

Vol. 803  
No. 54



Tuesday  
5 May 2020

PARLIAMENTARY DEBATES  
(HANSARD)

# HOUSE OF LORDS

## OFFICIAL REPORT

*ORDER OF BUSINESS*

Retirements of Members.....	359
Questions	
Policing: Covid-19 Guidance and Legislation .....	360
Self-employment Income Support Scheme .....	363
Domestic Violence .....	366
Aviation and Tourism: Cancellations.....	369
House of Lords: Membership	
<i>Private Notice Question</i> .....	373
Budget: Economic and Fiscal Outlook	
<i>Motion to Take Note</i> .....	377
Employment Allowance (Increase of Maximum Amount) Regulations 2020	
<i>Motion to Take Note</i> .....	403
Greater Manchester Combined Authority (Fire and Rescue Functions) (Amendment) Order 2020	
<i>Motion to Take Note</i> .....	414
Covid-19: Department for Work and Pensions Update	
<i>Statement</i> .....	425

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

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

*This issue of the Official Report is also available on the Internet at  
<https://hansard.parliament.uk/lords/2020-05-05>*

The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

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

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.

© Parliamentary Copyright House of Lords 2020,  
*this publication may be reproduced under the terms of the Open Parliament licence,  
which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

# House of Lords

Tuesday 5 May 2020

1 pm

*Prayers—read by the Lord Bishop of Worcester in a Virtual Proceeding via video call.*

## Arrangement of Business Announcement

1.04 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Lord Speaker (Lord Fowler):** My Lords, today all our proceedings will be conducted virtually and will be available to broadcasters. We will have four Oral Questions and a Private Notice Question, a debate on the economy, two debates on secondary legislation, and a Statement on Covid-19 and the response to it.

As a matter of interest, I am chairing proceedings from my home in the Isle of Wight—the location chosen as the national pilot for the new NHS contact-tracing app. I wish it every success.

Virtual Proceedings of the House will now begin. I remind Members that these proceedings are subject to parliamentary privilege and that what we say is available to the public both in *Hansard* and to those listening and watching. Members' microphones will initially be set to mute, and the broadcasting team will unmute their microphones shortly before we reach their place in the speakers' list. When Members have finished speaking, their microphones will again be set to mute.

## Retirements of Members Announcement

1.06 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Lord Speaker (Lord Fowler):** My Lords, I should like to notify the House of the retirements with effect from 1 May of the noble Countess, Lady Mar, and with effect from 5 May of the noble Baroness, Lady Byford, pursuant to Section 1 of the House of Lords Reform Act 2014. On behalf of the House, I should like to express our best wishes and thanks to the noble Countess and the noble Baroness for their much-valued service to the House.

## Arrangement of Business Announcement

1.07 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Lord Speaker (Lord Fowler):** My Lords, the Virtual Proceedings on Oral Questions will now commence. I will call each Oral Question in the normal way and supplementary questions will be asked in the order shown on the speakers' list. Will noble Lords please ensure that questions and answers are short? Each speaker's microphone will be unmuted prior to

them asking a supplementary question and will be returned to mute once their supplementary question has finished. I call the noble Baroness, Lady Jones of Moulsecoomb, to ask the first Oral Question.

## Policing: Covid-19 Guidance and Legislation Question

1.07 pm

*Asked by Baroness Jones of Moulsecoomb*

To ask Her Majesty's Government what assessment they have made of (1) any inconsistencies between COVID-19-related guidance and legislation, and (2) the impact of any such inconsistencies on police interactions with members of the public.

*The Question was considered in a Virtual Proceeding via video call.*

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, the UK is facing its biggest crisis since the Second World War. We have taken unprecedented steps to curtail people's freedom in order to protect the NHS and to save lives. We have worked with the police to issue guidance on the new powers and to ensure that they are used proportionately and consistently. I am confident that the police have applied these measures properly and have risen to this challenge.

**Baroness Jones of Moulsecoomb (GP):** I thank the noble Baroness for her Answer to my Question. I am sure that she is aware that the guidance has been extremely confusing: it has confused the public, the police and prosecutors. The Crown Prosecution Service has now said that it will review all the prosecutions, including those of the people who pleaded guilty. Does the Minister agree that there is a mess somewhere to clear up?

**Baroness Williams of Trafford:** It is right that the CPS reviews what are new powers to protect the NHS and to save lives. However, it is also crucial that we learn from any mistakes. Therefore, the CPS is reviewing cases charged under both the Coronavirus Act and public health regulations to make sure that the powers are being applied correctly. As I say, these are exceptional powers and the CPS is continually reviewing all the charges brought.

**Lord Adonis (Lab):** My Lords, we are completely behind the police, the Minister and her department in trying to strike the right balance in this very difficult area. Does she agree that access to public parks is a real issue at the moment? For many people, particularly those who do not have a garden, being able to get into public parks is vital. That includes being able to sit in them, properly distanced, and move around them freely. That has not been happening in many parts, because the police have been moving people on. Might the Minister be able to look at this issue, which is really important to millions of people across the country?

**Baroness Williams of Trafford:** I totally agree with the noble Lord that public parks are absolutely vital to people, not just so that they can get exercise but for their mental well-being. I did a test run in my local park in London this morning, and people were observing social distancing. The issue arises when people linger; it has concerned the police that they might be passing on infection. It is really important that we follow the regulations to save lives and protect the NHS.

**Lord Beith (LD):** My Lords, it is perfectly reasonable that the Government should urge people to go beyond the letter of the law in this crisis, but is it not vital not to confuse guidance with the law itself? For example, there is no law that precludes going out in a car to take exercise in a more suitable place or limits exercise in England to once a day. Does the Minister accept that, from Ministers to police constables, people exercising authority must distinguish clearly between what the law requires and what is simply guidance? Otherwise, habits that would be damaging to our freedom and liberty will persist beyond this dreadful epidemic.

**Baroness Williams of Trafford:** I totally agree with the noble Lord. He has pointed out very clearly the distinction between the guidance and the regulations. We need to be mindful of that.

**Baroness Rawlings (Con):** My Lords, taking into account the inconsistencies between Covid-19 and related guidance, it is reported that both SARS and Covid-19 probably came from bats. They seem to store many more bat-borne viruses. What is HMG's policy, therefore, on bats continuing to be protected in this country? Why are they protected? In the circumstances, should the amended 1981 law be revisited?

**Baroness Williams of Trafford:** The reason for that protection was the shortage of bats in Europe. We have been working closely with the Bat Conservation Trust, Defra and Natural England's wildlife teams and international partners on this subject. The BCT has provided advice for bat carers, which we helped to write and which takes a precautionary approach.

**Lord Carlile of Berriew (CB):** Does the Minister agree that the Director of Public Prosecutions' very unusual decision to review every single Covid-related prosecution initiated by the police indicates clear overuse of the powers and that new National Police Chiefs' Council guidance is needed to replace the overcomplex guidance issued by the College of Policing, which many police officers do not even have time to read?

**Baroness Williams of Trafford:** The College of Policing guidance is there not to replace the government guidance but to assist the police as they go about their daily work. As I said to the noble Baroness, Lady Jones, these are new powers and the CPS is therefore reviewing cases charged under both the Coronavirus Act and the public health regulations to make sure that the powers are being applied correctly. Unlawful charges are being withdrawn by prosecutors in court and the CPS is asking for any wrongful convictions to be overturned—but we are in a new world and are having to learn.

**Lord Rosser (Lab):** For the Opposition, I say that the police have our wholehearted support for the work that they do, particularly in the very difficult current circumstances. As a result of rushed public health regulations and associated guidelines, there have been inevitable instances of differences in interpretation of the Covid-19 guidelines. Were the guidelines cleared or approved by the Home Office? Were they cleared or approved by elected and accountable police and crime commissioners? What are the powers of elected and accountable police and crime commissioners to determine how the wide-ranging non-statutory guidelines should be applied by their police force to the constituents who elected them?

**Baroness Williams of Trafford:** There are many questions in the noble Lord's question. I would say that, in the enforcement of the new emergency regulations, there were definitely some initial inconsistencies among police forces. As I said in response to other noble Lords, that is because we are in an unprecedented situation and have all been operating at a fast pace to keep the public safe. We are now confident that the police are applying the new measures properly and proportionately. They are using the four-step escalation principles of engage, explain, encourage and then enforce. On the point about engagement with the guidance, the Government are engaging with the various stakeholders when drawing it up.

**Baroness Ludford (LD):** In response to my noble friend Lord Beith, the Minister said that we should be mindful of the need not to confuse law and guidance. However, is it not a fact that government ministerial Statements and publications have elided and thus confused the two, which has often put the police in an invidious position? I see that while the *Coronavirus Outbreak FAQs* were revised on 1 May, they still seem to interchange between what you cannot do and what you should not do. Will the Government now clearly distinguish between the two to make life easier for the public and, indeed, for the police?

**Baroness Williams of Trafford:** The noble Baroness's noble friend Lord Beith helpfully distinguished between the two. The regulations are drafted in a way that draws a distinction between them and the guidance. The regulations are the law and the law is what applies. They set out the legal obligations and the guidance sets out best practice to assist in compliance with the law. While examples of inconsistencies have been reported in the press, given that 86% of the public are complying with the law and 70% support what the police are doing, I think that we are going in the right direction.

**Lord Harris of Haringey (Lab):** My Lords, I refer to my interests as set out in the register. Policing by consent is the foundation of policing in this country. If interactions with the public are heavy-handed or disproportionate when dealing with Covid-19 issues, there is a real danger that support for policing will be jeopardised. The police are now themselves saying that this will become more difficult as the lockdown messages become more nuanced. Does the Minister agree that local police commanders should consult at least weekly, if not more frequently, with local MPs

and council leaders about which issues of social distancing and the like are arising locally and what the appropriate response should be in that locality?

**Baroness Williams of Trafford:** I hope the noble Lord will be comforted by the fact that every single day I join the Home Secretary on operational calls to not only the Met police but other law enforcement agencies. We also speak each day to a regional lead. I hope this will reassure him that we are doing just that and that we remain engaged with local law enforcement as we go through a very difficult process.

**The Lord Speaker (Lord Fowler):** My Lords, I regret that the time allowed for this Question has elapsed. If we can keep the questions and answers a little shorter, we will be able to get more questioners in.

### Self-employment Income Support Scheme *Question*

1.19 pm

*Asked by Baroness Bonham-Carter of Yarnbury*

To ask Her Majesty's Government what steps they are taking to ensure that freelance workers can access adequate funds through the welfare system until payments under the COVID-19 Self-employment Income Support Scheme begin.

*The Question was considered in a Virtual Proceeding via video call.*

**The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Callanan) (Con):** My Lords, we have temporarily relaxed the application of the minimum income floor for all self-employed universal credit claimants affected by Covid-19. A drop in earnings will therefore be directly reflected in a claimant's award, enabling them to follow the PHE guidance on social distancing. Claimants may also benefit from other changes, including the £20 increase in the universal credit standard allowance and the increases to local housing allowance.

**Baroness Bonham-Carter of Yarnbury (LD):** I declare an interest as a trustee of the Lowry and One Dance UK. We are very concerned about the ability of freelancers to access adequate funds until support is made available in June. Our all-important creative industries are a sector hit particularly hard; one-third of people in this sector are freelance and some are ineligible for any of the Government's schemes. Will the Minister consider a rapid interim fund or grant to bridge the income gap for those affected and, as the Federation of Entertainment Unions suggests, a new freelance worker income support scheme for those falling through the cracks?

**Lord Callanan:** I apologise to the noble Baroness; she was breaking up so I did not quite catch all of her question. However, I think she was talking about the creative industries. Work in these industries is treated in the same way for universal credit as all other forms

of self-employed work. We are aware that many who are self-employed—particularly those whose earnings are seasonal and often fluctuate from month to month—need to budget and plan for this; universal credit takes account of that by varying its payments from month to month.

**Lord Empey (UUP):** My noble friend the Minister will be aware of people moving from PAYE employment, perhaps to start a new business or to become self-employed. These people have become caught between two stools. Does the Minister realise that the thresholds for universal credit mean that savings that people may have accumulated to start their new business will in large measure have to be spent before they can qualify for universal credit? Will he be prepared to review the threshold operation in these unique circumstances?

**Lord Callanan:** I understand the point that my noble friend is making, but a key principle is that universal credit should go only to people who do not have assets available to meet their basic needs. It is important to protect the incentive to save. However, any assets used wholly or mainly for the purpose of a claimant's trade or profession are disregarded indefinitely while the business is still operating. Any money that may be in their account to be used for business purposes will also not be counted towards the capital allowance.

**Baroness Fookes (Con):** Can my noble friend the Minister reassure those who may be concerned about whether universal credit payments made will have to be repaid once the new scheme is up and running?

**Lord Callanan:** DWP officials are in discussion with those in other government departments about the detail of these varied schemes and grants. However, we expect to treat these SEISS payments as employed earnings, and to take them into account when they are received; therefore we do not expect to adjust previous awards.

