs arrangement, referred to on page 12 of the Statement and pages 16 to 18 of the White Paper, says:

“As if in a combined ... territory with the EU, the UK would apply the EU’s tariffs and trade policy for goods intended for the EU. The UK would also apply its own tariffs and trade policy ... However, the UK is not proposing that the EU applies the UK’s tariffs and trade policy at its border for goods intended for the UK”.

I have two questions. First, what happens at Dover to goods from, say, Asia which entered the EU via, say, Rotterdam? Where do the customs dues, tariffs and quota checks take place?

Secondly, as the Minister will be well aware from his long experience in the European Parliament, customs dues are an own resource which go straight into the common EU budget and it is 11 years since OLAF, the antifraud agency, started warning us that our border controls on Chinese textiles and footwear were inadequate. We are now in court for unpaid duty, calculated at more than €3 billion over a 10-year period. As he will be well aware, too, we are also in court over VAT fraud at Felixstowe, where the charge against us is \$3.2 billion. Does he really think that once we have shaken off the ECJ, the Commission and OLAF, we will be accepted as trustworthy collectors of the EU’s external tariffs and customs duties at our ports, against the background that it believes that we have consistently under-counted

for the last decade, having admitted false invoices and incorrect value declarations? How are we going to persuade the European Union that, as non-members of a customs union, we should collect the duties which go straight into its common budget? Would it not be simpler simply to have a customs union, as this House voted for by a majority of 123?

Lord Callanan: To answer the noble Lord’s last point first, for the sake of repetition, we have been clear that we are leaving the customs union. The reason why we are leaving is that we do not want to contract out our trade policy to the European Commission. He might think that is a good thing but I do not and I disagree with him. We want to come to an independent trade policy and this model would allow us to do that. I accept that there will be some challenges in negotiating this matter. However, we have put forward a proposal in good faith and intend to persuade the EU of its virtues and benefits.

On the noble Lord’s question about collecting duties, we intend to agree with the EU a mechanism for the remittance of relative tariff revenue. The UK is proposing a tariff revenue formula, taking account of goods destined for the UK entering via the EU and goods destined for the EU entering via the UK. I am afraid I cannot comment on the court proceedings that are taking place but I understand that we are vigorously resisting the sums that have been claimed.

Lord Campbell-Savours (Lab): My Lords, does not the chaos and division preceding the publication of this White Paper point once again to the approach that I have argued for in this House over the last two years? The people, by majority, voted leave because a majority of them wanted reform of free movement and control of our borders, which is what all the pre-referendum polling data showed in many national polls that were carried out. I hold copies of that polling data myself. In the changed conditions that now exist in Europe, can I once again suggest that, despite the difficulties, we pursue that limited objective and, at the same time, seek a new formula that would redefine our net contributions as gross, then let the people decide once again in a second referendum?

Lord Callanan: I commend the noble Lord for his perseverance in pursuing this avenue but I respectfully say to him that I do not think a second referendum is the way forward. He refers to chaos. I do not agree with him on that but were we to go down the road of a second referendum we would have months and months, if not years, of arguing about what the question should be, what its effects would be and how we would resolve them. We would need legislation to go through both Houses and to try to accomplish that would be extremely controversial. What would happen if the country voted differently? Would there be a best of three, and would we seek to reopen the whole question? If anything, that would be a recipe for massive chaos.

I said quite a bit about freedom of movement earlier. Freedom of movement is ending and I agree that that was one important factor in the referendum result. However, it was not the only factor. People voted leave for many different reasons, of which I think freedom of movement was one. That is why it is ending.

Lord Cormack (Con): My Lords, I thank my noble friend for remaining in the Government to fight for meaningful negotiations. Will he do all in his power to convince the triumphalist brigade of Brexiteers, of whom there are far too many, that they represent only a small fraction of the population and have to accept that the solution at the end of the day cannot be winner takes all? We have to have realistic negotiations in a spirit of constructive compromise. Will he assure the House that that is how he will play his part in going forward from this document, which is much more realistic than many of us feared it might be?

Lord Callanan: I thank my noble friend for his comments. I never had any intention of resigning, despite the optimistic tone in the Twitter feed of the noble Baroness, Lady Ludford, which somebody pointed out to me. It was a great amusement to wake up on Monday morning and find the number of people—including the noble Lord, Lord Adonis, the noble Baroness and others—who had been speculating on my demise. Of course, these are difficult times. There were always going to be difficult and tricky negotiations and I have always said that we need to try to come up with a solution which everybody in the country can support. That will be a challenge but we will do our best, because we have to move forward in a spirit of unity and not division.

Lord Hannay of Chiswick (CB): My Lords, will the Minister perhaps enlighten the House on whether the customs arrangement proposed will be in full conformity with World Trade Organization rules, which normally lay down that when a third country sends goods to somewhere such as the UK, it knows what tariff rate it will be faced with? That would be the UK tariff rate but apparently, under certain circumstances, it would be a different tariff rate. Does that conform to the WTO?

My second question is about the migration partnership. The Statement makes it clear that this will fall within the ambit of the negotiations with the EU 27, but what on earth are the negotiations going to be about since the White Paper says nothing about the migration partnership? When the Minister's right honourable friend arrives in Brussels next week, what is he to say when asked what we are putting in place on freedom of movement? Finally, I notice that the Statement states categorically that the Government are not going to spend taxpayers' money on nothing but, if they get their way and there is a deal, they will have spent millions in taxpayers' money on preparing for nothing.

Lord Callanan: I do not know if the noble Lord has a copy of the White Paper but, if he looks on pages 32, 33 and 34, he will see a substantial amount on what we see as the mobility partnership, the ending of freedom of movement, et cetera. Maybe he would like to look at those pages. Of course anything we seek to negotiate will conform with WTO rules. We will be an independent member of the WTO. We look forward to resuming our seat and we will be a global advocate for free trade, in conformity with WTO rules.

Lord Monks (Lab): My Lords, I am sure that no one wants to undercut the position of government negotiators in the continuing talks with the European

Union, but how realistic is it for the Government to pick out those bits of EU structures they like and want to retain and jettison the other bits that they do not like? Is it not cherry picking on an epic scale, almost like the England football team looking for some special dispensation from the rules in the World Cup to gain an advantage? Is the White Paper an opening basis for talks or will it be plastered with red lines laid down by elements of the Cabinet and the Conservative Party? Is this a basis for negotiation or an inflexible position?

Lord Callanan: No, this is not cherry picking. All trade agreements are bespoke. This proposal puts our rights and responsibilities in a new balance that fulfils our joint ambition to establish a deep and special partnership. The reason that we believe in free trade is that it is unambiguously positive for both sides. The EU has a surplus of goods trading with the United Kingdom, so it has an extra incentive to agree a partnership on that basis. We want to discuss these proposals with it and hope it will be able to accept them but, as with all these things, we have already made considerable compromises in the negotiations, as has the EU. Those of us who have been MEPs in the past know that all EU negotiations result in considerable compromise from both sides. It is difficult to see how we can compromise much further in the proposals but, nevertheless, we will engage in the discussions in good faith.

Baroness Oppenheim-Barnes (Con): Some of our greatest earnings are from carriage by sea, and a great many of our goods go through Europe but are destined for countries outside it. Will those goods be exempt from the new regulations or will they be required to accept them, if it is no longer in their interest to pass through European ports?

Lord Callanan: All exports need to be WTO-compliant. A lot of the rules for maritime and sea transport are set at an international level, and exports will need to continue to comply with those regulations.

Lord Lea of Crondall (Lab): My Lords, on the theme of cherry picking, I take an example from paragraph 10 of the Oral Statement:

“In delivering on this vision, the Government propose an innovative and unprecedented economic partnership”—
you can say that again—

“maintaining frictionless trade through a new UK-EU free trade area for goods underpinned by a common rule book”,
but,

“covering only those rules necessary to provide for frictionless trade at the border”.

Given the multiplicity of borders—there must be hundreds across Europe—is this meant to apply to all of them and, if so, what can we expect of other countries? It would surely strike them as a bit strange, if not unreasonable, if it applied only to borders in which we had some interest but not to everybody's border.

Lord Callanan: I am not sure I totally understand what the noble Lord is getting at there.

Lord Lea of Crondall: Is this going to apply to all the borders between all the countries of Europe?

Lord Callanan: This is concerned with the border between the United Kingdom and the rest of the EU, whether at Dover/Calais or the Northern Ireland/Ireland border. That is principally what we seek to address with these proposals.

Lord Bridges of Headley (Con): My Lords, I congratulate my noble friend and his colleagues on the White Paper. I entirely agree with the thrust of it, the balance of it and, at long last, that we have grasped the need for compromise and being honest about the challenges that we face. In that spirit, therefore, I urge him and his colleagues to be honest and transparent about the consequences of the compromises contained in the White Paper, specifically about the role of the ECJ. Yesterday afternoon, I received an email from one of our colleagues in the Conservative Party, Mr Brandon Lewis, who said that the plan and proposals at Chequers meant that we would control our laws. It is apparent, when you read paragraph 42 on page 93, that the CJEU—the European Court of Justice—will continue to have a role in the interpretation of the laws and regulations of this country. I urge my noble friend to be honest about that, so that we can go forward together as a country, united and clear about our direction.

Lord Callanan: I thank my noble friend for his comments. These judicial areas are complicated, so perhaps I should briefly set out our position for the House. Where we have a common rule book and there is a dispute between the UK and the EU, the Joint Committee, by mutual consent, or an independent arbitration panel will be able to ask the CJEU to give a binding interpretation of a common rule. If we are allowed to participate in EU agencies, the Prime Minister has already said that we will accept the remit of the ECJ in the application of the rules of those agencies, but that is far from the overreaching impact that the ECJ has at the moment.

Lord Jay of Ewelme (CB): My Lords, I welcome the White Paper and look forward to reading it. I am afraid I have got to only page 14 so far, but my noble friend Lord Kerr was always ahead of the game. When the former Secretary of State for Exiting the European Union appeared before the EU Committee of your Lordships' House, he talked about the negotiations on economic, security and foreign policy issues taking place at a different rhythm and pace over the next few months. Could the Minister say more about how he sees the negotiations taking place now, based on the White Paper that we have just received?

Lord Callanan: The Prime Minister has been clear that we want the negotiations to proceed at pace. They are all important issues—on security and external affairs as well as the economic partnership—so they are all going on in parallel. The new Secretary of State will be meeting Michel Barnier shortly and the negotiating teams are ready and willing to work over the summer, which is unusual in Brussels. Nevertheless, there is willingness on both sides to address these issues and to push forward at pace, in the hope of reaching an agreement by October, as we have targeted.

Baroness Wheatcroft (Con): My Lords, the Statement refers to the “flexibility” that we will retain on financial services and the services sector generally, but the White Paper acknowledges that in doing so we will reduce our access to EU markets. Could the Minister put a figure on the cost of this change?

Lord Callanan: We want a deep and ambitious partnership on financial services. I set out earlier exactly how we see it working. We think that is in the interests of both parties, but it is impossible to put a cost on or indeed outline the benefits of anything until we have agreed it.

Lord Skelmersdale (Con): Would my noble friend be good enough to accept that trade is like Gaul—divided into three parts? You have direct trade between, say, India and the United Kingdom, trade between the EU and the United Kingdom, and re-export. All those will need different solutions, unlike the ideas put forward by the two parties opposite.

Lord Callanan: My noble friend makes a good point, which is why we need to try to reach agreement with the EU using our new customs model, which we believe will be a good solution.

Immigration: Hostile Environment

Statement

2.40 pm

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, with the leave of the House, I shall repeat in the form of a Statement the Answer to an Urgent Question asked in the other place earlier today. The Answer is as follows:

“Mr Speaker, I welcome the opportunity to respond on this Question and want to make our position very clear. We have put in place additional safeguards to ensure that legal migrants are not inadvertently caught up by measures designed to tackle illegal migration. It is right we make a clear distinction between those who are here legally and those who are not. We have made clear that it is not acceptable that those of the Windrush generation have been impacted negatively, and have apologised.

We are keeping under constant review the safeguards that were immediately put in place. We have introduced a temporary pause in the proactive sharing of Home Office data with other organisations, including banks and building societies, for the purpose of controlling access to services. Data on persons over 30 have been excluded from sharing to ensure that members of the Windrush generation are not inadvertently affected. This is a temporary measure.

We are also providing additional support to landlords, employers and public service providers through the Home Office checking service to ensure we are not impacting the Windrush generation. We have issued new guidance, which encourages employers and landlords to get in touch with the Home Office checking service if a Commonwealth citizen does not have the document that they need to demonstrate their status. We have issued similar guidance to other government departments providing public services.

The Home Secretary has said that it is his top priority to right the wrongs that have occurred. A lessons-learned review, which will have independent oversight, will help to ensure that we have a clear picture of what went wrong and how we should take this forward. We are carrying out a historical review of removals and detentions. At the same time, our task force is helping those who have struggled to demonstrate their right to be here are supported to do so, and we have committed to setting up a compensation scheme”.