**Baroness Coussins (CB):** My Lords, will the Government consider setting up a dedicated interim hardship fund to provide immediate cash support to people who could be waiting until June for their payments from the income support scheme and are not eligible to claim universal credit? I declare my interest as president of the Money Advice Trust, the charity that runs Business Debtline. It has heard from many self-employed people in this situation who are struggling to make ends meet; some are not eligible for the income support scheme at all.

**Lord Callanan:** The Government are focusing on support measures that can be implemented as quickly as possible. Using existing frameworks for those who need additional support is, in our view, the quickest and most effective way to do this during the Covid-19 outbreak. The DWP is continuing to work with the Treasury and other government departments to monitor the evolving economic and labour market situation to identify the most effective way to help people in need as quickly as possible.

**Baroness Healy of Primrose Hill (Lab):** Many freelance journalists are ineligible for the government schemes and the requirements exclude those in their first year of being self-employed. Does the Minister agree that it is unfair to penalise those just starting out in their careers or forced into self-employment through redundancy and casualisation?

**Lord Callanan:** Of course, we want to help as many people as possible under these schemes, and we keep them constantly under review. All these various schemes have been implemented as quickly as possible, so we will certainly reflect closely on what the noble Baroness has said.

**Baroness Janke (LD):** What advice would the Minister give to a self-employed decorator who has been out of work since the lockdown started and who applied for universal credit? After being made to feel, in his words, a “scrounging piece of scum”, he and his wife have found that, after rent and council tax, they have just £210 a month to pay for food and all other expenses.

**Lord Callanan:** It is difficult to comment on the case that the noble Baroness cites without seeing all the details of the claimant responsible, but the SEIS scheme will offer millions of self-employed individuals direct cash grants. It covers 95% of people who receive the majority of their income from self-employment, and we have quickly and effectively introduced over £6.5 billion-worth of measures to benefit those facing the most severe financial disruption.

**Lord Farmer (Con):** My Lords, it is pleasing that the Government have relaxed the minimum income floor for the self-employed. Can my noble friend the Minister clarify any further measures that have been made to help self-employed claimants at this time?

**Lord Callanan:** I thank my noble friend for his question. Yes, as well as relaxing the minimum income floor, we have increased the standard rate of universal credit and working tax credit for this year by around £1,000. We have increased the local housing allowance, which is worth something like £600 in people’s pockets. We have also redeployed staff to the front line and therefore temporarily suspended the recovery of some government debts such as tax credits, benefit overpayments and social fund loans. We stand ready to take additional measures if they are required.

**Viscount Colville of Culross (CB):** I declare an interest as a freelance series producer working for Netflix and the Smithsonian Channel. The current SEISS creates considerable concern for large numbers of freelancers who operate under a personal services company and are therefore not covered. Is it not possible for HMRC to distinguish between PSC-derived dividends and other dividend income, which could be verified through an online HMRC portal?

**Lord Callanan:** The Chancellor has referred to this difficulty a number of times. We are satisfied that the system as it currently operates is the best one at

the moment, but as I said in response to an earlier question, we keep all these things constantly under review and will reflect on what the noble Viscount has said.

**Lord Hunt of Kings Heath (Lab):** My Lords, does the Minister at least accept that many self-employed and freelance people are falling through the net because of the criteria that the Government have set? Will he reconsider his answer to the noble Baroness, Lady Coussins? The Money Advice Trust is getting so many self-employed people calling in who are desperate because they do not meet the criteria. It is surely an excellent idea to have a hardship fund administered by local authorities to help them out.

**Lord Callanan:** We already have a number of schemes in place. The SEISS will benefit something like 95% of all claimants, but of course such schemes have been introduced at pace. Officials are still working on it, and I and the department will reflect closely on what the noble Lord has said. We want to ensure that as many people as possible are helped during these difficult times.

**Baroness Altmann (Con):** My Lords, I congratulate the Government on their unprecedented rescue schemes for the self-employed and freelancers. I understand that one may be paid out before June—within May. Can my noble friend outline any other measures planned for the employed and the self-employed which are under consideration?

**Lord Callanan:** I referred to some additional measures in the answer that I gave to my noble friend Lord Empey earlier. We have been taking a number of other measures; I can tell my noble friend that, yesterday, HMRC began contacting customers who are eligible for the SEISS. It remains on target to be delivered in early June but, if we possibly can, we will of course get the payments out earlier because we know that they are urgently required in many situations.

**The Lord Speaker (Lord Fowler):** My Lords, the time allowed for this Question has, I fear, elapsed, and we now come to the third Oral Question.

## Domestic Violence

### Question

1.29 pm

*Asked by Lord Kennedy of Southwark*

To ask Her Majesty’s Government what measures they are taking to address incidents of domestic violence during the COVID-19 pandemic.

*The Question was considered in a Virtual Proceeding via video call.*

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, the Government are monitoring and responding to domestic abuse issues arising during this period, and £28 million of the £750 million announced by the Treasury for charities will go to domestic abuse charities to help victims to

continue to access their services. The Home Office has separately provided £2 million to support helpline and website provision, and the recently launched #YouAreNotAlone campaign is helping to raise awareness of this crime while directing victims to support services.

**Lord Kennedy of Southwark (Lab Co-op):** We all look forward to the Domestic Abuse Bill becoming law, but that will not be for several months. Victims of domestic abuse need additional support and help immediately. Will the Minister agree to go back, speak to the Home Secretary and explore the possibility of a series of public information films on TV channels in the UK setting out that domestic abuse is a crime, that victims are not alone, that help and support is at the end of the phone and that by texting or clicking on a website we will come to their aid?

**Baroness Williams of Trafford:** The noble Lord will know the web facilities that are available, and the Home Office has separately provided £2 million to support helpline and website provision. On his broader question about a mainstream public broadcasting campaign, I most certainly will go back to the Home Secretary, but at this time I would like to avoid—I know the noble Lord will agree with me—having perpetrators and their victims sitting side by side while such information comes on the television. It might create additional tensions within the home. However, I will take the idea back and discuss the matter with the Home Secretary.

**Baroness Newlove (Con):** My Lords, I welcome the Government's funding for domestic abuse charities. Any funding, especially in lockdown, is very welcome. Every Monday I join meetings with domestic abuse front-liners and survivors. While I appreciate that we are giving £28 million to domestic abuse charities, my concern is that the information I have received from Paladin is that it has seen a huge explosion—an up to 50% rise—in stalking. Can the Minister ensure that some funding goes to stalking charities, such as Paladin and the Suzy Lamplugh Trust, which also help coercive control and domestic abuse victims?

**Baroness Williams of Trafford:** I take my noble friend's point about stalking. Whenever money is given out to charities, it is within a competitive process, as it were—a fair process—but I will certainly take that back. I am very surprised to hear what my noble friend said about stalking, but I do not deny what she is saying. Right at the beginning of this process, I spoke with Nicole Jacobs—I presume that is who my noble friend is engaging with every Monday—and my noble friend can be sure that I will take that back.

**Baroness Watkins of Tavistock (CB):** My Lords, I, too, welcome the innovations that the Government are undertaking, but I have particular concerns about victims of abuse who may have mental health problems or long-term dementia who are unable to seek help quickly. What are the Government's plans, as we begin to lift isolation and quarantine, to ensure that these members of the population are properly assessed fairly rapidly?

**Baroness Williams of Trafford:** The noble Baroness hits on a point that will be at the heart of what happens not only during the coronavirus pandemic period but as we come out of it. We have put in £5 million of additional funding for mental health charities to support adults and children who are struggling with their mental well-being at this time. NHS England and NHS Improvement have instructed all NHS mental health trusts to establish mental health crisis lines that are clearly accessible from the trusts' websites.

**The Lord Speaker (Lord Fowler):** I call the noble Baroness, Lady Burt of Solihull.

**Baroness Crawley (Lab):** Excuse me!

**The Lord Speaker:** I beg your pardon, Baroness Crawley.

**Baroness Crawley:** My Lords, I commend the Minister for the work she is undertaking during this difficult time. What government funding is now getting to the front line for abused children, following a recent safeguarding live survey of front-line services showing that 42% of these services felt they were not able to effectively support child victims of abuse during this time of lockdown?

**Baroness Williams of Trafford:** It is a crucial point. We have made £1.6 million available immediately to the NSPCC to expand and promote its helpline for adults. Expanding the helpline will mean that many more adults know how and where to raise concerns or seek advice and support regarding the safety and well-being of any children they are worried about. We also have the NCA's online safety at home campaign, which provides vital support and advice to children.

**Baroness Burt of Solihull (LD):** Do the Government not recognise that migrant women, because they have no recourse to public funds, are in great danger of being turned away from refuges? Will the Government please consider suspending the no recourse to public funds rule for all migrants during the crisis, and abolishing it altogether for these most vulnerable women and their children?

**Baroness Williams of Trafford:** One of the things the Government have done is to announce £3.2 billion of funding for local authorities to support the most vulnerable victims in our society. Of course, the noble Baroness is referring to people who have not yet got a legal right to be here, and I totally see the point that she is making.

**The Lord Bishop of Worcester:** My Lords, we know that domestic abuse affects every community, including religious communities. Can the Minister assure the House that the Government are partnering with faith groups to raise awareness of available support during the pandemic?

**Baroness Williams of Trafford:** We are reaching out to everybody. I cannot say for certain about faith groups, but I can certainly get him some information about that. One of the things that was first and foremost on my mind and that of other Ministers was

[BARONESS WILLIAMS OF TRAFFORD]

the danger to women, mostly, and children who are locked up with their perpetrator for what has now been nearly seven weeks.

**Lord McColl of Dulwich (Con):** My Lords, as most cases of domestic violence are known to the neighbours, should we not encourage them to inform the police about repeated episodes in order to reduce this terrible crime?

**Baroness Williams of Trafford:** I totally understand that point. This has been on our radar, and we have engaged with police and communities. Neighbours can set up silent codewords with potential victims, which is one way that people can communicate with each other in these very stifling times during lockdown. That will certainly help the police, who are engaging with high-risk victims and perpetrators during this time.

**Lord Campbell-Savours (Lab):** My Lords, my question has already been asked by my noble friend Lord Kennedy of Southwark—it is the subject of a piece I wrote in the *Times* a couple of weeks ago. May I dispute the Minister's answer? She said that she does not think it would be very helpful if people were to sit side by side. I think that is exactly what we want. We want victims and abusers to be sitting side by side when the message comes over that what is happening is wrong, and when giving information and advice.

**Baroness Williams of Trafford:** My Lords, I did not denounce the point made by the noble Lord, Lord Kennedy; I pointed out some of the unintended consequences of stirring up tensions when a household might already be in a very tense situation. I by no means dismiss the noble Lord's point.

**The Lord Speaker:** I regret that the time allowed for this Question has elapsed.

## Aviation and Tourism: Cancellations *Question*

1.39 pm

*Asked by Lord Blencathra*

To ask Her Majesty's Government what steps they plan to take to ensure airlines and tour companies refund people for costs incurred following the cancellation of flights and holidays.

*The Question was considered in a Virtual Proceeding via video call.*

**The Parliamentary Under-Secretary of State, Department for Transport (Baroness Vere of Norbiton) (Con):** My Lords, the Government's position is clear. If a customer asks for a refund, that refund needs to be paid. The Government are in regular contact with the airlines and other travel providers, the regulators and consumer groups, to help businesses deliver on their commitments.

**Lord Blencathra (Con):** My Lords, I thank my noble friend for the clarity of that reply. Will she make it clear to all airlines and travel providers that sitting on £7 billion of customers' money and inventing scams such as telling people to claim online or by telephone and then not answering those calls is a breach of the 2018 regulations, which require a full refund within 14 days? They must do that. Will they also stop their pyramid selling of phantom flights which will never happen, taking customers' money and not refunding it? Is this not simply fraudulent?

**Baroness Vere of Norbiton:** My Lords, the Government appreciate the frustration that consumers are feeling. We have made it absolutely clear that the customer should get a refund if they ask for one. However, we also recognise the enormous challenges that businesses face. They have very large volumes of such requests, and staff may not be available—they may have been furloughed. There may be capacity constraints because of social distancing, or an increase in staff absence due to illness. The regulators are working very closely with the industry to find out what the problems are and to ensure that customers get their money back.

**Lord Rosser (Lab):** *Which?* magazine has reported that a quarter of those with a cancelled flight in April were not offered a refund, and 19% were waiting to hear back, with figures much the same for those who had a holiday cancelled. Indeed, I was given an example this morning of British Airways still not having delivered on a promised refund, a month later. The Government decide what financial support to give our key travel and tourism industry to keep firms afloat, but the Government and the Civil Aviation Authority should not be allowing consumers' clear statutory rights to be ignored by some parts of the industry. I return to the point made by the noble Lord, Lord Blencathra: when will the Government and the CAA act to protect the rights of consumers whose financial position may now be critical, as opposed to simply talking about doing so?

**Baroness Vere of Norbiton:** I do not accept that we are just talking about it. The CAA is in close contact with the industry; it recognises the current issues, and that there may be some delays. A consumer should not be told that they cannot have a refund. If they have been, they must contact the CAA with the details to find out exactly what is going on. We are working very hard to minimise the delays and to ensure that consumers get their money back.