2.42 pm

Lord Kennedy of Southwark (Lab Co-op): My Lords, whatever the name, hostile or compliant, with the introduction of the Immigration Acts of 2014 and 2016 by the Prime Minister, people lawfully here in the United Kingdom have been treated shamefully. How will the suspension work? In three months’ time, do the Government intend to share the data that would have been shared over that three-month period, when the temporary pause comes to an end? What are they doing to ensure that the data are accurate, as the errors in data shared leave the injustice highlighted by the scandal?

Baroness Williams of Trafford: The noble Lord will know that it is not simply the 2014 and 2016 Acts that have led to what is now called the compliant environment. He will recall that, back in 1997, right to work checks were introduced. Of course, there have been right to rent checks and addition on addition of compliant environment checks to ensure that people who are in this country to work and live are so lawfully. So it is not just the 2014 and 2016 Acts. Over time, identity assurance has increasingly been a requirement.

As for the paused proactive data-sharing arrangements, we have paused it as he says with other government departments and delivery partners on data for all nationalities over 30 years old, which takes us back to 1988, for a period of three months. My right honourable friend this morning undertook to make an assessment of it from that point. That covers HMRC, the DWP and the DVLA. We have also gone further with access to financial services measures and significantly restricted proactive data sharing with banks and building societies via Cifas for persons subject to deportation action due to criminal activity.

Did the noble Lord ask another question?

Lord Kennedy of Southwark: Yes, I did, but—

Lord Paddick (LD): The Home Office Committee is reported as saying that, unless the Home Office is overhauled, the scandal will happen again for another group of people. For example, there is nothing in this Statement about the fact that officials in the Home Office are being put under pressure by being given targets for removals from the UK. How can officials use their discretion and compassion if they have to deport another 10 people by the end of the week?

Baroness Williams of Trafford: The noble Lord will have heard the previous Home Secretary talk about previous targets for removal, which there were, and which had stopped for this year—they had been ceased. There were no targets for the deportation of criminals.

But the noble Lord got to the nub of the point. The Home Office and the new Home Secretary have said that we need to take a far more humane approach to dealing with people—because these are people and not just numbers. I hope the noble Lord will agree that the way in which the Windrush issue has been dealt with under the leadership of the new Home Secretary has been more than humane. He has put a prime focus on ensuring that anybody inadvertently removed by the compliant environment measures that were in place are proactively sought, and remedial action will be taken to ensure that, through the compensation scheme, any hardship they have suffered will be recompensed in due course. The noble Lord is right in the sense that the culture needs to be changed—the new Home Secretary talked about that as well—to understand and recognise that we are dealing with human beings here.

Lord Kennedy of Southwark: If nobody else is coming in, may I ask the Minister to look at the question I asked her a few moments ago and write to me? I was asking about the data. If she could write to me, that would be very much appreciated.

Baroness Williams of Trafford: I apologise to the noble Lord that I answered an entirely different question from the one he asked. I hope the House found it helpful anyway. I shall of course write to him on the data.

Visit of President Trump: Policing Statement

2.48 pm

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, with the leave of the House I shall repeat in the form of a Statement the Answer to another Urgent Question given in the other place today by my right honourable friend the Minister for the Police. The Answer is as follows:

“First, I apologise to the honourable lady and to the House for not being in the Chamber when she put the Question. The visit to the UK of any President of the United States of America is a significant and historic event. I reassure the House that the police have developed robust plans to ensure the safety and security of the visit. The three main forces involved are the Metropolitan Police Service, Thames Valley Police and Essex. Nearly all forces in England and Wales are providing officers and resources to assist with the policing plans. This is under existing mutual aid arrangements and is being co-ordinated by the National Police Coordination Centre.

It is a long-standing tradition in this country that people are free to gather together and demonstrate their views. The police are aware of a number of protests planned across the country and will be working to manage these. The Metropolitan Police Service anticipates protest in London, including two large-scale protests tomorrow and on Saturday.

Proportionate policing plans are in place to support them. This is a significant policing operation and comes, as the House knows, at a time when police resources are also focused on investigating the incidents

[BARONESS WILLIAMS OF TRAFFORD]
in Salisbury, protecting us against terrorist attacks and delivering their local policing plans. We will consider any requests for special grant funding in line with normal processes.

I conclude by stating for the record something I am sure the whole House feels, which is our appreciation for the incredible hard work that our police officers and their partners are doing to facilitate this visit successfully. That comes on top of the work they do every day in every community to protect the public”.

2.50 pm

Lord Kennedy of Southwark (Lab Co-op): My Lords, I join the Minister in appreciating the incredible work that our police and other partner agencies do to keep us safe. I fully support the right of people to protest peacefully while President Trump is here in the United Kingdom. It is such a contrast to how President Obama was received a few years ago. I recall the wonderful address he gave to both Houses in Westminster Hall and the time he took to leave the Hall because he was talking to Members of both Houses.

With police budgets under pressure and gun, knife and other violent crime rising, it is important that any requests for additional grant funding are considered in the context of the pressure police budgets are already under and the duty to keep citizens safe. Can the Minister confirm that that will be the case?

Baroness Williams of Trafford: I most certainly can. As the noble Lord will know, there are established processes for PCCs to make an application for additional funding if they face unexpected and exceptional expenditure—and I am sure this is such expenditure—which would otherwise create a serious threat to the force’s financial stability and its capacity to deliver normal policing.

Lord Paddick (LD): My Lords, I shall continue the theme of funding. We continue to believe that the police are underfunded, particularly considering that 60% of funding for police services comes from central government and that amount is reducing in real terms. Police officers on mutual aid operations to ensure President Trump’s safety are being housed in gymnasiums. There are hundreds of officers in one space on camp beds. Male officers are having to pass through sleeping areas designated for female officers. Some female officers are being accommodated on the floor of squash courts where there are no beds, simply a mat on the floor for them to sleep on. These officers are having to spend three nights in these conditions and are then expected to work 12-hour shifts. Why has the Home Office not proactively stepped in to ensure that forces have sufficient funds to provide civilised accommodation for these officers? How do the Government expect police officers to treat the public fairly if this is the way the Government treat them?

Baroness Williams of Trafford: I totally sympathise with the noble Lord’s point. Police officers who work in the line of duty to protect the public should absolutely be given decent accommodation. I shall quote the NPCC’s spokesman:

“Some of the accommodation pictured today for officers supporting the major operation for the US Presidential visit is not acceptable and below the standard of other accommodation for this operation”.

I understand that Essex Police is working at speed to resolve this and to ensure that the affected officers will be decently accommodated. The spokesman also thanked the officers who raised this issue because what the noble Lord outlined is utterly unacceptable.

Lord Kennedy of Southwark: The Minister set out the context of how PCCs can apply for additional funding for the costs associated with policing the President’s visit to the UK. Does she think that the conditions highlighted by the noble Lord, Lord Paddick, are a prime example of where funding should be brought in quickly and urgently to deal with those issues?

Baroness Williams of Trafford: It certainly could be an example of where costs were not expected but were incurred. Therefore PCCs would be eligible to apply for extra funding.

LGBT Action Plan: Gender Recognition

Question for Short Debate

2.54 pm

Asked by Lord Lucas

To ask Her Majesty’s Government how they intend to review the gender recognition process, and implement the other commitments set out in their LGBT Action Plan, published on 3 July.

Lord Lucas (Con): My Lords, I welcome wholeheartedly the Government’s *LGBT Action Plan* and I urge all noble Lords to consider contributing to the consultation. I will concentrate on just one aspect, which is gender. In that area, there are radical effects that go well beyond the LGBT community. The Government’s proposal to amend the Gender Recognition Act 2004 so that a wholehearted commitment to change gender should be enough and that we should do away with the current hurdles that have to be leapt are proposals that I entirely support—but, if we are moving to a world where it will become commonplace, if uncommon, for men to have babies and women to have penises, that is the end of the fiction of binary gender. I absolutely think that that is good for us all.

Of course, biological sex is mostly binary. There are distributions around the two modes and there are some people who are in between, but the pattern is pretty binary. Behavioural gender is not. There are not two genders, and nor are there many genders, as some people have contended. Gender cannot be counted or clearly defined. We can distinguish male typical expression and female typical expression, but there is an immense amount of crossover and interpenetration. The *Telegraph* said a couple of days ago, with reference to the Thai cave rescue, that the rescuers were demonstrating typical male virtues like courage—phooey. Courage as a male virtue? None of us men has ever given birth. Does that not take courage? It is a ridiculous idea that courage is

a male virtue. No, these are human virtues. To some extent there is a distribution, but it is absolutely not something that can be separated into two genders, and we should not let ourselves be defined by labels.

Over the centuries, labelling people as men and women has led, particularly for women, to serious, crippling oppression, to limitation of their lives and to there being a whole list of things that women are not supposed to do because they are women. There is no good reason for it, and many of us have spent a chunk of our lives in this place fighting against it and trying to make it possible for more women to be engineers, more men to be primary teachers and things like that. The use of gender as a binary concept has done nothing but hinder us as individuals and as a society.

Gender is an obstacle to our self-expression and to equality. Who should care if men choose to wear pink dresses and make-up or if women climb trees and have hairy armpits? Why should any of us try to make people behave in ways that they choose not to when we are quite happy to let other people behave in exactly those ways merely because we assign them to a different gender? It is time that we took advantage of this liberalisation which the Government are looking at to free up the world for all of us. It is not that I expect things to change fast. On the odd hot day, I might choose to wear a dress. My goodness, a suit and tie in this place does not go very well. Besides, apart from the odd pink tie, we are not really allowed to be colourful these days—although I can show off the lining of my jacket. The restrictions that we put ourselves under because of gender are entirely unreasonable. I congratulate the Government on opening the challenge to that, and I hope that this is something that they will allow us all to take advantage of.

However, because it is such a radical change, it will have predictable problems. To pick an obvious one, there is women's sport. We separate women's sport because testosterone, in particular, has an effect on the development of the male body which means that males generally show greater strength and endurance—characteristics which allow them to perform better at sport. I think that that shows in the various world records for the two genders. If we are to allow someone whose body has been formed by testosterone to compete as a woman in women's sport, that is a question which we must look at. Is that what we intend? Is that fair? Is that the way we want the world to be? We would be affecting an awful lot of women by allowing a few men to compete in women's sport. Imagine the noble Lord, Lord Addington, coming down at you in women's rugby. It would not be fun. We need to think through these things because we are opening the door to them.

There are lots of ways in which we reserve spaces for women: because they want to be naked in them, because they want to take refuge in them, because they want to perceive themselves as safe. I remember long campaigns in this place to make sure that we had sufficient single-sex NHS wards. We need to think how that will change. If we are not using gender—sex—as the discriminator, what will we do? Will we have people taking individual, risk-based decisions? If so, we need clear guidelines so that they can be confident in the decisions that they take.

We need to look at the practice. In some ways we are much better at this than the US. We need to look at the practice of allowing children's bodies to be chemically and physically altered because of a perceived difference between their body and the gender that they perceive themselves to be. If we are getting ourselves to a position where gender does not matter any more, why are we considering allowing that to be done to children? Adults, yes, but why do we allow it for children? We need to look at that with great care.

So I hope that, in the course of this consultation, the Government will address these problems which they are—rightly—exacerbating and which will cause much pain if we do not address them. I wish them great courage—as an ungendered virtue—in that.

3.03 pm

Lord Cashman (Lab): My Lords, I refer to my entry in the register of interests and particularly thank Stonewall, Mermaids and the United Kingdom Lesbian & Gay Immigration Group for their advice. It is a delight to follow the wonderful introduction by the noble Lord, Lord Lucas, and I thank him for initiating this important debate. As he started to outline, it gives us an opportunity to address the dangerous vacuum created by the failure to bring forward earlier the consultation on the Gender Recognition Act. Into this vacuum has crept myth, misrepresentation, hatred and the defamation of trans people, in particular trans women. It is therefore vital that, during consultation on the Gender Recognition Act, we move the debate back to facts and evidence.

I also unreservedly congratulate all those involved in the production of the action plan, in particular those rarely noticed: the civil servants. The action plan is based on the LGBT survey, which attracted more than 108,000 responses, making it the largest national LGBT survey in the world, but the survey shows that the fight for equality is far from over and in some areas—for example, the experience of hate crime—the progress made is being reversed. The survey paints a picture of a country where, despite almost legal equality for LGBT people, they still cannot be themselves. I say that in a personal capacity as a gay man.

Many face discrimination and live in fear of being harassed, outed or bullied. They are often unsafe on our streets and in their homes. In schools, they face bullying, misrepresentation and outing and feel marginalised in sex and relationship education. In that regard, faith schools should not be allowed to opt out of including LGBT in sex and relationship education. In the NHS, their physical and mental health needs are not properly serviced by the NHS or its practitioners.

The Government are justly proud of recent milestones, such as the same-sex marriage Act 2013, where a pivotal and dynamic role was played by the noble Baroness, Lady Featherstone; the Policing and Crime Act; and Turing's law. We must also acknowledge the work undertaken from 1997 by Labour Governments—I do not say this in a partisan way—which helped transform this country into a much more equal and accepting place.

Above all, we must recognise that the rights that we enjoy today are because of the sacrifices of thousands of generations. Therefore, despite the plan, I believe

[LORD CASHMAN]

that we can do more. The action programme needs to be better funded and the Government should address reform of the way LGBT asylum seekers are treated in the United Kingdom. Equally, they should commit to roll out PrEP to high-risk groups throughout England.

There is a danger that inequality could continue and that devolution will become the excuse for doing nothing. It is simply not good enough to allow parts of the United Kingdom to opt out from equality. Same-sex marriage and a woman's right to an abortion are both denied in Northern Ireland. This cannot be right and must be urgently addressed. The provisions in the Policing and Crime Act to extend pardons and disregards of historic sexual offences must not be held up any longer. I look forward to my meeting with the Minister, but it is now 19 months and we are no further forward. All reforms are complicated, but I once again ask the Minister to produce a timetable to achieve these provisions and ensure that those affected can finally secure justice.

The Ministry of Defence must address posthumous pardons for historic homosexual offences. Professor Paul Johnson of York has supplied a comprehensive draft to the Ministry of Defence, but there is still no action.

On gender recognition, Stonewall and the Mermaids organisation remain concerned at the omission of any specific question relating to trans people under the age of 18 in the consultation document. Other key objectives for reform are: self-determination of legal gender identity, similar to systems successfully in place in Norway, Ireland and Argentina; legal recognition of non-binary identities; and the same processes for 16 and 17 year-olds, with access to recognition for under-16s with—I underline this—parental consent.

We must not forget older LGBT people, in particular when they need social or residential care. Of particular concern are those older gay and bisexual men who are HIV positive and may go into residential care homes. The stigmatisation and discrimination that they face has been well documented by the Terrence Higgins Trust, and it demands urgent action.

We need to ask ourselves why so many young homeless people are LGBT—often shunned by their families and friends when they come out, so the street becomes their final yet dangerous refuge. On this, too, we need urgent action.

Let me end on this. We must always remember that we as a society are only as equal as the least favoured or the least understood. We advance together or we do not advance at all.

3.09 pm

Lord Scriven (LD): My Lords, I too, thank the noble Lord, Lord Lucas, for initiating this important debate. It is a pleasure to follow, on this occasion, my noble friend the noble Lord, Lord Cashman, as we are friends and fellow allies on these issues.

It speaks volumes that in 2018 a plan is needed for equality on LGBT issues. While we have come a long way, there is still further to go, and we need to reflect that we need a plan if we are talking about full equality. I welcome the work that has been done, and I welcome

what is in the plan but, as I say, we need to go further. Some issues are either ignored or scantily dealt with, and I want to deal with four of those.

The first is about outing. Outing is terrible. As a gay man myself, I understand that, because I was outed as a schoolboy, which nearly led me to commit suicide. It has huge consequences on the psychological well-being of individuals. What legal remedies will be taken against those who deliberately out somebody? It is the one thing that creates a whole domino effect that can have huge consequences, including the taking of life. It has to be looked at in a very different way. There are some laws around, but they are not strong enough.

The other issue, as the noble Lord, Lord Cashman, mentioned already, is equal marriage in Northern Ireland. You cannot devolve human rights. Human rights are indivisible, and they have to be upheld for every citizen of this country. The DUP cannot have it both ways. It cannot say that it is part of the union and then deny me and my husband the right to be married the moment we step off the plane in Belfast. The Government now have to address this. They cannot say that it is a matter of devolution when the institutions of devolution have been dysfunctional for 18 months. That needs to be addressed. What plans do the Government have? In particular, will they be supporting the Marriage (Same Sex Couples) (Northern Ireland) Bill, introduced by the noble Lord, Lord Hayward?

The next issue is to do with funding. The plan, quite rightly, ascribes funding of £4.5 million between now and 2020. However, worryingly, it says that that £4.5 million will be spread between both government bodies and civil society. How much of that £4.5 million will go to government bodies? I hope that it will not be the majority; it should be minimal. The money needs to go to bodies in the third sector across the United Kingdom. Therefore, will the process for access to this money be light touch and simple, and particularly will it go across the regions of the UK rather than to the big organisations within London? It is not that I have a problem with the larger organisations in London, but many bodies across the UK are struggling and need financial support to implement some of the issues in the plan.

The final issue—the Minister would be surprised if I did not mention this—has to do with LGBT asylum. The report is scant in reality about what it wishes to do, yet the consequences of getting LGBT asylum claims wrong could be death. People are being deported back to places where they are in severe danger, and we must never forget that. There is an excellent report out today, which I am sure the Minister has not had time to read yet, by the UK Lesbian & Gay Immigration Group called *Still Falling Short*. I ask the Minister to read that.

There are a number of issues. First, there is no consistency in the decision-making process. The rule of “reasonable likelihood” is not applied consistently and the bar is being set too high, so that people who are at risk, and are at reasonable likelihood of risk because of their sexuality or gender identification, have been sent home or denied the right to stay in safety. The other issue is that people do not apply immediately for asylum and are being refused. Someone who comes from a state where their sexuality is being

used against them by the state are scared of outing themselves to the authorities because they think there will be consequences. That has to be looked at.

Finally, we have to think about the culture in the Home Office. One person in the report was denied because the Home Office said that they had not reasonably explained why they continued to practise Islam knowing full well that homosexuality was not permitted in that religion. The culture and the way in which Home Office staff deal with these issues has to be addressed. Will the Government commit to an independent public audit of the standard of proof in asylum decision-making?

I hope that this plan is an action plan and is not just a plan with less action.

3.15 pm

Lord Stevenson of Balmacara (Lab): My Lords, I join others who thanked the noble Lord, Lord Lucas, for securing this debate, and for the interesting way in which he introduced it. I am not sure that *Hansard* will be able to pay due credit to the flourish with which he unveiled the colours behind his jacket, but I hope that some means will be found of expressing it. Without the props, which we are not really supposed to have, it would have lacked a little. It was an important contribution to the debate, and the noble Lord made some very sensible points. We should also thank others who have spoken, including my noble friend Lord Cashman and the noble Lord, Lord Scriven, who dealt with their personal experiences and brought in their wider experience on this issue.

I want to focus on the references in the excellent report to non-binary people and to intersex, which is an area I have become interested in because I myself suffer from a condition called hypospadias. I have not often talked about it because it leaves strong psychological burdens which I struggle with, even today. Having got that out of the way, I did manage to set up a small charity which reached out to those in our society who have the hypospadias problem. It brought me into contact with other organisations mainly to do with hypospadias but also involved in campaigning around intersex and non-binary issues.

It came across strongly to me that the two main concerns were not just the recognition of gender identity, although that was mentioned very strongly by the noble Lord, Lord Lucas. It is a very important issue to which I want to come back. As he said, and others have mentioned in other debates, there is extraordinarily aggressive treatment meted out to young people and children who are too young to be aware of what is happening to them. There are those who have a vision about a society that is strongly bi-gendered—in other words, the male and female sides are easily identified both in terms of their physical look and subsequently in the way in which they are brought up. This is something that has to stop and I hope that, when the report is finally received, we can look forward to some legislation because it is a very important issue.

In working on my charity, and in helping those who suffer from hypospadias, I have come across areas where activity has been followed by legislation. I draw attention in particular to a recent law in Malta which deals with gender identity, gender expression and sex characteristics. It is a model that could be translated

easily into British law, and I recommend it to the Minister as an issue that she might pick up when it is right to do so. The Maltese Act deals with and identifies gender expression and gender identity. It talks about gender marking and lived gender, which are all issues that those with problems of gender expression and sex segregation are familiar with. It is important to see these things in statute, and I recommend that to the Minister.

The Act also talks about sexual characteristics, often used as a test or diagnostic, leading to further medical treatment, which is appalling and must be stopped. It deals with the way in which everybody in Malta, perhaps since the passing of the Act, now has the right of recognition of their gender identity. By that it means a person's internal and individual experience of gender, which may or may not correspond with the sex assigned at birth, including the personal sense of the body—of appearance, functions, medical, surgical or other means. These issues are so important, and it would be wonderful to see them in our own statute book.

The question of a change of gender identity is raised in the Act. Those who have concerns about how minors are treated are dealt with. Towards the end, it deals very importantly with the need to protect bodily integrity and physical autonomy, issues that I think have been left too long out of the scope of our legal processes. I just read this particular section:

“It shall be unlawful for medical practitioners or other professionals to conduct any sex assignment treatment and/or surgical intervention on the sex characteristics of a minor which treatment and/or intervention can be deferred until the person to be treated can provide informed consent”.

This is such an important passage, which raises matters such as other interventions in children. It should be picked up and used in any future discussions in this area.

I would hope that the report that will be generated by the GEO, which I welcome, will improve the understanding that we all should have about the issues facing non-binary people and the issues facing people who are intersex. But that in itself will not be sufficient, and I call for action.

3.20 pm

Baroness Featherstone (LD): My Lords, I also thank the noble Lord, Lord Lucas, for bringing this important debate to the Chamber and associate myself with the remarks of my noble friend Lord Scriven and the noble Lord, Lord Cashman, and the interesting and informative contribution of the noble Lord, Lord Stevenson.

I find myself in the position of welcoming the Government's approach to this, particularly on self-identification. It shows that more understanding has finally come and that life and gender are not as simple as we used to assume—but it is still misunderstood. About 40-plus years ago when I was a student, I read the book *Conundrum* by Jan Morris—this was James Morris, who was a military man and adventurer. I had never come across or heard anything about trans before; reading this book as my first connection with this work gave me such a deep understanding that this is so fundamental and so real, but so misunderstood by the general population.

[BARONESS FEATHERSTONE]

Then, some years later, I led for the Liberal Democrats on the Equality Bill. Vera Baird was the then Minister taking it through for the Labour Benches. In Committee, we had many arguments that are still used by judges today in court, because I argued against the protected characteristic of gender reassignment, which I felt misdescribed that protected characteristic. There is a spectrum, and gender reassignment somehow sounded as though you had to reassign your gender surgically or medically or actually do something. My argument at that point—there are copious words in *Hansard*—was that people feel very differently at different stages about their gender.

At the Stonewall hustings in 2010, I think, I was sitting on the panel. I was there early and there were two guys in front of me making jokes about trans women—it was the way it used to be, let us say; life has moved on since then. I was so upset and I had a go at them—I am not one to necessarily hold my punches. I was so incensed by the time the whole audience came in that I threw away my speech and lectured the whole of the Stonewall hustings audience on behaviour. I thought it was absolutely awful. Any of us who have been in minorities—even when we are a majority as women—should take note, in my view, of that poem by Martin Niemöller: “First they came for the Jews, and who is left to speak up for us?”. Eventually and wonderfully, Stonewall added trans to LGB and became LGBT. Its current CEO, Ruth Hunt, is doing an amazing job in supporting the trans community. She is outstanding and brave—she is trolled, and the vilification that goes on against trans people is now levelled at her for taking a stand.

The world is funny, because I became a Home Office Minister—who knew a Liberal Democrat could do that?—and Minister for Equalities. One of the first things I did was to produce the first transgender action plan in the whole world. I worked extensively with the community during that time. Although it was not implemented properly and we are now going to have a second one—which is why I welcome what is happening now—trans has, since then, become better known about. But it is still not really known about at a deep level; some of the programmes have been fantastic and some have been found wanting.

There are not enough services for those who need them and not enough understanding that, for those who pass in the other gender, they pass—you will never know what they originally were and what they are now. That is how it should be. The only thing I would take issue with the noble Lord, Lord Lucas, on is men taking part in women’s sport; there are issues about toilets and changing rooms—and I am sorry that it has been so reductionist as to come down to that—for sport and for shelters. But those who transition are the other gender, and those who self-identify are the other gender. Those are details that need to be worked out.

I came to speak in this debate today because I am an uber-feminist. There are some feminists who have brought shame, I think, to the name of feminist by the level of hatred and vitriol that they have levelled at trans women. That is why I am standing here today. How little they understand this community. They should be welcoming and understanding to these new women.

They should have humanity, kindness and inclusiveness in their souls. This fanatical assault is not feminism, it is false protectionism—mistaken protectionism. So to the faux feminists I say: regain your humanity and understanding. To be trans is challenging enough—with the sorts of challenges that you have to go through to work in a world that has traditionally been totally binary and is now coming to grips with the fact that perhaps it is not the way we all thought it was. The attempted suicide rate should be indication enough that this is a community that needs our love and support. I am glad that we are going to try to do better.

3.26 pm

Baroness Barker (LD): My Lords, I draw attention to my interests in the register. I thank the noble Lord, Lord Lucas, for his characteristically thoughtful and original introduction to this subject. He will perhaps accept from me my frustration that we have a very short debate and very short amount of time in which to begin to talk about one of the most significant pieces of data gathering in the world on this subject. I could, in my allotted time, simply talk about his comments about children and similarly those of the noble Lord, Lord Stevenson of Balmacara, because there is much in what they said that needs to be teased about and explained more fully. Sadly, we do not have time to do that today. I hope that the Minister will understand that there are many of us on all sides of the House who wish to be extremely helpful to the Government in bringing this plan to fruition. I hope that, because of this debate, we will not be precluded from debating and discussing all of this further.