**Viscount Waverley (CB):** Compounding the distress, the tourism industry at destinations is also moribund. I fell foul of this myself, but recognised force majeure. Does the Minister recognise that certain carriers are avoiding legal compliance by not paying out on cancellations, yet are benefiting from bailouts or implementing internal redundancies and renegotiating contracts for those who remain? Notwithstanding this, will the Government consider supporting those who are uninsured by underwriting voucher claims in the event of future airline failure?

**Baroness Vere of Norbiton:** I thank the noble Lord for that suggestion and for bringing up the important issue of vouchers. Customers may be offered a voucher

as opposed to a refund, but they are under no obligation to accept it. We are looking at all sensible proposals so that we can balance the protection of consumer rights, which is absolutely essential, with recognising the enormous impact this is having on an industry that employs hundreds of thousands of people and is a huge contributor to our economy.

**Baroness McIntosh of Pickering (Con):** Does the Minister agree that one of the greatest problems facing the airline industry at the moment is cashflow? What support are the Government minded to lend to the airlines at this crucial time? What discussions are she and the department having with our international partners to enable flights to take off at some point this year, particularly regarding social distancing, which is important and very difficult to deliver on planes and at airports? What kit will passengers have to use and what will be done to enable our rules to be recognised by our international partners?

**Baroness Vere of Norbiton:** My noble friend raises an important series of questions. On voucher support, the Chancellor has already announced wide-ranging support for all sizes of businesses. I encourage all those in trouble in the travel sector to avail themselves of the opportunities that there are. On restart and recovery, which is very much on our minds as well, an aviation restart and recovery team has been set up specifically at the DfT to work with the aviation industry to understand all the challenges it will have to get our planes back in the skies and to make sure that people can once again travel.

**Baroness Randerson (LD):** My Lords, the problem is not just with airlines, but with cruise operators and other providers. There appears to be a particular problem with those operators that are foreign owned. Many European countries have already changed their regulations to tighten this up. Are the Government planning to do likewise? Are they aware of the crucial issue that there is no point in having refund vouchers if a company no longer exists? Many of these companies are in danger of ceasing to exist in the near future.

**Baroness Vere of Norbiton:** The noble Baroness, Lady Randerson, is absolutely right that many of the cruise companies are indeed foreign owned. Provided that a cruise has been sold, or indeed offered for sale, in the UK, it will be covered by the package travel regulations. Therefore, the consumer will be entitled to a refund within 14 days. If a cruise holiday has been sold outside the UK or the EU, different terms and conditions may well apply. I will take back to the department her suggestion that other EU countries have changed their regulations. We will look into it.

**Lord Naseby (Con):** On hotel and travel cancellations, what action can a consumer take where the provider's insurance is claiming force majeure due to circumstances created by Her Majesty's Government?

**Baroness Vere of Norbiton:** The issue around force majeure and contracts is complicated. I am sure my noble friend will appreciate that I cannot give firm advice, because in these cases, each contract is likely to

be slightly different. In the case that this is happening to a consumer, I suggest that that consumer gets their own independent legal advice to fully understand the terms of the contract. It is also the case that some consumers who use a credit card will be able to make a claim with their provider. They might want to check with them as well.

**Baroness Bennett of Manor Castle (GP):** If the Government are considering the bailout of transport operators, will they make it conditional upon the fair legal treatment of customers, particularly regarding refunds, as well as on the payment of tax, decent treatment of workers and environmental impact, perhaps along the lines of the New Economics Foundation's fair bailout decision tree?

**Baroness Vere of Norbiton:** The provisions that have already been put in place and announced by the Chancellor are available across the economy. They therefore do not have the sorts of conditions that the noble Baroness outlines. However, the Government are always open to speaking to any company that has exhausted all other forms of support and taken all the actions necessary. In those cases, we will make sure that appropriate conditions are put in place to make sure that the company behaves exactly as we would intend it to.

**Lord Foulkes of Cumnock (Lab Co-op):** My Lords, the Minister says that she is in regular contact with the airlines, but it is clear from what we all have heard, and from the exchanges today, that the airlines are thumbing their nose at the Government. In the light of the Question from the noble Lord, Lord Blencathra, and all the contributions, will she go back to the airlines and say that it should not take months and months to make these refunds? With modern computer technology they can make them quickly. They are very quick at taking our money; they are not very good at paying it back.

**Baroness Vere of Norbiton:** The noble Lord reiterates points that have been made previously. I can only reassure him that we are working with the airlines to understand the challenges they face in order to get the money back to consumers. There are unprecedented challenges at this time, but we also recognise that customers should get their money back and in a timely fashion.

**The Lord Speaker (Lord Fowler):** My Lords, the time allowed for this Question has now elapsed. I thank noble Lords. That concludes the Virtual Proceeding on Oral Questions. Virtual Proceedings will resume at 2 pm for the Private Notice Question. Proceedings are now adjourned. Thank you very much indeed.

1.51 pm

*Virtual Proceeding suspended.*

## Arrangement of Business

### Announcement

2.02 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Senior Deputy Speaker (Lord McFall of Alcluith):** My Lords, Virtual Proceedings of the House of Lords will now resume. I remind Members that these proceedings are subject to parliamentary privilege and that what we say is available to the public both in *Hansard* and to those listening and watching. Members' microphones will initially be set to mute, and the broadcasting team will unmute their microphones shortly before we reach their place in the speakers' list. When Members have finished speaking, their microphone will again be set to mute.

The Virtual Proceedings on the Private Notice Question will now commence. I will call the Private Notice Question in the normal way and supplementary questions will be asked in the order shown on the speakers' list. Please ensure that questions and answers are short; there are many speakers on the list and more will be called if the answers are short. Each speaker's microphone will be unmuted prior to asking a supplementary question and returned to mute once their supplementary question has finished.

## House of Lords: Membership

### *Private Notice Question*

2.03 pm

*Asked by Lord Forsyth of Drumlean*

To ask Her Majesty's Government, in the light of recent press reports, whether they are considering proposals for reform of the House of Lords based on the exclusion of those over the age of 65.

*The Question was considered in a Virtual Proceeding via video call.*

**The Minister of State, Cabinet Office (Lord True) (Con):** My Lords, no.

**Lord Forsyth of Drumlean (Con):** With respect and admiration for my noble friend the Minister, I ask: as this Question is about the future of this House, why is the Leader of the House not answering it? What have the Government done to rebut the *Sunday Times* report that Ministers are examining whether they could retire every Member of this House who is over the age of 65 and that we are all so old that there is no prospect of us doing our job? Will the Government name the Whitehall source responsible for this false and malicious briefing? If this is not known, will they invite the Cabinet Secretary to investigate and, if the source is identified by him, ensure that they are summarily dismissed?

**Lord True:** My Lords, there are a number of questions there which I am sure have been noted. I am sorry if my noble friend thinks it is only the second division that has come out to answer the Question, but I think the second division is adequate to put paid to a third-rate story. There is no substance in it. It is not the intention of the Government to introduce such a policy.

**Baroness Hayter of Kentish Town (Lab):** In the light of that answer, would the Minister ask the Leader of the House, who is meant to represent the whole of the House of Lords, to put in her own words in the public domain, either through a statement or press release,

the answer that has just been given, which is that there are no plans of this nature? Could the Minister give us that undertaking and say why on earth anyone in Whitehall is thinking about reform of this House at the moment, rather than the national emergency facing us?

**Lord True:** My Lords, I have stated on the record the position of the Government—I am sure that any number of Ministers could do the same—and I have no doubt that the Leader of the House will be following our proceedings. The current total priority and focus of this Government is to deal with the Covid-19 emergency. I assure the noble Baroness that, were such an idea ever to be suggested, it would be given the very lowest priority.

**Lord Tyler (LD):** My Lords, is it not obvious that somebody in No. 10 is playing party games with the constitutional role and responsibility of Members of your Lordships' House, as set out in our Writ of Summons from Her Majesty the Queen? Following the answer that was given just now, can we be assured that the Leader of the House will start leading for the House and will stand up to No. 10? Will the Minister confirm that any changes of this sort will follow the normal process of scrutiny, debate and votes in your Lordships' House?

**Lord True:** My Lords, I certainly agree with the point on scrutiny. The Government have made it very clear that they do not consider piecemeal reform of this House to be sensible. However, I repeat that there is no substance in this story. I am not sure whether it was a case of the ill-informed meeting the inventive or perhaps one or the other, but I repeat that it is not government policy.

**Baroness Hayman (CB):** My Lords, reducing the size of the House is obviously not a priority for the moment but it is something that we need to do. Will the Minister confirm that the Government will consider putting a cap on the size of the House, allowing its numbers to be reduced along the lines of the Burns report? However, as other noble Lords have said, the priority now is surely to enhance and increase both the scale and the effectiveness of the scrutiny that we as a House can bring to the conduct of the Government during the current crisis. Are there plans to expand the role and function of the House from their limited forms at the moment?

**Lord True:** My Lords, I welcome scrutiny and think that it is vital for a democracy. Obviously, the arrangements made by the authorities of the House are beyond my remit; I am here to answer for the Government. The Government do not currently intend to put a cap on the size of the House; indeed, their position is that from time to time the House will need refreshing. That has always been the position; it has never been a static House.

**Lord Polak (Con):** My Lords, I speak as a Member who is still just in his 50s. Our House does indeed need to be kept fresh and current, so reform is necessary. However, does my noble friend agree that the expertise and knowledge brought to this House by my noble and learned friend Lord Mackay, or the mastery and

love of democracy and its institutions of my noble friend Lord Cormack, to name but two examples, rather proves the point that the implementation of arbitrary criteria would be not only wrong but seriously detrimental to our deliberations?

**Lord True:** My Lords, I understand what my noble friend is saying. For example, my noble and learned friend Lord Mackay of Clashfern makes an immense contribution, even though I think he only gives a year in age to Her Majesty the Queen. Anybody who had half a tin ear to the work of your Lordships' House would understand the immense contribution made by older people in it. I submit that if an appointed House is not in good part a House of expertise and experience, it is nothing, but I repeat that the House needs to be refreshed from time to time.

**Lord Harris of Haringey (Lab):** My Lords, the story has all the hallmarks of a No. 10 briefing intended to stifle scrutiny by your Lordships' House. If that is not the case, will the Government agree to strengthen scrutiny by this House, perhaps by agreeing to a daily statement by the relevant Minister following the Downing Street press conference, and allowing more time for debate and routine questioning of the Government? Surely the Minister accepts that transparency will strengthen public confidence in the Government and their handling of the present crisis.

**Lord True:** My Lords, I agree that transparency is vital in public affairs. I am not responsible for usual channels. I would be a wealthy man if I had a pound for every unattributable briefing that was knocked down under the last Labour Government. I have repudiated this story and the alleged proposals on behalf of the Government in Parliament, and there it should rest.

**Lord Campbell of Pittenweem (LD):** It cannot really rest, of course, because this is only one of a series of unattributed weekend briefings from No. 10. Although the finger cannot be pointed definitely at someone, most of us have a pretty good idea where the briefings are coming from. Frankly, it is not acceptable; it should be stopped, and the Prime Minister should stop it. On refreshing the House, what the Minister said is of course true, but it is generally accepted that some 40 names are already waiting to be introduced to the House. That goes far beyond "refreshing", and drives a horse and cart through the Burns proposals, which the House unanimously accepted.

**Lord True:** My Lords, I think this is going wide of the Question, though the noble Lord might wish to reflect on the large number of Peers on his own Benches who were brought in under the previous two Administrations. I shall not enter into conspiracy theories; the House should concentrate on fact and work. I have stated on the record that this is not, and has not been, government policy.

**Baroness Falkner of Margravine (Non-Aff):** My Lords, while I completely support reform of the House of Lords—indeed, I was enthusiastic about the last reform—I hope that when Ministers get round to considering this matter they will look at the need for a more

balanced Chamber representing not only the protected characteristics but expertise beyond the current framework. The House does need refreshing from time to time; I support the Minister in that view.

**Lord True:** My Lords, the noble Baroness makes important points. We all need to be mindful of the need for this House to be representative widely of opinion and people across this nation.

**The Senior Deputy Speaker (Lord McFall of Alcluith):** Lord Blencathra. No? I call the noble Baroness, Lady Mallalieu.

**Baroness Mallalieu (Lab):** While I welcome the brief and robust way in which the Minister has answered this Question, will he take a moment to put to bed a couple of other stories circulating in the news at the moment which are alleged to be future government policy and are causing worry particularly to our older people: first, that the triple lock on pensions is to go and, secondly, that 9 million people over 70 are to remain incarcerated after lockdown is eased? Does he agree that these stories have caused increased anxiety and entirely justifiable anger and outrage? Will he assure us that both stories are also fake news and that there is no reality in them now or in the future?

**Lord True:** My Lords, again, I understand where the noble Baroness is coming from, but her questions go slightly wider than the Question before the House. On future arrangements on lockdown, the Government have promised further advice shortly. As noble Lords will know, the position is that everyone is being asked to stay at home at the moment however old they are, but I will not speculate here on what may be considered appropriate in the next phase.

**The Senior Deputy Speaker:** My Lords, the time allowed for this Question has elapsed.

2.14 pm

*Virtual Proceeding suspended.*

## Arrangement of Business

### *Announcement*

2.34 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Senior Deputy Speaker (Lord McFall of Alcluith):** My Lords, the Virtual Proceedings on the debate in the name of the noble Lord, Lord True, will now commence. This is a time-limited debate and, as shown on the Order Paper, unless any noble Lord objects, the time limit is two hours.

I will first call the noble Lord, Lord True, in the usual way. The question will then be put. Then I will call each speaker on the list in the usual way. Each speaker's microphone will be unmuted prior to speaking and returned to mute once their speech has finished.

## Budget: Economic and Fiscal Outlook

### *Motion to Take Note*

2.34 pm

*Moved by Lord True*

To move that the Virtual Proceedings do consider Her Majesty's Government's assessment of the medium-term economic and fiscal position as set out in the latest Budget document and the Office for Budget Responsibility's most recent Economic and Fiscal Outlook and Fiscal Sustainability Report, which forms the basis of the United Kingdom's Convergence Programme.

*The Motion was considered in a Virtual Proceeding via video call.*

**The Minister of State, Cabinet Office (Lord True) (Con):** My Lords, many noble Lords will be familiar with the purpose and provenance of this annual Motion and debate. Since 1999, in the days when we were members of the European Union, the Government were required to send an annual assessment of our economic and budgetary position to the European Union, following its consideration by Parliament. Known as the UK convergence programme, this is part of the stability and growth pact based in the Treaty on the Functioning of the European Union. It is also now important to reflect on and embrace the fact that the UK will be sending this economic assessment having left the European Union. This Government have honoured the promise we made to the British people in the 2019 general election and, after years of regrettable delay, we have delivered on the instruction that was given in the 2016 referendum.

The UK having left the European Union, some noble Lords may find it somewhat perplexing that I am bringing forward this Motion at all. However, as we are in the transition period, there is still a legal obligation under the terms of the withdrawal agreement to provide the European Commission with an update of the UK's economic and budgetary position. However, the UK cannot be subject to any action or sanctions as a result of our participation, which will end once the transition period comes to an end. This is just one example of the kind of reporting back and accounting to the European Union that will become a thing of the past at the end of this year, when we are a fully independent and sovereign country.

I present this year's assessment to the House today at an unprecedented and challenging moment for our country and people, and at a unique time in our history. The coronavirus pandemic is the biggest challenge we have faced in decades. For many, life as normal, and business as usual, is on hold. The sacrifices that the British people are making in observing social distancing measures are helping to protect the NHS and save lives, and we thank them all. However, there is clearly a financial and economic cost to bear. Our huge and unprecedented programme of support is therefore helping people and businesses around the country.

Having set out that context, I will now give a brief overview of the information we will provide in the assessment that makes up the UK's convergence programme. This information is based on the Spring

Budget report and the Office for Budget Responsibility's most recent economic and fiscal outlook. It is this content, not the convergence programme itself, that I ask the House to take note of. Noble Lords should also note that this does not represent new information; rather, it captures the Government's assessment of the UK's medium-term economic and budgetary position, as we set out in the 2020 Spring Budget that the Chancellor of the Exchequer delivered almost seven weeks ago.

The Office for Budget Responsibility's forecast confirmed that the Government delivered the Spring Budget within our fiscal rules. Since 2010, significant progress has been made to restore the public finances. By 2018-19, the deficit had been reduced by four-fifths—from 10.2% of GDP to 1.8%—and debt brought back under control. This careful management of the economy and public finances meant that the fundamentals of the United Kingdom economy going into the coronavirus pandemic were strong. This helped the Government to act in an unprecedented way, with measures to protect people's jobs and incomes, to help businesses and to support the economy through this difficult period.

It is clear, however, that the impact on the economy as a result of coronavirus, and the Government's unprecedented response to it, will lead to a significant increase in borrowing this year compared to the OBR's forecast. Indeed, under the OBR's coronavirus reference scenario, borrowing is expected to rise sharply this year, but fall back quickly in 2021-22 as temporary policy costs end and the economy recovers. While growth remained solid in 2019, as noble Lords would expect, growth in 2020 will be significantly below that of last year—although estimates are highly uncertain at this point. The consensus, both in government and among external economists, is that not taking the steps we have taken would have risked the impact of coronavirus leaving more permanent scars on our economy. As the OBR has said,

“the costs of inaction would certainly have been higher.”

In the Spring Budget, the Chancellor initiated the start of that unprecedented and wide-ranging economic response to the impact of coronavirus. The Budget itself made available £12 billion for temporary, timely and targeted measures to provide security and stability for people and businesses, which by itself represented a significant state intervention. That included, for example, a commitment to refund small businesses for two weeks of statutory sick pay, and waiving business rates for properties used for retail, leisure, hospitality and nurseries during the next financial year.

Since the Spring Budget and the accompanying OBR forecast, the UK, like many countries around the world, continues to face significant economic disruption. Noble Lords will know that in response, the Government have continued to build on the initial financial support package set out in the Spring Budget, for example through the Coronavirus Job Retention Scheme, the Self-employment Income Support Scheme and the Coronavirus Business Interruption Loan Scheme.

We are making great progress in getting much-needed support out to businesses to help manage their cash flows during this difficult time, with millions of pounds of loans and finance provided to hundreds of firms

across the country. The Government are also deferring VAT payments for the next quarter, and UK VAT-registered businesses will not need to pay VAT alongside their normal VAT returns—an intervention by itself worth over £30 billion.

While the Spring Budget rightly focused on our immediate measures to respond to the coronavirus outbreak and support people and businesses in the short term, it also set out our medium and longer-term plans, which I will also briefly highlight. The Budget confirmed a significant funding package to deliver 50,000 more nurses, 6,000 more doctors and 6,000 more primary care professionals, and a change to NHS pension rules which means that NHS staff, including senior doctors, can work additional hours for the NHS without their annual allowance being reduced.

The Budget also included ambitious measures aimed at levelling up all regions of our country. For example, the Government will invest £500 billion in roads, railways, broadband, housing and research to level up opportunity across the whole of the United Kingdom. It set out a consultation on our new £3 billion national skills fund and a £1 billion investment to upgrade the further education college estate—measures designed to help young people get the skills they need for the high-paid, high-skilled jobs of the future. These are vital investments in our public services and our future that display the ambition of this Government and for a country free to forge its own path and shape our own destiny having left the European Union.

Now, the Government have clearly committed considerable resources to respond to the unprecedented coronavirus crisis. However, we have also committed to continuing negotiations on the future relationship with the European Union, which are being undertaken virtually. We look forward to negotiating constructively in the next round, which will begin on 11 May. Whatever the outcome of those negotiations—and we remain committed to a deal with a free trade agreement at its core—our position on extending the transition period is clear and unchanged. The transition period ends on 31 December this year, something enshrined in United Kingdom law.

I know some noble Lords are concerned about the impact of not extending the transition period. The fact is, extending the transition period would simply prolong the negotiations, bringing further uncertainty for businesses at a time when they need clarity. As the First Secretary of State said last week in the other place:

“Given the uncertainty and the problems and challenges coronavirus has highlighted for us and for our European friends ... we should focus on removing any additional uncertainty, do a deal by the end of the year and allow the UK and the European Union and all its member states to bounce back as we come through coronavirus.”—[*Official Report, Commons, 29/4/20; cols. 317-18.*]

An extension would also entail further payments into the EU budget and keep us bound by EU legislation at a time when we need full legislative and economic flexibility to manage the UK’s medium and longer-term response to the pandemic. We need to be able to design our own rules, in our best interests, to manage our response to coronavirus, including working closely with our European friends, without the constraints of following EU rules.

In the Spring Budget, as well as responding to the challenges posed by the coronavirus outbreak, the Government prepared this country for our longer-term recovery and prosperity. Having continued to improve the state of our public finances, we are well prepared to step up and provide unprecedented short-term and temporary financial support for people and businesses at this time of national emergency. As the Budget showed, we are also investing in our public services and infrastructure for the longer term, levelling up all regions of the UK, with the Budget setting out meaningful investment in our future productivity and our current public services, something that will be needed more than ever as we emerge from the coronavirus crisis.

Following this debate on the economic and budgetary assessment that forms the basis of the convergence programme, the Government will, for the last time, submit it to the Council of the European Union and the European Commission. I beg to move.

2.47 pm

**Lord Livermore (Lab):** My Lords, the Covid-19 pandemic has created an unprecedented shock to the economy. In response, the Government’s fiscal policy measures are unparalleled. At 20% of GDP, it is the largest peacetime fiscal expansion in British history. Against this backdrop, the March Budget, just eight weeks ago, already feels like a plan for a different age, yet it was clear even then that the Chancellor presided over an economy with serious underlying weaknesses, presenting the worst average growth forecast on record and rapidly deteriorating public finances, with debt having doubled to £2 trillion, reaching nearly 80% of GDP.

The impact of coronavirus on the economy will be vast. The OBR has published an initial scenario in which GDP falls by 35% in the second quarter, unemployment rises by more than 2 million to 10%, government borrowing increases to £273 billion—the largest single-year deficit since the Second World War—and debt exceeds 100% of GDP. As the IFS has observed:

“These figures are predicated on ... a swift recovery. Should the ... economy fail to bounce back, the picture would worsen further.”

The Resolution Foundation has reflected this uncertainty with a range of forecasts depending on whether social distancing lasts for three, six, or 12 months. It estimates that GDP will fall this year by 10%, 20% or 24%, with unemployment rising to 2 million, 5 million or more than 7 million. In its three-month scenario, government borrowing reaches 11% of GDP, higher than during the financial crisis, 22% in its six-month scenario, higher than any point in peacetime, and 38% in its 12-month scenario—more than the UK has borrowed in any single year in history.

Faced even with economic consequences on this scale, the Government will apparently still end the Brexit transition period this year. There is a clear risk of no deal, which according to their own assessment would reduce GDP by 9% and, even if they achieve the free trade deal they are seeking, on their own figures this would reduce GDP by 6% compared to staying in the single market, putting additional strain on the economy, which is already under unparalleled pressure.

[LORD LIVERMORE]

However severe the coming recession, policymakers will need to manage a protracted period of disruption to livelihoods and finances. There will be an urgent need to rebuild the economy and we will need a radically different approach to the past decade, when we saw the worst period of pay growth for 200 years.

In time, the Government will also need to begin restoring fiscal sustainability; again, we will need a very different approach to what has gone before. In the previous decade, while money was found to cut the top rate of tax and some of the richest families gained £1,000 a year, the poorest lost £3,000—15% of their income. The financial resilience of many families was undermined and our economy and public services were weakened, ill prepared and ill equipped for the storms ahead. Subsequent Budgets must move away from the failed strategy of the past and build a new social contract that is fit for the future.

2.51 pm

**Lord Wallace of Saltaire (LD):** My Lords, in last year's debate on the government statement on economic convergence, my noble friend Lady Kramer said that it was "surreal" to debate the EU framework when the UK was leaving the EU. This year's debate is far more surreal: we have now left; Boris Johnson has hardened the terms for a new economic relationship; it looks increasingly possible that no agreement will be reached; and the pandemic has disrupted the world economy.

Statements about the UK economy made before the end of February are no longer valid. The OBR warned that the projections it offered would be invalidated if Covid-19 affected Britain severely. Well, since then it has. The Treasury has abandoned its commitment to fiscal restraint—rightly, given the gravity of our situation. None of the statements we are considering placed much emphasis on the UK's structural trade deficit or the impact on our economy of a further fall in our exchange rate. The collapse of our negotiations with the EU would worsen both.

The four priority states with which the Government hope to sign free trade agreements to compensate for the anticipated decline in trade with our immediate neighbours are the United States, Japan, Australia and New Zealand. New Zealand? At present, 0.2% of Britain's exports flow to the 5 million New Zealanders. If we were to double our exports to New Zealand every year for the next five years, that would still leave us exporting less to them than we already do to Poland, Norway or Sweden—countries with which we will find it more difficult to trade in 2021. Is that a rational trade strategy?

Michael Gove has just announced a "customs academy" to train the extra 50,000 staff who will be needed to handle Britain's trade with the EU after we have crashed out. So much for Vote Leave's promises that leaving the EU would reduce the burdens on business.

In recent weeks, the Government have rediscovered respect for experts and evidence—at least on health, disease and epidemics—which Ministers from Boris Johnson and Michael Gove down had rubbished. On the economy, the Prime Minister and many of his

advisers are still in a fantasy world. Iain Martin, in last Friday's *Times*, even resurrected the Singapore-on-Thames illusion that a no-deal Britain could flourish as a service economy, without an important manufacturing sector.

We will not emerge successfully from this acute economic and social crisis unless our Government reconsider their priorities for our domestic economy and trading partners and carry the country with them as they rebuild. So far, I see little sign that they will do so.

2.54 pm

**Baroness Noakes (Con):** My Lords, let no one pretend that these Virtual Proceedings represent a meaningful opportunity to hold the Government to account. Until a couple of hours ago, we were told that we had just two minutes for Back-Bench speeches. Now it is a stunning three minutes. We have no opportunity at all to intervene. This is not accountability. This is a sham. The sooner we return to normal proceedings, without the excessive time-limiting that has been introduced, the better.