As a Liberal Democrat, I am absolutely delighted to see this action plan and this research. Our party has been engaged in campaigning for over 50 years, and it is great to have the first large-scale evidence of many of the things that we have thought for years have been happening. This is a hugely important dataset, but let us be clear: it is not comparative data, and it is self-reported. The one thing I ask the Minister is: will the Government, as soon as possible, release as much of the data as is possible to do without in any way breaching the confidentiality of the respondents and share it with other academics and indeed even people working in the private sector who are perhaps to some extent a bit ahead of government on dealing with this issues? I fear that even the civil servants—although they have done a tremendous job and will continue to do so—will not be able to do full justice to this information.

The one thing that has struck me in this report is that, in my lifetime, public services such as the police and the Armed Forces have changed beyond all recognition, but the one public service that continues to fail the LGBT community is the NHS. Something I am very pleased to see come out of this report is a recognition that LGBT health is not just about gay men’s sexual health nor about gender identity; it is much broader than that. Across the piece, the NHS continues to provide our community with a lamentable service. We have research reports going back to 2005 or 2006, and in 2009 the NHS itself produced a wonderful report on how to deal with LGB patients. Yet it is the one service that everybody in our community has said, or has said in terms, continues to fail them.

I am interested to see that the Government have come up with the idea that there should be an LGBT adviser in the NHS. We have had them before, although perhaps not with as much high-level support as it comes with in this report. But I question whether one person can represent a community as diverse as ours, and whether one person can make some change in the NHS. What we require from the NHS is not another adviser but some people whose responsibility is to bring about fundamental change, and who, if the service remains as awful as it is, will end up losing their jobs. We are taxpayers and we have a right to a service which gives us as good health outcomes as anybody else, and we have been ignored for too long.

I will make one related point. One of the things that I was most pleased to see in the report was a commitment to try to end conversion therapy. There is an agreement across the board that that is wrong. It has been interesting to talk to some of the religious bodies and the professional therapy bodies about how they will try to do that. No mention at all is made of conversion therapy for children. Quite frankly, if it is bad for adults, it is harmful to children. Will the Minister talk about that?

On the mention of the issue of care and social care and that the Government want to work with other organisations to improve them, that is very welcome. I was responsible for the setting up of Opening Doors London, which recently had its first “Pride in Care” conference, trying to talk to hundreds of thousands of providers about the need to deal with the very genuine fears there are, particularly among older people, that if they ever become frail, the dignity and autonomy that they have built for themselves in their own life will not be recognised by the providers of formal care.

The noble Lord, Lord Stevenson of Balmacara, raised some interesting points on the minority communities within our communities. He and I will continue to help the Minister, perhaps behind the scenes for a few months, by giving her some more detail about that.

My noble friend is right: the trans community is under a sustained and vicious attack at the moment. More than ever, the rest of us need to try to understand them better and to give them as much support as we possibly can as they weather a terrible storm of hate.

3.32 pm

Baroness Gale (Lab): My Lords, I thank the noble Lord, Lord Lucas, very much for bringing this debate before us today and for his wonderful opening speech, which opened the debate much wider. If only we had a longer time to debate this—although I am sure that we will come back to it. I also thank noble Lords and noble Baronesses who have taken part, speaking of their experiences in this area. We welcome the Government’s *LGBT Action Plan*, and believe it will go a long way to creating a more just and equal society. What we have learned from such a great response to the consultation is that there is still much more to do. So, while we welcome the action plan, there are several points I would like to comment on.

It is good to see that the action plan will address domestic abuse of LGBT people, which is not often discussed or addressed. Statistics show that it can take many years before women who are victims of domestic abuse act against their abusers, and this would no

doubt be the same for LGBT people. Raising awareness and having successful prosecutions should increase confidence in reporting. There needs to be an improvement in recording and monitoring for victims, and I hope this work will be regarded as of high importance, because now it is hidden away, as it used to be for women victims. I hope that progress on this can be made swiftly. Would the Minister agree that it is essential that appropriate training be given to professionals such as the police in dealing with such cases, and if legislation is needed, would that be included in the domestic abuse Bill?

The action plan says:

“We will convene a working group of employers to understand the experiences of LGBT staff in different sectors ... The Government Equalities Office will work with employers to develop targeted interventions to improve the experience of LGBT people at work”.

I cannot understand why the GEO is convening a working group of only employers. Why will the GEO not engage with the TUC as well, so that both sides will be able to take part and get a better understanding of the issues, both from the employer and the employee point of view? If the Government are committed to improving the workplace, surely they must consult with employees via the TUC to get a fuller picture of what goes on in the workplace. If the aim is to ensure that the UK is the best place to work as an LGBT person, as stated in the action plan, surely the GEO should include the TUC.

The action plan says that the Government will bring forward proposals to end the practice of conversion therapy, which is to be welcomed. Of respondents, 5% said they had been offered conversion therapy but had not taken it up, and a further 2% said that they had undergone it. The survey found that of those organisations who offered conversion therapy, 51% were from faith organisations or groups. The action plan says that proposals will be brought forward to end the practice. How will this be achieved, and can any support be offered while proposals are being considered? Most people would agree that these activities are wrong. The Government have said that they will not willingly let them continue, and I agree with that. Will this be a priority in the action plan, and just how will they go about stopping such an awful practice? We would want to see legislation that brought forward a full ban on sexuality and gender identity conversion therapies.

The action plan also talks about consulting on the Gender Recognition Act 2004 to see how the legal gender recognition process can be made less bureaucratic and intrusive. At that time, the Gender Recognition Act was regarded as a ground-breaking step for the rights of trans people but it is now recognised as being out of date. The Government announced that they would start a consultation on the Act in July 2017. We are pleased that they are now launching the consultation, albeit a year later; nevertheless, we welcome it and look forward to further discussion and proposals.

Does the Minister agree that the action plan the Government are working on should apply to the whole of the United Kingdom, so that all citizens are treated equally under the law, and that no part of the UK should be excluded? What work will be undertaken to

[BARONESS GALE]

consult the devolved nations to ensure that LGBT people can expect the same rights under the law wherever they live in the UK?

Although we welcome the action plan and are prepared to work with the Government to ensure that all the action points are addressed and implemented at the earliest opportunity, there are some concerns on which we would welcome further discussion, as the aim is to improve the lives of LGBT people and bring about a great change in our society.

3.38 pm

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, I thank my noble friend for securing this debate and for the very positive way in which he introduced it. I look forward to the next hot day, when he arrives at your Lordships' House in a dress. On a serious note, he posed a series of questions for us to think about for the future, and I found them very helpful.

We are proud to have introduced marriage for same-sex couples in 2013 and Turing's law last year, finally pardoning men convicted of historical consensual sexual offences. The noble Lord, Lord Cashman, mentioned again, as he should have done, the disregard scheme. We are meeting next week and I hope we can then put a timescale on it. I felt slightly ashamed when he mentioned the length of time that has gone by without it making much progress. We have also established a £3 million programme, running from 2016 to 2019, to prevent and tackle homophobic, biphobic and transphobic bullying in schools. Finally, we committed to consult on the Gender Recognition Act, making the process less intrusive and bureaucratic for trans people. However, we know that there is much more to do.

I turn, first, to the national LGBT survey and action plan. We launched the survey last year to gather more information about, and evidence of, the experiences of LGBT people in the UK so that we can focus on the specific areas that will improve their lives. The results were announced last week. As the noble Lord, Lord Cashman, said, more than 108,000 people participated, making it the largest national survey of LGBT people in the world to date. I am glad to see that the findings received widespread coverage in the press and captured the attention of the nation in the last week, especially in the run-up to Pride in London last weekend.

The noble Baroness, Lady Barker, rightly pointed out that there is a rich source of data in this survey. As to when we will roll it out more widely, last week it was mentioned that the data gave us a burst of information about conversion therapy and how it was much more widespread than we had originally thought. She also mentioned conversion therapy in children. We have made an explicit statement that it is wrong. We plan to end it for adults and especially children. As we heard, the noble Baroness was at the event last week when we talked about conversion therapy. Some people say that they have been undergoing it all their lives, which is very sad. You cannot make someone be what they are not.

The survey focused on the experiences of LGBT people in the areas of safety, health, education and the workplace. Everyone has seen the headlines but I want to focus on a few points in the short time available to me.

More than two in three respondents said that they avoid holding hands with a same-sex partner in public spaces for fear of a negative reaction from others. An act as simple as holding the hand of a loved one should most certainly not be a source of fear. Seven in 10 respondents with a minority sexual orientation and more than two-thirds of trans respondents said that they avoided being open about being LGBT for fear of a negative reaction from others. No one, no matter what their gender identity or sexual orientation, should have to hide who they are.

The noble Baroness, Lady Barker, and others, made particular mention of trans people, who face the most horrendous treatment in society—even, it has to be openly said, from among their LGBT colleagues. That sort of treatment came out in the survey and I hope that, through the GRA, we will see some improvement in their lives. Two out of five respondents said that they had experienced a hate incident in the year preceding the survey, committed by someone they did not live with, and yet nine in 10 respondents said that they did not report it because, "It happens all the time".

The noble Lord raised the question of PHSE in faith schools, as 3% of respondents said they had discussed sexual orientation and gender identity at school and that the process has been far from satisfactory. Young people should leave school prepared for life and without some of the problems that they have faced in schools—for example, teachers disclosing what children have told them. I totally get his point that PHSE needs to be age appropriate, but it should not preclude those discussions that children might want to have in school.

The noble Lord also talked about PrEP. We are funding a three-year trial on PrEP and how best to deliver it. Once it is completed, we will consider extending it further.

My noble friend Lord Lucas talked about fairness in sport. There is already an exception in the Equality Act which allows organisers of sporting competitions to discriminate on the ground of gender reassignment to allow the safety of competitors and fair competition. We will not be changing the Equality Act, as we have said time and time again. Sport UK and Sport England have issued helpful guidance on the fair inclusion of transgender people in sport.

My noble friend also mentioned the Gender Recognition Act and medical intervention for children. It is important to know that only adults over the age of 18 can commit to surgical intervention, and that is after a period of assessment. A limited number of adolescents are prescribed puberty blockers and fewer are prescribed cross-sex hormones. These are prescribed only by specialist gender identity units and so their use is few and far between.

The noble Lord, Lord Cashman, asked why the GRA consultation was ignoring young people, given that many know what their gender identity is and should not have to wait until the age of 18 to have it recognised in law. We are not ignoring young people—they can respond to the upcoming consultation. We will take their opinions into account and we will welcome responses from them. Whether children up to the age of 17 should

be allowed legal gender recognition is a topic of debate and, similar to today's discussion, we are approaching the topic with great care.

The noble Lord, Lord Scriven, told a very painful story about being outed as a young child. There is no legal remedy for outing at this time. I remember the 1980s, when public figures in particular were outed, and I do not think we have such an environment any longer. However, whether they wish to come out is the decision of the person involved, and that should be respected. But I hope we are entering a period of cultural shift, in which people do not have to undergo the suicidal thoughts that the noble Lord did. I thank him for sharing that story with us.

My noble friend Lord Lucas talked about single-sex services such as women's refuges, which has come up time and time again in the discussions I have had. Again, we do not intend to change the existing safeguards in the Equality Act that protect vulnerable women. It will continue to allow organisations to provide single-sex and separate-sex services, and, in circumstances, exclude people identifying as transgender provided that doing so can be convincingly demonstrated to be a proportionate means of meeting a legitimate aim. This, however, is a sensitive area, and I know we will have many discussions on it. We have issued very clear guidance to service providers on how to deal respectfully with transgender people. However, I have been told that transgender people are incredibly shy about sharing changing rooms, so what has stood well for 14 years is not about to change.

The noble Lord, Lord Cashman, made a valid point about LGBT homelessness. In our action plan we have committed to undertake a research project to understand more about the complex problem of LGBT homelessness. It is important that government takes action on the basis of good evidence. We do not have enough evidence about the nature and scale of the problem, which at the moment inhibits us from designing effective policies. However, I am sure we will all work together to look at this further.

One noble Lord—I think it was the noble Lord, Lord Cashman—asked about devolution and same-sex marriage. It is a decision for the Northern Ireland Assembly but the Government, particularly the Prime Minister, have made clear that they would like to see it.

The noble Lord, Lord Scriven, asked how much of the £4.5 billion would go to government departments and what will be process. I am sorry, I just gave a terrible false hope for two seconds—it is £4.5 million. There will be more details on that as we come up to the autumn. He also asked about making decisions on asylum and I shall write to him on that, about an independent public audit.

In the short time I have left I wish to thank the noble Lord, Lord Stevenson, for talking about his condition and for sharing his personal experiences with the House. He asked about intersex people and children's surgery. We have committed to a call for evidence about the issues faced by intersex people and will consider the issues that he raises in the design of that call for evidence.

I was not surprised that the noble Lord, Lord Scriven, asked about LGBT people seeking asylum. The LGIG report to which he refers states that the treatment of people has improved, but I do not deny that we have further to go on this.

I am afraid I have run out of time but I think I have answered everyone's questions. However, I wish to refer to a point made to me the other day. Some of the progress we have made on these issues has been made together. That is why, in the spirit of what the noble Lord, Lord Cashman, said, I look forward to working with noble Lords from all sides of the House on progressing these issues—which are sometimes more difficult than they appear on first view—in the future.

Overseas Aid: Charities and Faith-based Organisations

Motion to Take Note

3.51 pm

Moved by Baroness Stroud

That this House takes note of the steps being taken by Her Majesty's Government to engage with small charities and faith-based organisations in delivering United Kingdom aid overseas.

Baroness Stroud (Con): My Lords, as a forward thinking, generous and compassionate nation we have enshrined in law the commitment to spending 0.7% of our GNI on aid. This means that in 2017 the UK's aid contribution was nearly £14 billion. What we do with this money has enormous potential to benefit people, create opportunity and build nations. However, we have to ensure that it delivers on that potential, benefiting recipients and doing right by the British taxpayer.

We know that to maximise impact we need to deliver aid that focuses on twin objectives—humanitarian need and the building of nations. In 2017, conflicts and disasters around the world left an estimated 201 million people in need of the last resort of international humanitarian assistance. These are the people that need our assistance purely out of the greatest need to survive and should be one of the primary focuses of aid.

We also know that long-term nation building is the foundation that underpins the ability of a country to develop. Countries need safety and security, a strong economy, effective governance, education and health systems and a stable environment. It is no coincidence that poverty is concentrated in high-risk settings. Eighty-seven per cent of people who are living in extreme poverty are in countries which are either fragile or environmentally vulnerable. Ensuring that we are working to stabilise these situations will allow people to flourish in the long term.

Small charities are an important part of a thriving aid landscape and have an enormous contribution to make. In the UK, 90% of voluntary sector organisations are small or medium-sized charities, delivering many valuable services in the community. Small international charities play a similar role and their impact is equally profound. Small charities are often more rooted in

[BARONESS STROUD]

their communities and have a strong record of partnering with others. They have an intimate understanding of the needs and sensitivities of the communities that they work in. Small charities are able to innovate and do highly responsive work. They are often mobile and adaptable, and they can respond to the changing needs of their local communities. This also means that they are able to be among the first responders in a humanitarian crisis and can work in communities that are the hardest to reach.

In Syria, when larger aid organisations were unable to access Aleppo in 2016 and aid convoys were being blocked and even destroyed, small grass-roots organisations with close ties to the community were a lifeline for those who desperately needed aid. Charities like Hand in Hand for Syria were vital and they continued working with local people inside Syria when many other organisations considered the situation to be too unsafe, with a team even remaining in Aleppo when it was controlled by Assad loyalists.

Smaller charities are often highly specialist and can build skills and capabilities alongside local knowledge in complex areas. For example, the UK direct grant recipients include a project in Nepal, delivered by Anti-Slavery International, which started in February of this year, rehabilitating members of the Haliya community who have escaped slavery and labour exploitation. This is an excellent example of a charity using its specialist knowledge to support a community by partnering with a local organisation, the Nepal National Dalit Social Welfare Organisation, to offer its skills and expertise. Another example is the Fred Hollows Foundation, which is working in Pakistan to treat avoidable blindness. Workers use their expertise to train doctors, nurses and other healthcare professionals to recognise, diagnose and treat eye problems in their own communities.

The recent revelations about the conduct of staff employed by some larger charitable organisations have shone a light on the aid sector and some of the attitudes within it. This, though, should not discourage us from generosity, but it has shown how crucial it is that our aid is delivered in a manner that is effective, accountable and able to serve the local community. We know that DfID research shows that smaller charities have a stronger record than larger ones of handling some of these safeguarding issues, and the department has even considered partnering larger charities with smaller ones to encourage peer support for safeguarding policies.

Smaller charities are also popular with the public. A 2013 study found that given the choice between donating to otherwise equal large or small charities, almost three-quarters of people chose to donate to small charities with their own money. DfID's UK Aid Match scheme is an excellent initiative which allows British people a say in how our aid is spent and doubles the spending impact. The budget for this is relatively small when compared with our total spending, but could be expanded further to include more of the smaller charities. The 2016 Civil Society Partnership Review noted that smaller charities were finding it difficult to access DfID funding due to the extensive

requirements of the application process, despite their advantages and their popularity. This led to the creation of the Small Charities Challenge Fund, which has great potential for unlocking funding for smaller charities to increase and scale up their excellent work.

It must be recognised, however, that what makes small charities advantageous is their mobility and ability to direct their attention where it is most needed. Obviously, funding based on evidence and accountability is essential, but the bureaucratic demands that these applications place on smaller charities, which often do not employ full-time administrative staff, can be prohibitive. If DfID is going to support the needs of these small charities and allow them to play their role to its full potential, the bureaucracy has to be minimised as much as possible. Can the Minister say what DfID is planning to do to reduce paperwork and reporting demands on smaller charities, so that more of their time can be devoted to doing their actual work?

As part of the diverse landscape of UK aid, the impact of faith-based charities is also an important consideration. It should be remembered that worldwide, more than eight in 10 people identify with a religious group. Faith for a huge number of people is a key marker of identity and belonging. Faith-based charities are not a niche sector, given that almost half of all UK overseas charities are in fact faith-based. They also make up a significant number of the organisations working in human rights and in poverty reduction. According to New Philanthropy Capital, there are almost 50,000 faith-based charities in England and Wales. This number is growing. Almost 10% more new charities with a faith ethos were registered with the Charity Commission in the last 10 years than non faith-based charities. In the past, DfID has been hesitant to engage with faith-based charities and two years ago funded only two, but now this number has reached almost 30—a reflection of an important change in attitude and the beginning of a recognition of the role that they could play.

Often when states become weak, people increasingly identify with and rely upon traditional community structures and religious identities. When state institutions are weak, or have even collapsed, local faith leaders and religious institutions can fill the gap. Faith-based organisations often exist in the most remote parts of countries and can reach communities the state finds hard to. Organisations such as churches and mosques can play key roles in their community and are often trusted. The World Bank's *Voices of the Poor* study found that faith groups are often seen as more embedded in and committed to local communities.

There is great potential to use and partner with these existing structures to deliver aid. In Malawi, for example, around 85% of the population is Christian, with a strong and thriving network of churches. The charity USPG is using that network's already significant community centre to support women's education, to educate their communities about effective management of the environment and to provide training in vocational skills. Faith-based organisations make a distinctive contribution to the delivery of social services in a way that is often more culturally sensitive and aligned with

that community. It has been shown that faith-based organisations can draw on existing networks and motivations to play a vital role in grass-root mobilisation.

Faith-based organisations are also often prepared to play a key role in particularly difficult circumstances. Their contribution to the fight against HIV and AIDS in Africa has been substantial, such as in Zambia and Lesotho, where the faith-based health organisations on the ground make up a significant proportion of provision. The promotion of effective HIV prevention by faith groups such as the Islamic Medical Association of Uganda in the early 2000s is credited as having a significant impact on reducing the spread of the disease in communities targeted.

During the Ebola crisis in Liberia and Sierra Leone, a combined response by Muslim and Christian leaders working together was transformational. Faith leaders worked together, using the Koran and the Bible, to educate people about preventing the disease, providing biblical backing to the importance of quarantining patients. Crucially, they also worked to change traditional burial practices sensitively to ensure that burials were safe and that the treatment of bodies did not contribute to the spread of disease.

As in both these cases, engagement with faith groups can help to change and to shape attitudes in culturally sensitive ways when a culture change is needed. They can help to mobilise communities around contentious topics, such as ensuring that women who have been the victims of sexual violence in conflict are not ostracised by their communities. Faith community involvement in brokering dialogue around conflict resolution and reconciliation can also have a strong impact.

DfID has a number of long-term relationships with large faith-based charities, such as Christian Aid, Islamic Relief and World Vision, which have been successful. However, the launch of the UK Aid Connect scheme is one of the ways the Government are ensuring that they harness the potential of many other faith groups. By inviting proposals to this fund, it would be possible to address key development challenges, including global intolerance, extremism and poverty. As the Government roll this out, I call upon my noble friend the Minister to lay out more of the strategy for engaging with a new wave of small, faith-based organisations in the delivery of aid.

Some 50% of people polled on international aid spending in the UK were concerned about aid not being spent well. This is clearly an issue that matters to the public. We have enormous potential to have a positive impact through our aid spending. Faith-based organisations and small charities are two of the ways we can nimbly mobilise this potential. We have the information about what it takes to create prosperous societies and we have the evidence on how aid can be effective. What steps are the Government taking to engage with small charities and faith-based organisations in delivering UK aid overseas? I beg to move.

4.05 pm

Lord McNicol of West Kilbride (Lab) (Maiden Speech): My Lords, it is a great honour and privilege to join your Lordships' House and to speak in this debate. I thank noble Lords on all sides of the House, all officials

and staff for their very warm and hospitable welcome. I also extend heartfelt thanks to my two distinguished supporters, my noble friends Lord Kinnock and Lady Smith of Basildon.

I was touched to be able to take the geographic title of Lord McNicol of West Kilbride, a village on the west coast of Scotland where I grew up and where my political mind and views were forged. My title is a tribute to that community, but also, and more so, to my father, Iain, and my late mother, Zoe, who instilled the belief in me that all of us can achieve great things. Today is only my fourth day in your Lordships' House and, although I feel a little—well, a large amount of—trepidation, it is great to be speaking in such an important debate. As an inexperienced newbie, as we just saw, if I make mistakes on procedure or protocol, please forgive me. In my 35 years working in the trade union and labour movement, I have had the good fortune to work with many amazing people who dedicated their lives to improving those of others. Politics and politicians often get maligned, sometimes deservedly, but I have never failed to be impressed by the dedication and passion for doing good that exists within.

Looking back at my time as general secretary of the Labour Party, I have nothing but admiration for the people I got the opportunity to work with. My only regret is that we did not win and thus make the difference, as we have in the past. I also owe so much to my union, the GMB, including the opportunities and experience it gave me over the years I served as an industrial and political officer. I hope to be able to share some of those experiences and knowledge in some of your Lordships' debates that help shape the legislation that is so important to our country's future. I do not think I could have joined your Lordships' House at a more politically turbulent time. That makes the contributions we all put in even more significant. If we let down the people of these countries, they, their children and their children's children will not forgive us.

Turning to the debate, I pay tribute to the noble Baroness, Lady Stroud, for securing such an important debate. The UK has a long and proud tradition of supporting those in need on the international stage. Small charities and faith-based organisations often form the bedrock of such help. I am delighted that this House has the opportunity today to recognise their contributions. Indeed, 37% of the UK's aid spending is delivered through multilateral organisations. While much of this is through the larger NGOs or intergovernmental campaigns, the support and help provided by smaller groups saves and improves innumerable lives every year. It is important that the Government remain committed to spending 0.7% of gross national income on international aid and, although I am pleased that the Government have met this obligation thus far, I urge the Minister to give greater consideration to how smaller charities and faith-based organisations can be engaged in delivering this commitment.

The Minister will be aware that, through initiatives such as UK Aid Direct and UK Aid Connect, grants are offered and awarded to NGOs of all sizes, but, for smaller charities with limited resources, funding rounds can often open and close before they have been noticed.

[LORD McNICOL OF WEST KILBRIDE]

So I encourage the Government to work with charities of all scales and sizes to ensure that UK aid funding opportunities are well publicised.

I also encourage the Government to engage with small charities to help them navigate the often difficult application processes. As we have just heard, while larger NGOs will have extensive teams dedicated to completing such lengthy funding proposals, small charities, including those applying through schemes such as the Small Charities Challenge Fund, will often need support and advice. I hope that the Government can give assurances that such advice will be readily available.

I intend to use my time here to continue campaigning on issues that are important to me: those of workers' rights and social mobility. But there is one specific area I believe this House has the ability to make progress on, and that is housing and homelessness. I believe that the homelessness crisis we face in the UK is a national shame. We must come together to find the ways and means to tackle it in all its forms. We have used those powers and means to act. We did it before in the late 1990s and early 2000s—act rather than step over or walk past with our eyes averted. I will work with all those organisations and individuals who want to put the plans and resources in place to end it. Thank you.

4.12 pm

Baroness Hodgson of Abinger (Con): My Lords, on behalf of the whole House, I welcome the noble Lord, Lord McNicol, and I congratulate him on his maiden speech. The noble Lord has a distinguished history of public service. As we heard, he rose through the ranks of the Labour Party and the GMB union, culminating in seven years as the Labour Party's general secretary. He joins a number of other distinguished noble Lords on the Benches opposite who came from that office. During that time, I understand that he dramatically improved the party's financial position, so perhaps he might make some important contributions in our debates on the economy. I understand that, among his hobbies, he enjoys snowboarding and playing the bagpipes. While I do not think he will have the opportunity to demonstrate his snowboarding skills here, I hope that maybe we will have a chance to hear him on the bagpipes, although probably not in the Chamber. He is also a black belt in karate, so I understand the Opposition Chief Whip is keen for him to join the Whips' Office so he can put his talents to good use. I am sure I speak for the whole House when I say that I look forward to hearing from him in the coming years on his key interests in workers' rights, social mobility, housing and homelessness.