As it happens, the only thing I want to hold the Government to account on today is why on earth we are required to continue sending economic assessments to Brussels and why the Government have failed to repeal Section 5 of the 1993 Act. This Motion has always been a waste of time, as we have debated many times in the past. We have never had any interest in converging our economy with that of the EU; today, it is simply ludicrous. It is obvious that an assessment of our economy in the middle of a major global pandemic is, at best, an academic exercise. More importantly, as has been said, we have left the EU. The future trajectory of our economy may well be of interest to the EU, but we should not be involved in servile submissions to it.

This Motion would have been a waste of time even if the transition period were to be extended beyond 31 December this year. I am grateful to my noble friend the Minister for confirming that the Government remain resolute on no extension to that transition period. At one level, I just want to be done with these silly Motions but, more substantively, does the Minister agree that it would be massively to the UK's disadvantage if, through an extension, we were exposed in any way to contributing to repairing the economic fallout from Covid-19 across the whole of Europe? Now is the time for the Government to concentrate on our own economy—nothing more, and nothing less.

2.57 pm

**Lord Hain (Lab):** My Lords, I hope that government talk of getting the economy back to normal will cease, because that was not a good place to be—with business investment abysmal, retail sales the worst for 25 years, productivity falling and economic growth low and slowing every year since 2014 until it finally fell to zero. Record UK employment masked widespread job insecurity, with nearly 1 million people struggling to survive on zero-hours contracts, over 1 million in temporary work or doing second jobs, and the number feeling insecure at work doubling from 6.5 million in 2010 to 13 million in 2013.

Ten years ago, the Government used the overhang from the global financial crisis, of increasing national debt and high government borrowing, as an excuse for austerity to remove £150 billion of spending power from the economy, 80% of it in public spending cuts and 20% in tax rises. But that austerity was never about balancing the budget and bringing down debt to be better prepared for a future crisis, as George Osborne and Philip Hammond have since claimed. It was ideologically driven to reduce the role of the state, leaving us grossly unprepared for precisely this kind of pandemic crisis.

The Government never spent enough on the NHS; the pandemic began with more patients than ever on waiting lists for treatment and A&E waiting times the worst on record. Britain has fewer than three doctors per thousand of our population, compared to more than four in Germany and nearly five in Norway. We have only 2.5 hospital beds per thousand people, against six in France and eight in Germany. It is as if the Government had chosen as the patron saint of the NHS Ethelred the Unready.

After the Second World War, Britain grew her way out of debt. The national debt-to-GDP ratio fell from its wartime high of 259% to a post-war low of 26% in 1990. In the past 50 years, we have had a budget surplus only six times: three of those under the last Labour Government and two under Margaret Thatcher. What brought the debt-to-GDP ratio down in the post-war period was not austerity but economic growth, spurred by massive public investment in housing and a huge investment in infrastructure—it had twice the share of GDP it has today. The NHS would not have been in peril of being overwhelmed had it not been starved of funds for so long; nor, so shamefully, would adult social care, cut by £7.7 billion these past 10 years. The old normal delivered a massively unfair deal to millions of ordinary citizens and left the economy ill-equipped to face the future. We need a new normal.

**The Senior Deputy Speaker (Lord McFall of Alcluith):**

I understand that the noble Lord, Lord Campbell of Pittenweem, is absent, so I call the noble Baroness, Lady Deech.

3.01 pm

**Baroness Deech (CB):** Reading the March OBR report on the economic and fiscal outlook put me in mind of the saying of my noble friend Lord King that:

“The lesson is that no amount of sophisticated statistical analysis is a match for the historical experience that ‘stuff happens’.”

Now we know that there was never a better time to leave the EU and to leave it wholly and quickly. Given the economic storm we are facing, extending the transition period will only extend uncertainty for the deals we hope to reach with the US, Australia and others. It will increase the chances that we get involved with the eurozone crisis and, if we extend the transition, we will not be able to take advantage of the legislative flexibility that we so desperately need in order to repair the economy.

During the virus crisis, we have seen member states of the EU adopt various forms of trade protectionism. There has been no EU common policy against the virus. We have seen not sharing or helping, but export restrictions

being put on medical equipment. Turkey and China had to help out the worst-hit countries. Debt has not been shared between the wealthier northern countries and the poorer southern ones. We have seen procuring but not obtaining, and cherry-picking on one side of the tree only—dropping state aid rules for oneself but not others. We have seen countries closing borders when it suits, as a protection for their own nationals. In effect, the single market has not been working. China has been able to exploit the EU’s economic dependence on it to further assert political dominance and stop criticism of its record.

We have seen from the negotiations so far that Brussels wants to keep the UK in a captive position dressed up as a level playing field, for example, in relation to fishing. Right now, we have a negotiating advantage. If the EU wants a trade deal, it should agree one. We have seen it on the brink of falling apart. We need to take care of our own economy and put an end to the uncertainty that the remainers so favour. It is time to stop fighting that old battle. The country has spoken three times. We are better prepared for no deal than we were, in part because of the Covid-19 situation, and the economic hit we might take fades into insignificance compared with what we are suffering right now. I hope the Minister will reassure us that we will not be blown off course.

**The Deputy Speaker (Viscount Ullswater) (Con):** My Lords, I have taken over as Deputy Speaker.

3.03 pm

**Lord Balfé (Con):** My Lords, as many will know, I was a firm believer that we should stay in the EU, but I also happen to believe in democracy. The British people gave a very clear answer last December and we now have to do the best we can with that. It is no good fighting yesterday’s battles.

As previous speakers have said, this report is of course largely a waste of time; it was never of much use, but in the fast-changing scenario we are now in, it is of very little use at all. However, one thing that recent history has demonstrated is that not only are we not ruled from Brussels; no one is. I am afraid that the Covid-19 crisis has revealed the weakness of the EU and the way in which national Governments have taken quite different decisions in their own national interest. I do not blame them for that, but we need a more realistic view of the EU. We need to realise that the main winner from the Covid-19 crisis in Europe is China—Beijing, in other words.

I hope that we will use our remaining time in dealing with the EU as a fact-finding exercise to find out exactly what member states are doing to combat the Covid-19 virus and, more importantly, how they are paying for it. My concern is that the countries of Europe are running up debts which will bankrupt them. We have to look at how much we can afford to put into the economy at this time. There is a general assumption in Brussels that the transition will end on 31 December. Officials do not believe that the British Government particularly want a deal and there is a school of thought, particularly in France, that if we can tear it all up, they will end up with a better deal than they will by negotiating one.

[LORD BALFE]

So, let us not imagine that everybody is lining up and saying, “Oh, we must have a deal with Britain—otherwise, everything will fall to bits.” A good group of people are saying, “The transition will end on 31 December and then we can start anew; we can negotiate a whole new series of things.” However, I disagree with the idea that we do not need to work together. We cannot retreat. We have to repair the economic fallout, not only in Britain but in the rest of western Europe—indeed, the whole of Europe. We will need to work together. Our neighbours’ problems are also our own. It is not for us to solve them financially, but it is for us to be concerned by them and to do our best to work with our EU partners even though we are outside the EU, just as Norway does.

3.06 pm

**Baroness Quin (Lab):** My Lords, in last year’s debate, my noble friend Lord Davies of Oldham said in winding up that

“we are not in normal times.”—[*Official Report*, 9/4/19; col. 463.] He spoke of what he saw as the threat to our economy. I must say that his words seem even more apt in today’s dramatic circumstances.

In the short time available, I will limit myself to asking a couple of questions and raising a couple of issues to which I hope the Minister will be able to respond when he winds up. First, given that we have left the EU and that we will no longer be part of a freedom of movement system which I believe has brought benefits to our economy and our citizens over the years, I urge the Government to look at changing what seems to be their current approach to immigration. While we all hope that British people will be able to find jobs in our economy, in the post-Brexit world there are some sectors—particularly agriculture, the hospitality industry and, not least, our health and care sectors—where workers from outside will be necessary and, I hope, welcome. For example, the president of the National Farmers’ Union has talked of needing workers: from fruit-pickers on the one hand to specialised vets on the other. Yet, it seems to me that the Government’s talk of favouring “the brightest and best” and those with high earning capacity is much too rigid. We will need to be much more flexible in our immigration policy than the Home Secretary currently seems prepared to be.

Secondly, all the previous predictions by Conservative Governments in recent years have shown that being outside the single market will involve some harm to the economy, particularly if we leave without a deal. The worry is that this will come on top of Covid-19 and its aftermath. As ever, I am particularly concerned about my own part of the country, the north-east of England, which has had a greater dependence on EU exports than any other region in recent years. I hope the Government will stand by their commitment to levelling up across the country and tell us—perhaps the Minister could do so when winding up—what they are going to do for the north-east.

Finally, now that we are outside the EU and having to forge a new economic relationship with it, I urge the Government to be motivated not, as so often in the past, by political views within their own party, but solely by

what they consider to be in the economic interests of our country and its people as we strive to move forward.

3.09 pm

**Baroness Northover (LD):** My Lords, the House of Commons did not even debate this assessment or vote on it. In fact, the Commons approved this without even seeing it as it was not published until yesterday. I am glad that the House of Lords is considering it.

The Budget and the OBR report on which it is based are, of course, very much out of date. Nevertheless, the *Convergence* document has just been produced. It notes:

“Early data releases suggest the short-term impact of Covid-19 on the global economy may be significantly larger than that of the global financial crisis.”

I note the word “short-term”.

The document states that the increase in borrowing is likely to be temporary. These findings assume a V-shaped bounce-back. That now looks highly unlikely, both in the United Kingdom and globally. There are therefore major implications for tax revenue and employment. Even when the lockdowns are lifted, certain industries will be affected long term. In China, it is noted that, whereas after the 2008 crash there was a problem with demand, now there is a problem with supply.

What we do when this pandemic is over will matter. We will have an economy to rebuild and a debt to address. People have drawn comparisons to the war, but closer comparisons surely need to be drawn to each post-war period. After the First World War, there was little co-operation and a financial crash with terrible consequences and the resultant rise of deadly populist movements. After the Second World War, a number of international organisations were set up. The Marshall plan was initiated for Germany. In the United Kingdom, the promises made during the war of a better, brighter future, including free healthcare, were largely delivered, though without social care.

Week after week, we have been standing outside clapping the NHS and essential workers. It will be very difficult for the Government not to address their needs. Can the noble Lord tell us the Government’s thinking? Does he agree that a further period of austerity brings huge social and political risk and that a different approach will be needed? As part of that, we need to look at our relationship with the EU. Clearly, we will not conclude adequate discussions with the EU by June, as it is required for all parliaments to approve the agreement; therefore, the transition must be extended. Surely the Government would not take the risk of crashing out and further damaging our economy and society at this time of crisis.

3.12 pm

**Baroness Falkner of Margravine (Non-Aff):** My Lords, I agree with other speakers that it is, indeed, a surreal experience to be speaking on government compliance with the SGP on a convergence programme, given that we are diverging from the EU, notwithstanding our obligations under the transition period. I also note that within the EU the SGP escape clause has been triggered, but that the EU insists that this should not suspend programme reporting. That seems slightly odd, given

that no member state will be able to say with any certainty where it might be even by year end, never mind in the next three-year period. However, since the UK is complying, I shall make two general points.

The obvious point is that although we have left, the economic strength of our largest trading partner—its growth and prosperity—continues to be of huge significance to the UK economy and business. The EU, just like all economies, is throwing everything at dealing with Covid-19, but we simply do not know how that will play out in the peripheral economies of the eurozone. All we can do is hope that this emergency continues to be a health and economic emergency and does not turn into a financial crash as well; 2008 still hangs over us. Looking at the stock of non-performing loans on banks' books, a *Financial Times* report yesterday shows that four of the top five banks making provisions for bad loans are UK institutions, so we need to be vigilant as the situation unfolds.

My second point has to do with the UK record in terms of deficit and debt criteria. When I took over as the chair of the EU Financial Affairs Sub-Committee, the UK was in excessive deficit procedure, for the perfectly understandable reason that our deficit and debt had rocketed during the financial crash of 2008. Although we were not subject to sanctions, due to Protocol 15, we were nevertheless subject to surveillance and had to demonstrate an endeavour to avoid an excessive government deficit. This was achieved and the UK returned to the preventive arm of the SGP, but the discipline of a deficit and debt target or range is an important one, as long as it is flexible and can adjust to emergencies to take account of automatic stabilisers.

My question to the Minister, in finishing, touches on the Government's fiscal rules. While these are desirable in normal times, I have always disagreed with the straitjacket of PSNI not exceeding 3% of GDP, so will the Government rethink these rules in light of the current situation?

3.15 pm

**Lord Howard of Rising (Con):** My Lords, this debate is worthy of a Gilbert and Sullivan comic opera, but even those masters of the absurd could not have imagined anything quite as ridiculous as discussing convergence with an organisation that we are not a part of at a time when it is impossible to know the finances of either the UK or the European Union. Gilbert and Sullivan would have particularly enjoyed the added absurdity that the other place thought the matter so unimportant that it did not even bother to debate it, while this House's debate has 22 speakers.

The countries of the EU are diverging rapidly. Economically, the majority of the EU is a mess. Political disintegration combined with economic meltdown has created such chaos in the EU that convergence is a fantasy. Today's Motion is as divorced from reality as Monsieur Barnier's negotiating. He struts about producing unrealistic conditions as if we were not a sovereign and independent nation. We have already left the European Union, although we have until 31 December to achieve a trade deal. I am grateful to the Minister for confirming that that is the final date for negotiating a deal. Can he confirm that only by that date being written in stone will a successful trade deal be achieved?

3.18 pm

**Lord Liddle (Lab):** My Lords, I want to follow on from where the noble Lord, Lord Balfe, ended in talking about the future importance of a Britain outside the European Union co-operating with our European friends and allies. I have been much saddened by this debate. Frankly, some of the speeches have demonstrated hatred—I would put it like that—of the European Union and no recognition of interdependence; that is, that we must live with our closest neighbours on the continent. I want an assurance from the noble Lord, Lord True. He said that the Government believe in European co-operation, but what are their practical plans for that to get us out of the present crisis?

Look at the number of different possibilities. First, we need macroeconomic co-operation. We need a repeat of what Gordon Brown did in 2008-09: working with our European partners on a co-ordinated fiscal stimulus. If you do not have that degree of co-ordination, fiscal stimulus is ineffective.

Secondly, we need to work closely with European countries on our research programmes, which have never been more important than during this health crisis. We need to strengthen research co-operation, not reduce it. This is vital for many British universities.

Thirdly, we need sectoral co-operation in key areas of our industry. For example, let us go back to the financial crisis again. The car industry was in a terrible mess then. It is in a terrible mess today. We had adopted, by agreement with several of our European friends, a system of car scrapping incentives. This could be done again with green new deal objectives in mind. We should work towards that to save the European car industry. Similarly, Airbus is absolutely fundamental to our manufacturing position in this country. What are we doing with France and Germany to guarantee the future of Airbus and its manufacturing in Great Britain?

One could go on with many other examples. We need practical European co-operation. Will we get it from the Government of the noble Lord, Lord True?

3.21 pm

**Lord Purvis of Tweed (LD):** My Lords, the Minister referred to the OBR report, as will I. He was keen to show the areas of progress. I understand that, and indeed that is all welcome, but he glossed over the areas where the OBR has flagged concerns, on debt in particular. We know that debt is likely to increase considerably and there will be consequences that we will have to manage well into the future. The Chancellor has already said that the self-employed will need to pay more tax in future to pay for the support package, and that will be unfair if done disproportionately.

Setting aside the Minister's slightly tone-deaf rhetoric at the start of his speech about sovereignty at a time of global pandemic, the reality is that our economic life, our trade and our people will continue to be inextricably linked with our closest geographic and trading economic partners in Europe. The Minister celebrated what he described as being able to act free from the constraints of EU rules, as he put it, but the Government themselves chose to take part in the PPE procurement scheme and to operate under the customs system, and they themselves operated under the EU repatriation scheme.

[LORD PURVIS OF TWEED]

Why? Because it is now, as it has been, good sense for the British economy and our people to work seamlessly with our closest partners and neighbours—although of course the words “seamless” and “frictionless” are no longer used.

The Minister also neglected to reference the report on the future levels of GDP and the impact of other trade agreements and our EU relationship on productivity. Taking the fact that the UK has left the EU and will have its own migration policy, in March the OBR said:

“In broad terms, these imply that potential productivity will eventually be around 4 per cent lower than it otherwise would have been, mainly due to extra costs resulting from higher trade barriers and greater impediments to the exploitation of comparative advantage.”

The Government try to suggest that this fall will be offset by new trade with the USA. The Government themselves stated in their negotiation briefing earlier this year that a good deal with the USA would represent about £1 billion extra a year for our economy over 15 years—that is, 0.07% to 0.16% of positive GDP. Not many in this debate, other than perhaps the Minister or the noble Baroness, Lady Deech, believe that a 0.16% increase will offset a 4% fall. So what is the Government’s assessment of the net impact on future trade of all possible EU and other-country arrangements?

We remain unsure about the imminence of a comprehensive deal with Japan and Canada—and that is simply to prevent massive disruption, not to grow. This is not about fighting old battles, but we need the Government to be open now and tell us what they estimate the net impact on all productivity and trade will be. We simply will not be able to enter the battles of the future wearing an armour of self-deception, which has been too prevalent in this debate so far.

3.24 pm

**Lord Birt (CB):** My Lords, a disastrously infectious and pernicious virus has rendered obsolete both March’s Budget and February’s OBR outlook. That is because, as we know, every month that the lockdown continues we are losing around one-third of our GDP—the wealth that together we create, which finances our individual life choices and funds the NHS and every other public service. Without wealth creation, we are destined for public and private impoverishment. Around one-third of our workforce is now furloughed and an estimated 60% of our households have no savings. We cannot borrow for ever—or even for long—to fund the current massive shortfall in government revenues.

We and other western countries were slow to respond to the virus. We need a surer touch in emerging from the lockdown. We must first reduce new cases to low numbers, as Germany and New Zealand have done, and then we need a capability at scale to test, trace and isolate. South Korea—a nation our size—is the exemplar here, experiencing only 250 deaths. All the while, we must maintain a standby capability for fear of a second wave.

In emerging from the lockdown, we must recognise that every business is singular: with a unique mix of suppliers from home and abroad, a unique mix of customers, and a unique offer of products and services. Every business has been affected differently by the

lockdown, and every business will have to design its own unique route out, consistent always with a tireless concern for the safety of its staff and customers.

Even then, world markets will be uncertain. China is back at work, but its consumers are not yet spending. The US has 30 million new jobless. This will remain an unsettled world until science can come to our rescue with a treatment or a vaccine. I fear that we will certainly and quite soon need a fresh OBR outlook and a new Budget. But in the meantime, we must do everything we can to put business back on its feet again. Back to work we really must go.

3.27 pm

**Viscount Trenchard (Con):** My Lords, I am grateful to my noble friend Lord True for introducing this rather odd debate today. It is indeed strange that the UK is still required to submit information on its medium-term economic and fiscal position to the EU, although we left the EU more than three months ago and the implementation period will end on 31 December this year, as the Prime Minister has made clear on many occasions. It is of course also strange that the Treasury has said that it will produce a convergence programme based on the spring 2020 Budget and on the OBR’s economic and fiscal reports. As noted by other noble Lords, all these economic plans are out of date in that they do not take account, or take only limited account, of the economic impact of the coronavirus pandemic.

I have spoken in this debate many times in the past, especially during the period when my noble friend Lady Noakes was a shadow Treasury Minister. I wanted therefore to participate in this debate for the last time.

To those who argue that the coronavirus pandemic provides a reason why the Government should move to amend the withdrawal agreement Act so as to make possible an extension to the implementation period beyond the end of this year, I say that the reverse is true. The additional challenges faced by the economy as a result of the pandemic make it all the more essential that we bring to an early end the present highly undesirable situation where we have left the EU formally but remain bound by all its laws and regulations, even though we no longer have any representatives in EU bodies and have no influence whatever on which regulations are adopted.

Can the Minister please explain why, just because we are currently operating virtually, we are now subject to extremely restrictive speaking time limits? This debate has never been time-limited before. Without wishing to belabour your Lordships, I would have liked a little more time to explain the reasons why I believe that our new independent trade policy will provide a much better platform for us to rebuild the economy and create a prosperous future for all our people. We will be a strong advocate for competitive free trade and a proportionate regulatory policy at the WTO, and an equally strong advocate for open, innovative financial markets such as IOSCO playing a greater part in building the right regulatory framework for our global marketplace, within which I believe the City of London will surely maintain and build further on its leading position.

3.30 pm

**Baroness Ritchie of Downpatrick (Non-Aff):** My Lords, both documents that we are taking note of today are now simply historical because they have been overtaken by the unprecedented circumstances of the coronavirus, which has dented our economy. Perhaps I may give an example of that in a Northern Ireland context.

Unemployment is predicted to rise to 10.5% this year, and many of those affected will be very young people—young graduates and young people leaving school—who will find themselves out of the door, having just been brought in through the door of employment. In fact, the economy is set to contract by between 7.5% and 10.5%, which is unacceptable. However, there are other issues that we have to take into account. The other shock to our economy is Brexit. I firmly believe that today the Minister has to tell us what plans there are on the far side of the coronavirus pandemic to underpin, develop and revive our economy.

As a remainder, I accept that we are leaving the European Union, but in relation to Brexit there are two outstanding burning issues that require resolution. The first is the transition period. Because of the coronavirus, there is insufficient time to deal with the trade agreement. For that reason, in spite of what the Minister said today and what the Government said last week, I urge the Government to extend the transition period. Secondly, the Government are not engaging properly with the European Union to obtain a good deal, and in that respect I cite the discussions that have been held on the transition.

I want to make another fundamental point. In February 2019, the European Union asked to be given offices in London, Edinburgh, Cardiff and Belfast. At the time, the Government promised that the EU would have permission to arrange that. The Ireland/Northern Ireland protocol requires the EU to have an office in Belfast to forge the technical details. However, I have received a Parliamentary Answer from a Minister, who has informed me that that will not be possible. That is outrageous. That office is needed to work out and fully implement the technical details of the protocol—for example, the question of unfettered access. Perhaps the Minister can respond to those issues today.

3.33 pm

**Lord Shipley (LD):** My Lords, eight weeks ago, several important announcements were made in the Budget about infrastructure investment. There was to be a significant rise in borrowing to fund this, to be paid for by future growth. That Budget was said to represent an end to austerity.

Just eight weeks later, the Government are paying the wages of 6 million people, with one in four employees in furlough. The Chancellor has said there is “no limit” to the funds available in the face of the OBR forecast that the economy could shrink by 35% in the second quarter and by 12.8% for 2020 as a whole. We now know that the Government might borrow £273 billion this year—the largest annual deficit since 1945. How do they plan to pay for this underpinning of our economy in the face of declining tax revenues? Will it be simply through anticipated growth?

I would like to ask the Minister three further questions. First, he referred to the Prime Minister’s promise of a levelling-up agenda for the whole country. I would like to suggest that this should mean investment in our domestic manufacturing base in the face of a likely decline in global supply chains, as well as the need for greater security of supply. Will the Government confirm that they will still rewrite the Green Book rules to help those places where growth and productivity are lower?

Secondly, we seem to be witnessing the closest working between the private and the public sectors since 1945. Does the Minister accept that government support must carry on after lockdown ends? Enabling the economy to recover will inevitably be a gradual process and, crucially, the Government must protect the job retention scheme beyond the end of June, otherwise it will become in effect become a scheme that just delays redundancies.

Thirdly, I should like to ask about Britain’s future debt levels, which will shortly stand at 95% of GDP. Coronavirus could well cause a reduction of 10% in our GDP and there is evidence that a no-deal Brexit could add an extra long-term loss of a further 5%. How will the Minister respond to this and does he accept that a no-deal Brexit is not in this country’s economic interests.

In conclusion, I have two further points. Will the Minister undertake to look at the merits of municipal bonds, which could help in the current situation, and might the Government consider allowing the state to take a bigger share of land value uplift when planning permission for housing is granted? If they did, I think that would help the public finances.

3.36 pm

**Baroness Bennett of Manor Castle (GP):** My Lords, the noble Lord, Lord Howard of Rising, commented that, given the context of this debate, it was surprising to see 22 speakers for it. However, as the noble Baroness, Lady Falkner of Margravine, and the noble Viscount, Lord Trenchard, said, there is a great hunger to make a democratic contribution to the nation’s discussion now, and that is why we are taking this opportunity.

The historical framework in which we are conducting this debate is both useful and informative. There is an EU requirement for member states to avoid excessive government deficits. Of course, in the age of Covid-19, what is considered excessive is changing very significantly. Behind this is something that is certainly often wheeled out in British political debate. It is known as the household fallacy—the idea that the national budget has to be managed as though it were a household budget, so that the pennies in and the pennies out have to match up. That was used to justify the ideological approach and the philosophy of austerity, which the noble Lord, Lord Hain, said was doing so much damage not only to our society in terms of poverty and inequality, but also to our preparedness to deal with the awful shock of the coronavirus. Does the Minister agree that the fallacy of household management being equivalent to national economic management is now dead, and can he assure me that the Government will not revive it?

[BARONESS BENNETT OF MANOR CASTLE]

As many noble Lords have said, we are in a huge phase of restructuring. I would like to quote from a letter to the *Financial Times* from Church Action for Tax Justice. It stated:

“The social contract is now being renegotiated.”

In a press conference on 30 April, the Prime Minister said that he has never liked the term “austerity”. Can the Minister tell me that it is not just the term that the Government do not like, but that they have abandoned the whole approach? Will they use their financial position to rebuild a better world, rather than going back to where we were?

As many noble Lords have said, this debate has to be considered in the context of Brexit. I want to congratulate the Government on an issue that I was pushing on at the beginning of March and was rebuffed about. I said that I believed that we are now signing up to something akin to membership of the early warning and response system for health in Europe. On this, it would seem that the Government agree that co-operation and working together makes sense. However, we are fast approaching an enormous challenge as regards the environment, agriculture, aviation and fisheries. In the context of Brexit, we have to set up whole new systems. Coming back to where I started, how can we do that democratically when it is so difficult for full democratic debate to take place in your Lordships’ House and elsewhere?