I congratulate my noble friend Lady Stroud on so ably introducing this debate. I am particularly pleased that we are debating this topic because small charities and faith organisations play such an important role in helping to create a diverse and, therefore, more resilient and thriving aid sector. Before starting, I want to highlight my interests as listed in the register. Through my work as a co-chair on the APPG on Women, Peace and Security, I connect with many charities. I am also a trustee of the Chalker Foundation for Africa and a patron of Afghan Connection.

We should be proud that the UK was the first G7 country to achieve the UN target of spending 0.7% of GNI on aid. Faith-based and secular humanitarian organisations have a long history of responding to people in need. In recent years, the world has witnessed the phenomenal growth of civil society and the proliferation of charities and NGOs within that. While there are natural caveats about ensuring accountability, efficacy and transparency, this increase has meant more avenues through which the UK can deliver aid. However, all too often small charities are overlooked in spite of their valuable contribution to development. With DfID's stated intention of delivering value for money, small charities generally have the added advantage of low overheads. They are often started by a person with a passion who may work all hours with almost no remuneration, often with the involvement of volunteers. In many cases, they tend to specialise because they have identified a gap that needs addressing. Although generally not having many resources, they are often innovative, light on their feet and flexible in their approach.

However, in spite of many such charities doing excellent work, they struggle to find funds. As any politician knows, fundraising is hard and time-consuming, in terms both of running events and trying to access grants. For most small charities, trying to attain government funding from DfID or the FCO has been almost impossible, yet the majority of development aid, with the figure sometimes put at 80% to 85%, comes from Governments.

While the MDGs halved the number of people globally living in extreme poverty, the SDGs have the ambitious goal of "leaving no one behind". I am sure that the Minister will agree that a focus on women's empowerment and girls' education are the two linchpins in progress towards the majority of the global goals. To do this, work needs to be done at two levels. First, getting the constitution of a country right is important to ensure equality and equal opportunity. At government levels, work needs to be done on setting up healthcare and education systems. There needs to be security, law and order, land rights and institutions that can deliver for people.

Development aid is good at creating change at the national level. However, to really make change in a country, work needs to be done at grass-roots levels too. If not, it is hard for national laws and policies to reach people out in the country miles away from the capital and, all too often, inequality and customary law continue to preside. I have seen it on some of my visits overseas. I remember in Liberia asking women in a village why they were not bringing perpetrators of sexual violence to account. They told me that the elders would not let them visit the policeman in the next-door village, who would have given them access to the national legal system. They were made to come before the village elders—all men—who saw the situation very differently.

I have also seen how working at the grass roots can bring about enormous social change. I visited a village in Mali where a project on FGM had begun by persuading the elders that FGM was harmful to their women and girls. They had espoused this and had helped create

change. It is small charities, these local, community-focused groups, which can really make a difference at the grass roots.

I have mentioned funding. As already mentioned by my noble friend Lady Stroud, it is hard for a small organisation to fill in the complex and lengthy application forms that DfID demands. I question whether it is really necessary to ask them to do so in the same way that is asked of a much larger NGO, which will usually have dedicated staff. Evaluation is important, but the processes are arguably too onerous. If we ask small charities to do this, all their time will be spent on applications and evaluations rather than on delivery, which is after all what they are about and what we want.

I congratulate the Government on launching the Small Charities Challenge Fund, aimed at charities which have income between £25,000 and £250,000. This is an excellent start. However, at the moment, it is a tiny proportion of the aid money spent. Are there plans to expand this fund? There are also quite a number of charities that are slightly bigger than this—medium-sized charities—which will not be able to apply. Are there plans to help with funding those? For example, Afghan Connection will not be able to apply for this fund as it has a slightly larger income, yet it appears to be too small for most other DfID funds. It is delivering children's education in remote parts of Afghanistan, often when invited in by the local elders—exactly the type of project that is in line with what the UK Government encourage.

I understand that the Small Charities Challenge Fund is open only to small British charities. Are there plans to help with the funding of small overseas NGOs, rather than them necessarily having to rely on UK-based partners? As mentioned earlier, often the local NGO on the ground is the most effective, while it is often impossible for British NGOs to get into conflict-affected and fragile states. UK Aid Match is also an excellent scheme by which DfID matches the funds that a small charity raises. This has the added benefit of giving people a say about where they want DfID's money to be spent.

The fact that DfID gives grants for only one year can be problematic. In some cases, especially where overseas posts have had to bid for funding, the money may arrive several months late. The charity may thus have a shorter time to spend it. It therefore has only a small window in which it can concentrate on the actual project and not worry about whether it will be able to continue after the year-end. Perhaps my noble friend the Minister might think about giving small charities longer-term funding over, for example, three years. Being effective on the ground means building relationships, and change can be effected much more easily where trust has had time to build up.

It is, of course, essential that small charities get appropriate funding; getting too little or too much can have a detrimental effect. Historically, DfID has always preferred to give larger grants as they are less manpower-intensive, but maybe other models can be followed. For example, in Iraq I met Hanaa Edwar, who won the Sean MacBride Peace Prize. She told me that she had acted as a funding platform by applying for funding

and then distributing it to small NGOs. That adds one more step to the transparency chain, but has DfID considered a model such as this in fragile and conflict-affected countries?

Faith-based organisations can play a critical role, as we have also heard. I saw this in Iraq, where the Catholic Church was offering respite to Christian IDPs and refugees as they were not safe in the UN camps. Part of the *raison d'être* of Christian NGOs such as Tearfund, World Vision and Christian Aid is that they work through local partners because they believe that, for the most part, engaging in humanitarian and development work through local churches adds value. Tearfund succinctly sums it up in its recent report on this issue by highlighting the unique role that local churches and faith groups can play in fighting poverty. It is because they are integral in their communities, inspirational to their congregations and influential through their networks. It is not just Christian organisations; those such as Islamic Aid can often reach into countries and places where western organisations are unable to go.

When a disaster strikes, response times can make all the difference in saving people's lives. Faith organisations are often among the first responders on the scene and provide the place where people go when they have lost everything. In the long run, capacity-building through churches and local faith organisations should be commended as one of the ways to build community resilience and as a means of helping to work towards the global goals. I am glad that the UK Government are now more welcoming to applications from these organisations.

There is one more area that I would quickly like to touch on: organisations dedicated to advocacy and lobbying need more support. Too often in the past, well-meaning people coming from outside have tried to impose change in developing and post-conflict countries. However, change really happens only when it is owned and driven by the people of that country themselves. Building change means building movements and campaigns, yet funding is nearly always directed to the easily measured project work. Too often in fragile countries, those who could have been instrumental in effecting societal change have had to dedicate themselves to delivering projects because they cannot afford to work for nothing.

I heartily and sincerely congratulate Her Majesty's Government on their approach to international development and direction of travel, but I hope that we can develop our work with smaller and faith-based charities. I hope my noble friend will agree that we need to work with big and small NGOs of all kinds if we are to reach the goal of the SDGs and really leave no one behind. I leave your Lordships with the thoughts of the US anthropologist Margaret Mead, who once said:

"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it's the only thing that ever has".

4.25 pm

The Lord Bishop of Rochester: My Lords, I had not intended to speak in this debate, because I did not think I would be able to be here, but I am prompted to do so in response to the mention of Tearfund by the

[THE LORD BISHOP OF ROCHESTER]

noble Baroness. I am grateful to the noble Baroness for bringing forward this important debate on a significant part of our contribution to development in other parts of the world.

I will take you briefly to a visit I made two years ago to the ward of Matongoro, which is in the Kongwa district just east of Dodoma in Tanzania. In that village, which has been dependent on government assistance and international aid for quite some time, I encountered a significant transformation. Through the simple expedients of working with the villagers through the local church there to build the capacity of that community and identify that which they could offer, a particular piece of work has been done initially around agriculture, based on irrigation and farming techniques of appropriate technologies. I was taken to an area where a previously barren piece of land was replete with vegetables of all different kinds, which were being grown by the local villagers for the benefit of that community but, more importantly, in excess of their own needs. That product was then sold in the markets and the income was kept within that community.

This is an example of a partnership with Tearfund, which was mentioned by the noble Baroness, and a parish in my diocese—St Stephen's, Tonbridge—and the local Anglican church in that community, so it was a three-way partnership facilitated by a faith-based organisation, Tearfund. It was remarkable that this village, which had been waiting for government funding to renew its dilapidated school, had invested the proceeds of their horticulture and selling of crops into rebuilding their own school, and so was not waiting for external funding. I was privileged to formally open their new school buildings in that village.

I use this as an illustration of the way in which, as has already been referred to, organisations that are close to the ground, which can respond immediately to local need in creative and often very simple ways, can bring about real transformation that affects the well-being of countless people, not least succeeding generations. Here we have an example of a school being rebuilt for the benefit of that community, of people finding gainful employment by being able to grow their own food and sell it for the benefit of that community, and of the economic cycle remaining within that community and thereby bringing benefits to all concerned.

I am grateful for this debate and I commend support, in whatever way, for these small-scale initiatives to Her Majesty's Government and to all of us who have the opportunity to support and encourage them.

4.28 pm

Lord Sheikh (Con): My Lords, I am pleased to speak briefly in the gap. I begin by saying that I, with my close family and friends, have our own charity, which is entirely funded by us. In addition, I am a patron of two charities.

Muslims all over the world believe in helping people who are less fortunate than ourselves. Muslims also believe that we have a moral duty to support charitable organisations through giving our time and resources wherever possible. I am sure everyone agrees there is a great deal of pleasure in giving, as both the donor and the recipient gain satisfaction.

There are many Muslim charities that are based in the United Kingdom. UK Muslims gave over £100 million to charity during the month of Ramadan last year. That is £38 a second. Muslim charities help deserving causes in the United Kingdom and provide support and assistance in overseas countries. Some of these countries have been affected by war; others are affected by famine, climate change or natural disasters. These charities perform splendid work in providing water, shelter and food. They are also involved in helping people to earn a living. I feel that charities should get involved in the education of young people and the training of people generally in order to make them self-sufficient.

I would like to emphasise that Muslim charities help to support and provide aid to non-Muslims as well as Muslims. They support people of all races, colours and religions all over the world. This fact needs to be appreciated, as it sets out the philosophy of the Muslim charities.

I have connections to several Muslim charities and know the trustees and senior executives. There are charities that have been doing remarkable work, going back to the early 1980s. It is the faith of the Muslims, and we believe that faith is the fourth emergency service. Individuals have shown a willingness to volunteer time, professionalism and extend friendship. While the giving of charity is part of the Islamic faith, most Muslims will give charity with humility. Muslims believe in discretion, and we feel that the left hand should not know what the right hand gives.

I would also like to state that Muslim charities are the bedrock of their local communities and help whenever there are problems in the UK. For example, after the Grenfell tragedy, Muslim charities played a vital role in helping the people who were affected.

I would like to add that at the charities with which I am connected there is proper governance, accountability and transparency in every aspect of their work. These charities have controlled their expenses and put into practice proper safeguards, which are implemented at all times.

I was very pleased that a recent event organised with Islamic Relief that I hosted in the House of Lords was attended by the Secretary of State from the Department for International Development and the Minister. DfID has provided support to Islamic Relief under the UK aid match programme. I would like to ask the Minister: is DfID willing to accept applications from suitable Muslim charities for similar support?

4.32 pm

Baroness Barker (LD): My Lords, I thank the noble Baroness, Lady Stroud, for giving us the opportunity to discuss this topic today. I also congratulate the noble Lord, Lord McNicol, on an excellent maiden speech. I am intrigued to discover that he is a snowboarder because, to the best of my knowledge, he comes from the one part of Scotland where there is very little snow—that is why they built Prestwick Airport where they did. So he is clearly a man of great fortitude who works hard to achieve his goals.

I declare my interest as chair of the All-Party Parliamentary Group on Sexual and Reproductive Health, a member of the APPG on Population,

Development and Reproductive Health and of the HIV/AIDS group, and a supporter of the NAZ project, a black and minority ethnic organisation dealing with HIV and AIDS, principally in this country but also in other parts of the world.

For those reasons, I listened to the speech of the noble Baroness, Lady Stroud, with great interest. Faith-based health providers are a major component of health service delivery in many developing countries, especially in sub-Saharan Africa. The WHO estimates that at least 40% of healthcare services in sub-Saharan Africa are provided by the faith-based sector, and that between 30% and 70% of health infrastructure in Africa is owned by faith-based organisations. So it is clear that faith-based organisations are going to be a very important part of the delivery of health. That is not surprising: Christian missionary hospitals and Islamic hospitals were often the first medical facilities throughout Africa. Because of their extensive infrastructure, they are a critical component; they exist where the government sector and the private sector are poorly developed. They are very active in public health initiatives, particularly around HIV and AIDS, tuberculosis and malaria. They can aid and augment the supply of materials and medicines. They are sometimes the only genuine NGOs, and they are very much trusted and influential in the communities in which they work.

At the same time, some faith-based providers of services have very narrow, conservative interpretations of their faith that can have a direct effect on very important matters such as access to family planning, contraception, abortion and HIV/AIDS treatment, particularly condom distribution and condom use. That has very obvious consequences for women and girls. It is therefore only right that we look at that issue in some detail today, because it is critical not only to the lives of the people but to government organisations that are trying to work in a complicated landscape of providers.