3.40 pm

**Baroness McIntosh of Pickering (Con):** My Lords, I welcome this debate. I found my noble friend Lord True’s introduction extremely interesting. I hope that the Government will commit to comment annually on their convergence programme in the form of a similar report. I will focus on where we are as measured by government deficit and debt, the long-term interest rate and exchange rate fluctuations. I will also look at—not just in the way that the noble Baroness, Lady Bennett, has done—the extreme challenges coming up, for Defra in particular, of food supply, environmental protection, global warming and climate change.

This week, we are celebrating the third anniversary of delivering competition in the provision of water supplies to business customers. One of the unintended consequences of Covid-19 has been that many businesses are simply not operating and are therefore not in a position to pay for their water supply. It is a matter of great regret and sadness that there will, undoubtedly, be potential for the failure of a number of water companies. The legislation at the time did not tackle the problem of exiting the sector. Ofwat is committed to looking into this, but possibly not before 2021. In addition to the significant economic disruption which has already been identified in the reports to which my noble friend Lord True referred, there are other consequences, unintended and unforeseen, of which the Government might wish to take note.

I will also reference the *Financial Times*. In an article in early April, the Governor of the Bank of England pledged not to slip into permanent monetary financing of government policy. He went further, stating that the central bank—the Bank of England—would not engage in permanent monetary financing. In his

opening remarks, my noble friend specifically outlined the Government’s Covid-19 expenditure, which has continued, and indeed grown, since the Budget earlier this year. What measures have the Government identified, and intend to take, to support businesses and individuals, if—as in relation to business failures in the water sector—they require such support beyond the period to which my noble friend referred?

3.43 pm

**Viscount Chandos (Lab):** My Lords, the Government’s assessment, the Minister and many other noble Lords who have spoken this afternoon acknowledge the certainty of a very high—possibly record—level of deficit this year, of over £200 billion. As the noble Baroness, Lady Northover, has argued, it is very uncertain that the recovery will be as swift as many people hope, and possibly not as swift as the OBR is assuming. Against this background, the Government must not fetishise the level of deficit, based on economic illiteracy, unlike the devastating period since 2010, as my noble friend Lord Hain has highlighted. There should be a gradual glide path of reducing deficits, but with a prioritisation of essential public expenditure.

We must of course look for increases in tax. Does the Minister agree that there is overwhelming evidence that those increases in taxation should come on capital and, in particular, that the natural time for that is when capital is transferred between generations, both in life and on death?

The single most important factor in economic recovery is the earliest possible introduction of a vaccine, as has been so cogently argued by Sir Jeremy Farrar, the director of the Wellcome Trust. I welcome the UK Government’s commitment, as part of the global effort, to the funding of accelerated research and the production and distribution of vaccines, as well as of therapeutics and diagnostics. The Wellcome Trust’s COVID-Zero initiative is encouraging global business and philanthropic contributions, and it is to be welcomed.

I have one question for the Minister in this respect. Although equality of access to vaccines is vital to our national interest, can he confirm that the funding that we are committing does not come from DfID’s ODA budget and will not be taken as part of our 0.7% commitment to international aid under the international development Act of 2015?

3.47 pm

**Baroness Kramer (LD):** My Lords, I shall begin by picking up a point made by my noble friend Lady Northover and reinforced by the noble Viscount, Lord Chandos: this is not going to be a V-shaped economic recovery. There will not be a rapid bounceback to the normality of pre Covid-19. The noble Lord, Lord Birt, was very clear in describing the global crisis that has occurred and the impact on developed and not-developed economies. The OBR took none of that into consideration when it put together its forecast. The challenge for the Government now is to prevent an L-shaped economic disaster. They can do that, but only if they take the right actions.

Much of this debate has underscored that there is overwhelming support for the Government’s willingness to pour money into minimising the damage to the

UK economy, and I applaud that. But the money needs to get into the hands of businesses, and we have a pipeline that remains stuck. The banks were always going to be a problem. The CBILS original framework programme has £300 billion for support for companies, but something like only £4 billion, £5 billion or £6 billion has actually been released. The Government need to redouble efforts to bring in alternative lenders.

As the economy opens up again—my noble friend Lord Shipley made this point—support for businesses cannot be stopped at a sudden cliff edge. The furlough scheme in particular will need to be pulled back gradually, or even firms with a viable future will make many workers permanently redundant because they do not have the cash and they do not want to take on additional debt. Frankly, neither our economy nor our society can afford the long-term unemployment of so many people. I recommend to the Government the “safe to return to work” scheme proposed yesterday by a number of my colleagues.

Even under an optimistic scenario, many people will not have a job to go back to. Self-employment will be an important route for them. As we go into rebuilding the economy, innovation will be key, and independent contractors are vital in driving innovation. We need this Government to stop presuming that self-employment is primarily a tax evasion scheme. They need to understand the critical role of self-employment and to provide a fair framework for future self-employment that engages with paying tax, which should not be avoided, and provides self-employed people with proper employment rights, or recognises where they do not have those rights.

We have had too much change during this period of Covid for the economy to return to the shape of 2019. This is our opportunity, as well as our responsibility, to build a new economy. I believe the Government’s dilemma is how much to let market forces decide the shape of that new economy, and how much the Government themselves and the public at large shape that economic change. I argue that the public now have little tolerance for a capitalism that does not embed social responsibility. There is a new respect for low-paid workers, a new understanding of the privations of being on benefits and a deeper admiration for so many of our public services. The public will also not forgive any Government who ignore the need to avoid future disasters. That includes pandemics, of course, but I put climate change into that category as well. I believe the public now understand the need to prepare, plan and act. We need a green recovery.

I also join those who feel that the Government cannot play fast and loose with fiscal management. The noble Baroness, Lady McIntosh, touched on some of these points. She made it clear that the Bank of England will not endlessly print money. My noble friend Lord Purvis and others underscored that debt can be a burden that we have to deal with. I hope there is not an implication in the statements of the noble Baroness, Lady Bennett, that we can simply build public sector net debt constantly and continue to carry it, no matter its level.

So far, this Government have treated tax increases as anathema. Some people had suggestions of taxes that could potentially be increased, but the underlying

principle that it should be the broadest shoulders that carry those increases is surely something we all ought to be able to agree on, even if we spend time discussing the exact shape of that.

This is a time of global crisis. It is a truism, but we all hang together or we all hang separately. If we need time to work out our relationship with the European Union, we need to take that time. If, within the timeframe of the year end, we cannot negotiate decent rollover free trade agreements or new free trade agreements with countries that are all preoccupied with Covid—they may have intended to negotiate rapidly with us, but that has to be down at the bottom of the list for most of those economies today—surely we ought to ask for the additional time to allow that to happen. The point my noble friend Lord Purvis made was so overlooked, certainly by the Minister, and by the noble Baronesses, Lady Noakes and Lady Deech. All the new free trade agreements, even if they were to come on tap—and remember that they are embedded in the OBR forecast; the assumption is that they will be negotiated successfully—make nothing more than a marginal contribution to our future GDP and growth.

I argue that if Covid teaches us anything, it is that we have to build co-operation, not nationalism. I heard that strongly from the noble Lord, Lord Liddle. The point was made by the noble Baroness, Lady Falkner, who underscored that our economic future is always tied into the economic success of the European Union as our major market.

I was troubled by the number of times the noble Lord, Lord True, used the word “own”—it was “own” and again “own”. The noble Baroness, Lady Noakes, picked up on this so much. If we all think “own”, and that is the framework in which we operate, tragedies such as Covid will have huge, long-term, undermining consequences—not only for our economy but for the global economy. We cannot exempt ourselves from that just by focusing on “own”.

### 3.54 pm

**Lord Tunncliffe (Lab):** My Lords, a number of noble Lords have called this debate surreal, ludicrous and “Gilbert and Sullivan”. As Treasury spokesman for the Opposition, I must apologise for causing it to happen. We have found year on year that this debate comes at a useful time, and we can use it to discuss the whole economy. Noble Lords did not have to volunteer for this debate if they did not think it was useful.

The debate has, surprisingly, involved quite a lot of concern about Brexit, which has been the preponderant theme. There has been much talk about how wonderful and invigorating it might be, but overall very few feel that Brexit will be positive in economic terms. With Covid-19, the problems of negotiating it are really quite frightening. Conversely, the need to co-operate with our neighbours in this crisis is most important.

There has been discussion on this, and the Government have restated their commitment to leave the Common Market and end the transition period at the end of December this year. I, like many others, feel that this would be disastrous. The idea that we can negotiate a sensible deal in this time is unreal. The only real probability of leaving on 31 December is that we will leave without a deal at all.

[LORD TUNNICLIFFE]

There has been considerable debate about the economy, but it is unfortunate that there has not been more concentration on what I would loosely call the economic infrastructure of the country. We have to worry about saving companies, both the SMEs and the strategic sectors such as aviation and steel that, once lost, would be very difficult to rebuild. The whole task of the future has to be much more holistic than we have seen so far. I agree with the number of noble Lords who have said that we should not aim to go back to where we were; we have to pursue policies which are different and more holistic and which involve considerable innovation. We cannot assume that we will enter another devastating period of austerity, as we have had since 2010.

Turning to the technicalities of the Motion, we have to submit a statement to the EU that was circulated to us yesterday—the 2019-20 convergence programme for the United Kingdom. However, as I understand it, all we are formally approving is the input into the document. The document comes from *Budget 2020*—HC 121—and the two OBR documents.

I turn first to the Budget half of this. It is no longer credible. Great chunks of the Budget will not happen, in terms of both revenue, which will be damaged severely by the virus, and the expenditure that has been necessary to make sure the economy does not collapse. The virus and the Chancellor have changed things. We support what has been done so far, but it is becoming clear that problems with the design and performance of many of the existing programmes are reducing their take-up. The efficacy of these programmes will be essential in the dealing with the impact of the crisis on jobs and incomes.

The Labour Party has three tests for the economic response to the coronavirus: keeping people in work, getting cash to struggling businesses, and preventing additional poverty through changes to social security. We believe that international co-ordination needs to be rapidly increased, with the Treasury leading on extensive co-ordination with the IMF, the G20 and EU policymakers. It was good to see that a global conference was recently held on these issues, but unfortunate that the US and China did not take part. It will be interesting to know what further plans the Government have to pursue this sort of conference.

We call on the Government to act urgently to protect jobs and incomes by preventing even more people being made redundant, by acting on those employers who continue to refuse to furlough affected workers. We need to fix blockages in the business loans scheme so that businesses can access the support that they desperately need. The bounce-back loans are clearly a first step but there is a considerable gap in those schemes, with the larger loans being much more difficult and, it is feared, not arriving in time. We need to clarify urgently the situation for those currently excluded from the Government's self-employment and furlough schemes.

We should turn universal credit advances into grants and consider additional changes to improve universal credit. We should make all workers, including the low-paid, eligible for statutory sick pay and increase its level. We should spearhead international co-ordination to prevent worldwide spillovers in financial systems

caused by the crisis. We should make public the proposed exit strategy to ensure that economic measures remain appropriate in protecting the long-term future of business and workers. It is the long term we need to worry about, as well as the short term. Finally, we need to reflect on the fact that key workers' hourly wages are 8% lower on average than those of other employees. As we recover from this pandemic, we must ensure that key workers are never again left overlooked and underpaid.

Turning back to the Budget, while I accept that the issues have inevitably changed, I would like to be assured by the Minister that the spending parts of the Budget designed to take us out of austerity will still take place. The Government announced a £27 billion programme with unprecedented investment in urban transport, including £4.2 billion for a five-year integrated transport settlement for eight city regions, on top of £1 billion allocated to shovel-ready transport. There were also commitments to funding a shared rural network, with £5 billion for a gigabit broadband rollout in the hardest-to-reach areas, record funding of £5.2 billion for flood defences between 2021 and 2027, and a £10.9 billion increase in housing investment to support a commitment to build at least 1 million new homes by the end of the Parliament. The Government are also investing £1.5 billion in new capital spending for further education colleges and £2.5 billion for a national skills fund. All these things are in the Budget. Can the Minister assure me that they remain commitments and will be delivered as part of the end of austerity, in our looking forward to a brighter future?

4.04 pm

**Lord True:** My Lords, it is customary to say that a debate has been very wide-ranging; this certainly has been that. One thing that has come out of this outstanding debate—many who spoke put forward very fruitful and interesting ideas—is the question of accountability. It was first raised by my noble friend Lady Noakes, but the noble Baroness, Lady Bennett, and my noble friends Lady McIntosh and Lord Trenchard all referred to the difficulties in conducting parliamentary business and scrutiny in the present circumstances. As I said earlier in response to another Question, it is not for me to manage the detail of the arrangements that are put in place by the House authorities and which are agreed through the usual channels. There is certainly no lack of willingness on the part of the Government or Ministers to face Parliament and answer to Parliament on such questions. As has come out forcefully in the debate, these are unique and exceptional circumstances, in which we are forced to operate remotely in this way.