For many faith-based organisations, the provision of healthcare services is an important part of their mission, and those faiths live out their values within their service provision. That is absolutely understandable, but, within different religions and at different levels of religious organisations, there is often quite a variation in understanding of what their practice is and should be. At its heart, the Catholic Church has very clear policies, particularly about access to contraception and abortion. In other religions, it is less clear. For example, there is a debate raging about whether intrauterine devices are abortifacients. That can have a major impact on a population of women and girls.

It is an issue that people in the aid sector return to time and time again. Nobody doubts that religious organisations can be of major importance in the development of the health, wealth and economy of a nation, but, as public policy, and in particular local political public policy, is often heavily influenced by external religious funding sources, it can sometimes bring about a great change. It is interesting that we are discussing this today when the President of the United States of America is in town. His Government came in and reintroduced what is known as the global gag rule. In fact, they extended a previous US Government

policy to deny funding to any organisation that they deemed to be a provider of abortion services. That is having a huge impact across the world. Not only does it affect those services that provide safe abortions, it has a direct impact on services that provide access to family planning and contraception, which may not necessarily provide abortion services but are caught under that rule. That in turn has a knock-on effect on the general health systems of, in particular, low-income and middle-income countries.

As ever, the Minister will not be surprised that I ask: how is DfID, as one of the leading providers of funding for contraceptive services and access to safe abortion—because our Government recognise that it is one of the key interventions that can be made to affect the economic outlook of not just women and girls but of the country—going to calibrate the distribution of moneys? DfID has not had a change in policy, but it now has to operate within a landscape in which other major funders, chiefly those of the United States, have changed.

Back in 2011, a report was produced by the All-Party Parliamentary Group on Population, Development and Reproductive Health. It was called, *Sex, Ideology, Religion: 10 Myths about World Population Growth* and produced by Richard Ottaway, the then Conservative MP, and was a riveting read for any of us interested in this field. He made the important point that most of the tenets of major religions were devised well before many of today's issues, such as the changing technology of reproductive health and contraception, climate change and access to water and food, were the emergencies that they now are in certain parts of the world. Therefore, their consequences are somewhat different. He rightly says that all religions have a belief that family planning is a good thing and permissible. What is questionable, and where they differ, is on how that may be achieved. For some, we know that access to contraception remains a taboo: for others it is not.

When DfID is in the business of deciding which religious organisations will be part of its strategy for a country, will it ask about and take into account the policy that that religious group and its providers in the field will follow? That is not to weed people out or say that some people may never have any funding; it is about ensuring that the objectives of the programme that we set, which are laudable, for the at-risk populations in those countries are met.

I simply say this. There will always be funding for religious organisations; they will always have a legitimate part to play. But we need to have greater transparency about the nature of their funding alongside that of other people, so that we ensure that key vulnerable populations do not miss out completely on essential health services.

In the brief time available to me, I will mention another small but interesting issue that came to my attention during the Commonwealth Heads of Government Meeting. I listened to an Australian senator, Linda Reynolds, who was talking about orphanage tourism. It was a new issue to me, but one that I was interested to hear about. The Australian Government are about to change their laws on trafficking to include orphanages. They are doing that because considerable

[BARONESS BARKER]

investigation, not least in places such as Cambodia, has revealed that so-called orphanages operate to standards which make one question them. Children are often there who have not been separated from their family but are there as part of a lure to tourists. It is a way in which desperate people attempt to gain an income.

The Australian Government are not only going to change their law to try to clamp down on orphanage tourism, they are promoting a smart volunteering scheme. It is often generous-hearted young people, often with the backing of their community here at home, who volunteer and form short-term attachments to children. We in the West now know that putting children in institutions is to condemn them to just about the most awful health and life outcomes and we tend not to do it. We tend as far as possible to support children in any setting other than an institution.

It is perhaps time that we began to look internationally at some of this. I am not suggesting that right at this moment we change our laws, but I ask the Minister whether he and his department might ask their counterparts in Australia what they are doing, why, and what we might learn from them.

Faith-based organisations have a very long tradition of helping some of the poorest and most desperate people in the world. In so far as they continue to do that, they deserve our backing, but we must ask increasingly that we have a debate with faith leaders about the exclusivity of some of the policies behind their engagement in this work.

4.45 pm

Baroness Smith of Basildon (Lab): My Lords, I congratulate the noble Baroness, Lady Stroud, on securing what has been an impressive debate. I very much support her choice of subject, as it provides your Lordships' House with an opportunity to reflect on action, on progress to date and on what else can be done to ensure the best outcomes.

It was also a pleasure to hear the speech of my noble friend Lord McNicol. Not only was it an excellent speech, but the fact that he made his maiden speech in the same week he was introduced to your Lordships' House indicates that he will waste no time at all in getting to grips with his new role. I look forward to him playing an active and positive role and to his future contributions. I suggest perhaps that he might save his bagpipes for future Labour Lords' curry nights, which might be more appropriate.

I welcome the fact that the noble Lord, Lord Bates, will be replying to today's debate, because he has form on this issue. None of us can have forgotten, as we followed him on Twitter around the world, how, having taken leave from your Lordships' House, he marched his way towards Athens—I think it was Athens that he walked to, and I see the noble Lord nodding. It was the highest service he could give. There are two pillars of what charity organisations, faith-based organisations, voluntary organisations and NGOs are about. One is trying to raise funds, and the other is that campaigning role of drawing attention to the issues that you mean you have to raise funds as a way to try to resolve them. The noble Lord is the most appropriate person in government to reply to today's debate.

My last position in government, so far, was at the Cabinet Office and included being the Minister responsible for charities in the voluntary sector and social enterprises. Like so many in your Lordships' House, I have been involved in the charity and NGO sectors for a number of years in different ways. Today, we have heard from noble Lords across the House of their involvement, and I suspect that if we spoke to any Member, we would hear very similar stories of their engagement in different kinds of organisations of all shapes and sizes.

One of the things that struck me in my role as a Minister was both how vast and how diverse the sector is, in terms of organisation size, whether they employ staff, have volunteers or a mix of both and the services they deliver and campaigns they run. There is also the role of those who support these organisations. I was struck by how people were so very generous with their time, money and expertise, without which these organisations would be unable to function.

Over decades, across the developing world the UK has maintained a proud tradition of supporting those in need and tackling global challenges head on. The public continue to be generous. Close to 40% of the UK's aid spending is delivered through multilateral organisations and groups formed by intergovernmental organisations which have a high level of public recognition. However, as we have heard today, there is so much less awareness of the excellent work of smaller charities, NGOs and faith-based organisations in this field.

I am sure that I am not alone in knowing of small organisations that raise funds through their churches and local communities to provide schools, teachers and medical support, for example, in some of the poorest places in the world. By targeting their limited resources, they can contribute to saving and improving lives. Some take on the work themselves through volunteers who commit time and expertise. Others fundraise to support paid professionals to deliver services. The delivery models differ, but the objectives remain the same.

In recent years, the Government have promoted funding initiatives to support the work of charities in delivering aid overseas. The Government must rise to the challenge to ensure that these schemes are accessible and open to charities and organisations of all sizes. At the same time, they need to ensure proper accountability and the effective use of that funding.

The UK Aid Connect initiative requires organisations to construct their own consortiums prior to bidding, but the effect of that is to gear the scheme much more towards larger charities and NGOs that have the resources and experience to form such groups to navigate the process. I remember in my role as Minister talking to some of the organisations that were getting together to form these consortiums. The amount of time, energy and effort it took to bring the organisations together, to get common policies and to fill in the forms could be very difficult. So we should do more to make it a process that does not remove the accountability or the good governance that we need but also does not put onerous barriers in the way that prevent the best, in a sense, becoming the enemy of the good and prevent us getting the right applications when we need them.

Small charities can make an enormous contribution to developmental goals, but UK aid must be genuinely open to them. I echo the point made by my noble friend Lord McNicol. Can the Minister say something about the steps that the Government are taking to help smaller NGOs and charities to apply for UK aid funding, including from UK Aid Connect? That would be quite helpful, as there is this barrier for small organisations.

Similarly, the Small Charities Challenge Fund, which I think other noble Lords mentioned and which forms part of UK Aid Direct, provides grants of up to £50,000 to organisations with an annual income of £250,000 or less. I welcome the fact that the Government have earmarked certain funds specifically for those small charities but, again, can the Minister provide some additional information on this? I fear that it could well be those organisations at the higher end of the scale, while the small organisations who perform low-level but equally valuable projects find it difficult to apply because they do not have the scale in order to do so. Any information on that would be helpful.

If the Government are to be successful, as has been indicated, in engaging with smaller charities, they need to understand and know precisely what proportion of the UK aid budget is spent supporting these smaller organisations and also to identify the outcomes from such organisations. It is not the case that just because an organisation is small, local and maybe more mobile that it is automatically providing better outcomes. The Government need to look at that assessment of outcomes. My noble friend Lord McNicol identified that about 36% of UK aid is delivered through multilateral organisations, but much of this is through the larger NGOs and those much larger intergovernmental organisations. Is there any kind of estimate of what proportion of multilateral aid is delivered through small charities, using that definition that is used by DfID of £250,000?

On the issue of transparency, I want to say something about the £1 billion Conflict, Stability and Security Fund, which I think the noble Baroness, Lady Hodgson, referred to. The fund is a significant part of the ODA budget, but it has quite a secretive nature and we get little information about how it is spent. Can the Minister say something about the fund, including whether those smaller organisations—charities, NGOs and faith-based organisations—have had access to that fund and been able to secure funding?

The point raised by the noble Baroness, Lady Stroud, is crucial: for the public to continue their support of charities and the voluntary sector, there has to be trust and confidence. They are only able to undertake the work that they do, which is valuable and often essential, when the public, our Government and the Governments and civic society in the countries they work in have confidence that they are working to the highest possible standards. That means that the strong ethical values and principles that brought them into being has to be the focus of their work and reflected at every level of the organisation and in all they do. What that does not mean—this is a point that the noble Baroness, Lady Barker, very eloquently identified—is that ideological

views should in any way override public policy, particularly in the areas of HIV, reproductive health and family planning.

But neither does it mean that everything has to be undertaken by volunteers. Whatever the size of the organisation, it has the same responsibility to its staff as does any organisation. Staff in this sector are entitled to decent wages and working conditions and a safe working environment. That means that there is a role not just for the Charity Commission but for the Government, particularly with regard to the governance and oversight of how such organisations operate.

That responsibility also has some limits. When I was the Charities Minister, I disagreed profoundly with Oliver Letwin MP, who was then drafting the Tory party manifesto on limiting the campaigning role of charities—even to the point that he declared that charities which received funding from government, even for service delivery, should not campaign on policy issues. That is an extraordinary thing to require. I took completely and totally the opposite view. If charities are involved in service delivery, for example, and particularly if they use government money, and they identify how an issue can be better resolved or dealt with, they have an obligation to say so. Whether they receive any government funding or not should be completely and utterly irrelevant. Governments should never use funding as a way of gagging legitimate debate.

If we always want to improve public policy, NGOs and other organisations working in the field have expertise, sending back information and providing information to government. If government is not listening to campaigns for better healthcare—whether it is reproductive health, HIV, safe access to health facilities, or safe food and water—it is right for those organisations to campaign on these issues, and receiving funding for service delivery should not prevent that. To pursue that route would be a bit like putting our head in the sand: “We know best; we are delivering; it does not matter if it can be improved or not”.

Unfortunately, much of that manifesto and that way of thinking found its way into legislation in the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. I have no difficulty whatever with transparency, but it would be helpful if the Minister could say something about the very legitimate campaigning role of charities. I draw attention to the fact that, when the Minister was marching to Athens—I do not know how many pairs of trainers he got through en route—a key part of that was drawing attention to the issues he was raising funds for.

As I began my speech today, I commented that we should recognise, with some pride, the UK’s role, through decades, as a world leader in aid, whether it is immediate humanitarian aid in the wake of any kind of disaster or rebuilding communities that have been devastated by conflict. We accept responsibility and want to contribute, and I think the public do as well. We should therefore be enormously proud of the UK’s determination to tackle such global injustices, and proud of the British public, who want and expect us to contribute.

[BARONESS SMITH OF BASILDON]

Too often, people think of charities as somehow well-meaning amateurs. We are way beyond that. The roles charities large and small play, and the professionalism they bring to the work they offer is exceptional—I see the noble Baroness, Lady Stedman-Scott, nodding; she has experience here—and it should be recognised as such. However, that does not negate that government also has a role, particularly in governance and oversight.

4.58 pm

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, I join other noble Lords in paying tribute to my noble friend Lady Stroud for securing this debate on this important and timely topic. She began by drawing on her own experience of the work that she had seen, such as the work of Hand in Hand for Syria, in Aleppo, and the assistance it had given. She told us about small charities and faith-based organisations, particularly those which work on the Ebola outbreak in Sierra Leone to stop the spread of that disease. She pointed to the area of conflict, where people are often in search of those they can trust, and how they frequently turn to people from faith-based and local community-based charities.

We will of course long remember this debate for the maiden speech of the noble Lord, Lord McNicol. He brings passion and expertise to this House, and we welcome him. I have to tell him that it is not every Back-Bencher who gets the Leader of the Opposition responding to a debate in which they have made their maiden speech. He clearly has a bright future ahead of him. Although he is from West Kilbride—I am treading dangerously here; I tried to pick up a signal on my smartphone so that I could check the facts—in the great town of East Kilbride is the headquarters of the administration of all British overseas aid. We have over 800 people there. I think it is a new town. I am not sure of the distance between the two but the name Kilbride certainly connects them. The noble Lord talked about the importance of trade unions. Internationally, we are working increasingly with trade unions and the International Labour Organization in the area of human trafficking, because often they are the first ports of call and essential partners in combating that evil trade.

My noble friend Lady Hodgson talked about a number of examples from Liberia to Mali, as well as about peacebuilding in Iraq. I was glad that she mentioned the work of Afghan Connection. It is an inspirational organisation whose chief executive is Sarah Fane. It is incredible to see the impact that a very small charity focused simply on building schools in remote rural parts of Afghanistan is having. I must not get too carried away with enthusiasm about the charity because I think it might be applying for a grant from DfID. Officials are saying, “You have to be careful and even-handed”. I am sure that there are other organisations doing similar work, but I was particularly impressed by that one.

The right reverend Prelate the Bishop of Rochester gave a practical example of a partnership between his diocese, Tearfund and the local community in Tanzania. I particularly enjoyed that example because sometimes aid is perceived by people in need as having a patronising element to it. Therefore, helping people to deploy the

skills they already have in providing for their own future and building their own schools is very much where we are heading.

The noble Lord, Lord Sheikh, talked about the generosity of Muslim charities. I attended the wonderful event in the River Room. In one of those amazing juxtapositions, in the space of one week I went from announcing an aid match for the Lent appeal for Christian Aid to doing to the same for CAFOD. I then went to the launch of Islamic Relief, involving zakat. We were UK aid-matching them all. The first time I heard that £100 million had been given in one month by the Muslim community of Britain, I had to double-check it. I thought, “Surely there’s an extra nought on the end”, but the figure is absolutely correct. I do not know why we do not hear more in the media about our British Muslim community. It is the most generous of the faith communities in the United Kingdom and we are incredibly proud of the contribution that it makes to this great country.

The noble Baroness, Lady Barker, said that while of course we want faith-based charities to be a channel for aid, providing help to those in need, it is important that they do not become a barrier. That was an important point to make, particularly in reference to sexual and productive health. This country has been at the forefront in advancing that on the international agenda, often against some opposition from different quarters. We held a very successful conference on that very subject just last year to highlight our ongoing commitment to ensuring that people get the sexual and reproductive health treatments and help that they have the right to receive.

The noble Baroness, Lady Smith, reminded us that there is almost a “triple word score” benefit from getting volunteers to do fundraising and to help. Not only do they provide practical support for the charity’s aims but they build a sense of society within our own community, and they also highlight the cause that underlies it. She said it was very important that we remain focused. She will know from her time in ministerial office that it is tempting, when we hear wonderful stories of charities, to focus on their inspirational founders and leaders, but she was right to remind us that our hard focus must be on the outcomes that they deliver for the people in need.

The noble Baroness also underscored the importance of safeguarding. Protecting the safety of those we are seeking to help must be our Hippocratic oath: “first do no harm”. I do not know whether it is correct for me to acknowledge it but, in that context, our distinguished colleague my noble friend Lady Stowell is chair of the Charity Commission, and I am sure she will find this debate very helpful in her work.

As DfID’s Minister for Civil Society, I know that small charities and faith-based organisations do extraordinary good around the world. My department is committed to working with them to deliver the sustainable development goals and to eradicate extreme poverty from the world by 2030. I would like to focus first on small charities and then on faith communities.

Small charities are a vital part of the civil society ecosystem and do remarkable work, as all noble Lords have recognised. They are able to innovate and specialise,

and often can better engage with the British public than their larger counterparts. In 2016, DfID's civil society partnership review found that despite the added value that they bring, small charities often felt excluded from DfID funding, as the noble Baroness, Lady Smith, and my noble friend Lady Hodgson both referred to. This presented an issue for my department, which we have worked hard to resolve.

At the heart of this effort is DfID's Small Charities Challenge Fund, which was launched last summer to provide funding opportunities for very small, UK-based charities. The noble Baroness, Lady Smith, and the noble Lord, Lord McNicol, asked what more could be done to draw attention to this fund. One thing we are seeking to do is engage parliamentarians, both in this House and in the other place. Parliamentarians have constituency-based connections and, in this House, many noble Lords are representatives, trustees and patrons of particular charities. They can help signpost this fund's existence. The first round of the fund closed in September last year and I am pleased to announce the commencement of the first four projects, with more to follow over the summer. One of these projects will establish a community recycling centre in the Gambia, creating local employment and reducing pollution; another will provide access to safe water and sanitation in rural Malawi; yet another will focus on quality healthcare and rehabilitation; and the final project will improve access to affordable and clean energy, which is a key issue in sub-Saharan Africa. This is just the start of DfID's exciting new collaboration, and I look forward to further developments and announcements over the coming months.

I should say that the funding window for the next round is open right now. For those tuning in—people with insomnia might tune in to the Parliament channel in the early hours—if you are involved in a charity, go to a search engine and punch in the words “Small Charities Challenge Fund” and “DfID”, and you will find out how to apply. The window will be open until the end of September.

In the process of doing that, we said that it was very important to ensure that we got feedback from small charities as the pilot progressed. Like my noble friend Lady Hodgson, the small charities told us that our application process was too long. We therefore designed a one-stage application form on a bespoke online platform. They also told us that our due diligence process was too onerous. I should put in a caveat here: we are dealing with taxpayers' money and with some of the most vulnerable people in the world and it is right that our due diligence be demanding, but not too onerous. Therefore, we have implemented a more proportionate, streamlined process.

My noble friend Lady Hodgson asked about the difficulties of cash flow, which is a critical issue for many small organisations trying to make payments and meet commitments. Therefore, we created a tailored payment-in-advance approach to ensure that grant holders do not have to dip into their own reserves to deliver the project effectively.

My noble friend Lady Hodgson asked us to think about multi-agreements. We looked carefully at that but we are concerned that we do not create a dependence

upon aid. Often these small charities are lean, effective and mobile, as the noble Baroness, Lady Stroud, reminded us, and that is their great advantage. There is a place for the small as well as for the large in the system and we do not want to conscript them into a dependency on future grants of government aid; we want them to continue doing their good work.

These changes are working and the fund is reaching a smaller, more diverse set of organisations. In the second round of the fund, 90% of applicants had not received DfID funding before, and 62% of shortlisted applicants are based outside London and the south-east, an important development of which I know the noble Lord, Lord McNicol, will approve. Sometimes the larger organisations are centred in the capital for obvious reasons but there are brilliant charities across the entire country. However, we will not stop there. As a pilot programme, the Small Charities Challenge Fund is being used to gather evidence on how we can work even more effectively with organisations in the future. To this end, we are increasing our engagement with the sector and are constantly gathering feedback. I will shortly be hosting round tables with both successful and unsuccessful applicants and the information gathered will be used to ensure that we can improve the system for the next rounds.

Our work with small charities is not just limited to funding projects: we are also working to develop their capabilities. To achieve this, we have worked to deliver a bespoke programme of capacity-building initiatives. This includes learning events, webinars and regional roadshows. We are also working to better understand the value of small organisations based overseas. I will come back later to the specific questions I was asked about this. By helping organisations based here and overseas develop their capacity, we can achieve a sustainable legacy that will enable civil society to flourish around the world.

Moving on to faith-based organisations. I am again pleased to confirm a real shift in DfID's approach in recent years. The noble Baroness, Lady Stroud, drew on evidence which showed the tremendous number of faith-based charities registered in England and Wales—there are 50,000 with a faith-based ethos. DfID clearly and publically recognises that religion is crucial to development. Most people in developing countries believe that faith is important to them, with the Afrobarometer study in Africa showing that 80% of surveyed people felt that religion was a very important factor in their lives.

Faith is also a huge motivator for giving, with statistics showing that, on average, those with faith give nearly twice as much to charity. Faith-based organisations make a significant and distinctive contribution to poverty reduction. They can inspire confidence and trust and are often seen as more embedded in, and committed to, the local communities they serve. They are often uniquely placed to deliver services to marginalised peoples and communities. For example, in sub-Saharan Africa, these organisations provide at least 40% of health services, as the noble Baroness, Lady Barker, rightly remarked. They are also vital in providing humanitarian assistance in crises with their extensive

[LORD BATES]

networks and roots in local communities. They stay for the long haul. After the Nepal earthquake, faith-based groups were the first in and the last out.

Faith-based organisations can empower poor people to ensure that their voices are heard, and can subject Governments to essential scrutiny. Civil society has a crucial role to play. It contributes to the building of peaceful states and societies, reducing certain types of conflict and retaining a presence when government can no longer function.

Working effectively with these groups is essential in meeting our objectives. In 2010, DfID established the Faith Working Group and in 2011 it published the *Faith Partnership Principles*. Since then we have seen a dramatic change in the way that DfID looks at faith and faith-based organisations. The department has invested in a wealth of faith-focused research and has participated in a joint learning initiative with other organisations. It is part of the International Partnership on Religion and Sustainable Development, a major network that brings together bilateral donors. We are also working closely with our colleagues in the Foreign and Commonwealth Office to protect freedom of religion and belief. This work recently culminated in the appointment of my noble friend Lord Ahmad of Wimbledon as the UK's special envoy on freedom of religion and belief. I should like to make one other point. In my work in this area I often meet with representatives from Humanists UK because it is important to recognise that some of the most persecuted groups around the world are those with no belief at all. Atheism is regarded as blasphemous and people often face imprisonment and punishment for their beliefs. I am pleased to announce that we will be launching the Faith in Development Forum, which will encourage a more active dialogue between the department and faith groups.

In the time available to me, perhaps I may address some of the questions which were asked. My noble friend Lady Stroud asked what steps we are taking to engage with small charities. I mentioned the Faith in Development Forum, and in addition officials and Ministers are undertaking regional visits around the UK to draw attention to the Small Charities Challenge Fund. The noble Lord, Lord McNicol, asked what advice and support was available to charities. Guidance is available on the website, and I have referred to webinars. We are also looking at other ideas on how we can extend awareness of this project.

My noble friend Lady Hodgson asked whether there are plans to expand the fund. Officials are cautious because we are in the middle of a spending review, but I have to say that the first impressions are outstanding in terms of the quality of the bids received, and I am sure that we will want to see this go further forward. My noble friend also asked what we are doing to support NGOs overseas. The recently announced Jo Cox memorial grants—a £10 million fund in memory of Jo Cox—are for both UK and overseas-based charities looking at women's empowerment and conflict prevention.

The noble Baroness, Lady Barker, asked whether we will collaborate in the distribution of aid, given that the USA has changed the way that it is distributing aid.

DfID's policy on sexual and reproductive health services is clear and has not changed. We will be working with others to make sure that the shortfall caused by the implications of the Mexico City policy is met and that the important work continues. I have to say that it is very important that other countries should step up to the plate as well on this. The UK is doing a lot and other countries should be doing a lot more.

The noble Baroness, Lady Smith, asked me to say a little more about the range of smaller charities. The average income of SCCF-shortlisted applicants is £90,000 a year, which is well below the £250,000 ceiling. That shows that we are breaking new ground. I think that I have covered the key points, but I shall look again at the debate and if there is anything that I have missed, I will write. For now, I do not want to fall foul of the Standing Orders and exceed my 20 minutes in front of the Leader of the Opposition.

Let me therefore conclude by saying that here in the UK, as well as overseas, the picture is made all the more compelling by the wonderful work done by both small charities and faith-based organisations. We at DfID want that to continue and we want to work in increasing partnership with them, as UN sustainable development goal 17 points to. We want to do that because we want to alleviate suffering. We want to bring hope of a better world in future for the vulnerable, the sick, the refugees and those who are most marginalised in our society—and in that I am sure we are absolutely united.

5.18 pm

Baroness Stroud: My Lords, this has been a most interesting debate. I thank all noble Lords for their contributions. I again warmly congratulate the noble Lord, Lord McNicol, on his maiden speech. Not only do I look forward to the bagpipes, along with others, but I welcome his overture to take forward the issue of homelessness, which is a passion close to my heart as well. I particularly agreed with his point about funding rounds closing without small charities being even aware that they were open in the first place, and with the comments of my noble friend Lady Hodgson and of the noble Baroness, Lady Smith of Basildon, about the complexity of the application process, so I was delighted by the Minister's response about it being too long and too onerous and the action that DfID has taken to address those issues.

I thank the noble Baroness, Lady Barker, for her commitment to ensure that government funding is used appropriately by small faith-based charities and achieves the objectives for which the money is given. I also thank her for the sensitive manner in which she made her comments.

I thank the Minister hugely for his reply, and I am absolutely delighted that he used the debate to make his announcement. I am pleased to hear about the commencement of the first four projects and that the next round is now open. I thank each noble Lord who contributed to this debate for the consensus across the House that small charities and faith-based organisations have a huge amount to contribute to international aid and development.

Motion agreed.

House adjourned at 5.20 pm.

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