Of course, I share the hope of all those who spoke that, in time, it will be possible to relax the constraints on the management of our business so that accountability will not only continue but be strengthened. I note that it is certainly not easy to respond to a detailed and complex debate from one's back room with no access to the Box or information. I assure all noble Lords who have spoken that where I am unable to answer detailed questions in detail, we will seek to ensure that such answers are given.

There was a dichotomy between noble Lords on both sides of the argument, if there are two sides to the argument. Some were impatient that we were still

having this debate, and some felt that it was a signal that we needed to maintain and continue our institutional links to the European Union in some way. That divide in and difference of opinion ran through the debate. We are obliged to have this debate and provide this information to the Commission under our treaty obligations. It is certainly not the United Kingdom's position not to carry out the obligations into which it has entered.

It is true that, by the end of the year, we will be a fully independent country; this will happen regardless of what occurs in the negotiations ahead. It is not true that this in any sense reflects, as the noble Lord, Lord Liddle, said, a hatred of what the Prime Minister always rightly calls our European friends. We are, and always will be, a European nation and those nations always will be our friends. I repudiate the view that there is hatred towards any other country or people in the European Union. We are looking for a relationship that is grounded in precedent and respects the autonomy of decision-making on both sides. We have not asked for a special or bespoke deal.

Indeed, our proposals build on the EU's original offer of a Canada-style deal and reflect the type of free trade agreement that should be entirely achievable this year between sovereign states. The precedents are based on previous deals that the EU has done. In no way is that vision incompatible with having a close relationship with the EU. We will continue to co-operate with the nations of the European Union, as we are doing on coronavirus, and with a wider family and comity of nations. As was referred to in the debate, only this week my right honourable friend the Prime Minister initiated international action in the face of the virus.

The progress of the negotiations was referred to by a number of noble Lords. We have had two full and constructive negotiating rounds, with a full range of discussions covering all the issues. We have made it clear that we are determined to regain our independence but that does not in any way reduce our commitment to high standards in all areas. I assure those noble Lords who referred to wishing to see a better world after we come out of this crisis—I share that aspiration—that our commitment is to high standards. No matter what happens, the United Kingdom will continue to champion high standards for products and in human rights, as well as for many other important principles.

However, we will not accept a relationship that restricts domestic democratic debate or enforces the supremacy of EU law—here I agree with the noble Baroness, Lady Deech, and my noble friends Lord Howard of Rising and Lady Noakes, who were among those who spoke on this.

There is promising convergence, and there is no reason why progress should not continue in the core areas. There is progress on a free trade agreement, for example on goods, services and trade, and also on related issues such as energy, transport and civil nuclear co-operation. However, as some noble Lords acknowledged, there are differences of principle in other areas. For example, we will, frankly, not make progress on the so-called level playing field and the governance provisions until the EU drops its insistence

on imposing conditions on the UK which are not found in other trade agreements and which do not take account of the fact that we are an independent coastal state. We now need to move forward in a constructive fashion, and we look forward to negotiating constructively in the next round, which begins on 11 May.

A number of speakers touched on the question of extending the transition period. As I said in my opening speech, the Government's policy on this remains unchanged—as a number of noble Lords asked that it should. Others asked that it should not, but it does remain unchanged. Our view is that extending the transition period would simply delay the moment at which we achieve what the British people asked for, namely economic and political independence of decision-making. It would prolong the negotiations and thereby also prolong uncertainty for businesses and citizens alike. As was pointed out in the debate, it would also mean making further payments into the EU budget.

The coronavirus crisis has demonstrated that nation states will take and use the freedoms afforded to them to make the best response to the conditions that appertain in their own nations at the right time and in the right way. That does not mean that international co-operation and exchange of opinion does not remain important.

The underlying theme of this debate has been that the coronavirus pandemic is the greatest challenge that we have faced in decades. It is certainly true that the changes that have come upon the Government—specifically, on the economy and the country—since the emergence of coronavirus have obviously meant a dramatic reappraisal and response to the conditions that were in place at the time of the first Spring Budget. I welcome the general support that there has been for the action that my right honourable friend the Chancellor of the Exchequer took in the early stages of this crisis.

The noble Baroness, Lady Kramer, made some good and reasonable points on the need to encourage innovation and support, and the importance of self-employed people. She also referred to perceived difficulties with the Coronavirus Business Interruption Loan Scheme. The House will have seen that the Chancellor of the Exchequer responded to that by introducing it for the smallest businesses. I agree with the noble Baroness and the noble Lord, Lord Birt, that the unique range, variety and difference of small businesses is something which is sometimes hard for us all to grasp. They are absolutely fundamental. My right honourable friend has responded with the bounce-back loan scheme which is already proving to be swifter and is responding very well to the demands of many small businesses. It is no source of apology or shame that, once an unprecedented measure is introduced—with the best of good will and with the aspiration that we will do whatever it takes to bring British business and the British people through this crisis—it is found in the course of events that improvements and modifications can be made to the scheme. The introduction of the bounce-back scheme is such a thing, and I can assure the House that the Chancellor and the Government will keep all eventualities under review as the crisis unfolds.

[LORD TRUE]

Engagement with business was referred to by a number of those who spoke. Of course, the Government are involved in intense discussion with business and the trade unions about the ongoing response to the coronavirus crisis. That will also be true, of course, in relation to the ending of the transition period at the end of the year. We recognise the challenges that businesses are facing in light of the Covid-19 pandemic, and we remain determined to stand behind them at all times throughout this critical period. We know and recognise that responding to the pandemic is the principal focus for many businesses right now, as it is for the Government, but we stand ready to engage with and support businesses on the required changes for the end of the transition period in the coming weeks and months.

Noble Lords—including the noble Lords, Lord Livermore and Lord Hain, and the noble Baroness, Lady Quin—asked about economic analysis. They rightly referred to many challenges facing the economy, and the fact that new assessments will need to be made in the weeks and months ahead. Indeed, that is why, in relation to European developments, we will in time want to stimulate and capture the widest possible range of analysis from economists, academics, businesses and civil society. As has been announced, we will in time be throwing open the question to the wider analytical community to help inform the Government and the country with the widest possible range of models, data and perspectives.

The noble Lord, Lord Tunnicliffe, who was kind enough to speak to me earlier, asked some specific questions about infrastructure, as did the noble Baroness, Lady Quin, and the noble Lord, Lord Purvis of Tweed. Capital and infrastructure investment is and remains vital. I referred in my opening speech to some of the programmes that the noble Lord, Lord Tunnicliffe, referred to in his speech. The Government intend to set out further detail of our plans, as well as our longer-term ambitions, in the national infrastructure strategy and in the comprehensive spending review in due course, taking our response to Covid-19 into account.

I do not know whether this is a Gilbert and Sullivan debate—I am not sure whether I am Gilbert or Sullivan in this matter—but it is certainly taking place in exceptional, unprecedented and fast-moving circumstances in which, as a number of those who have spoken pointed out, many of the forecasts made before Covid was heard of vitally need to be reassessed. That is why it is difficult to give precise answers to a number of the points that have been raised, but, clearly, the Chancellor of the Exchequer is watching the situation and will come forward with proposals.

There are some difficulties with this virtual system, but I will deal with one or two detailed questions that were raised. On the fiscal rules, referred to by the noble Baroness, Lady Falkner, the Chancellor of the Exchequer will address that point in due course in the manner that I have described.

The noble Lord, Lord Shipley, and the noble Baroness, Lady Quin, referred to the north-east. The Government's levelling-up proposals remain a core objective of the

Boris Johnson Government and they will continue to dictate and guide policy, whatever the circumstances in the future.

The noble Lord, Lord Shipley, raised a couple of detailed points—or at least he commended some tax ideas, as did the noble Viscount, Lord Chandos. I cannot make promises or commit the Government to follow any of the proposals, but they will lie on the record and no doubt can be considered by those who follow our affairs.

As one speaker said—I think it was the noble Baroness, Lady Deech—stuff happens, and this is peculiarly unpleasant stuff. It has made the timing of this debate doubly odd. I am sure that my Treasury colleagues will not thank me for saying this, but I had great sympathy with the aspiration expressed in the debate that this great House, while it has no power in the matter of finance, should have the opportunity to debate from time to time economic forecasts and the economic position of this country. If this particular prop is disappearing into history, I am sure that it is something that the usual channels will consider in the months and years to come.

In March, the Chancellor delivered what was recognised by many at the time as a historic Budget. It responded to the unprecedented health and financial emergency that we face, but it also set out to reduce our budget, preserve fiscal flexibility and invest in Britain's future. As we emerge out of the coronavirus crisis and, as the Prime Minister has said, we start to fire up the engines of our economy once again, our view is that the economy will come back stronger than ever.

With the transition period coming to an end on 31 December this year—whether we have a Canada-type deal or an Australia-type deal—we will aim to write a new chapter for the United Kingdom and, echoing what was said in the debate, I hope that we will be a country that is not only stronger but fairer, and being independent and sovereign will not stand against either of those objectives. That is the basis of the convergence programme that we will present to the European Union.

I am very grateful to those who have spoken in the debate and for the spirit in which they have done so. On this basis, I am pleased to commend the Motion to the House.

*Motion agreed.*

4.24 pm

*Virtual Proceeding suspended.*

## Arrangement of Business

### *Announcement*

5.01 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Deputy Speaker (Lord Faulkner of Worcester) (Lab):** My Lords, the virtual proceedings on the Motion in the name of the noble Baroness, Lady Penn, will now commence. This is a time-limited debate and the time limit is one and a half hours.

I will first call the noble Baroness, Lady Penn, in the usual way. The Motion will then be moved. Then I will call each speaker on the list in the usual way. Each speaker's microphone will be unmuted prior to speaking and returned to mute once their speech has finished.

### **Employment Allowance (Increase of Maximum Amount) Regulations 2020**

*Motion to Take Note*

5.02 pm

*Moved by Baroness Penn*

That the Virtual Proceedings do consider the Employment Allowance (Increase of Maximum Amount) Regulations 2020.

*The Motion was considered in a Virtual Proceeding via video call.*

**Baroness Penn (Con):** My Lords, this legislation allows the Government to increase the employment allowance by one-third, giving over 1 million small and medium-sized businesses up to £4,000 off their employer NICs bills. Employers pay secondary class 1 national insurance contributions on their employees' earnings above the secondary threshold, set at £8,788 this year. This is charged at 13.8% and constitutes the largest business tax by revenue in the UK. The employment allowance was introduced in 2014 to help businesses with the costs of employment and to encourage businesses to grow and hire more staff. It is claimed by over 1 million employers to reduce their employer NICs bill by up to £4,000 per year.

The Government recently restricted the employment allowance to smaller businesses with a national insurance contributions liability under £100,000. This ensures that valuable government support is targeted at those who need it most. The Government announced in the Budget that we would be delivering on our commitment to increase the employment allowance for smaller businesses from £3,000 to £4,000 from April 2020. Businesses have been able to access increased support since the start of the tax year.

Passing these regulations will legislate for this increase to the employment allowance. Over 500,000 eligible businesses will benefit from the increase by up to £1,000. We expect the average gain from this measure to be around £850.

The Government are committed to supporting our smallest businesses, and this measure achieves that; 95% of businesses benefiting from this increase are small and micro businesses. Increasing the employment allowance to £4,000 means that 65,000 more businesses will see their employer national insurance liabilities fall to zero. Since introducing the employment allowance in 2014, the Government have taken around 650,000 of our smallest businesses out of paying national insurance contributions entirely.

The Government are more determined than ever to support people and businesses. In the Budget we increased the national living wage by 6.2% to £8.72. Along with increases to the income tax personal allowance and the national insurance primary threshold, an employee working full-time on the national living wage is £5,200 better off compared to April 2010.

However, we are aware that by supporting hard-working people through national living wage increases, we also increase costs for businesses. Increasing the employment allowance helps businesses to meet this cost. Businesses will now be able to employ four, rather than three, full-time employees on the national living wage without paying any national insurance contributions.

This increase will cost over £2.3 billion over this Parliament. This is a significant tax cut, and it should be noted that in just four years the Government have doubled the value of the employment allowance.

These regulations legislate for a Budget measure already helping over 500,000 of our smallest businesses with the costs of employment. I beg to move.

5.06 pm

**Lord German (LD):** My Lords, I welcome the rise in the employment allowance from £3,000 to £4,000 because it will help many companies and charities, particularly at this difficult time. However, a number of issues stem from this change of policy that are worthy of examination in more detail, because they might have a negative consequence.

For the first time, as the Minister said, this allowance is being targeted. While there will be more for those within the scheme, there will obviously be less for the larger companies and charities that will no longer be eligible for the allowance for the first time and now fall outside the scheme. I would therefore be grateful if the Minister could confirm what the net financial effect of this change will be on the Exchequer. What is the impact, for example, of increasing the allowance this financial year by £445 million measured against the total of the allowances provided in the last financial year? The 2018 Red Book said that restricting the number of companies and charities eligible for the allowance would save the Exchequer £225 million in this financial year. Set against that, is the net effect of the change £220 million?

My second point relates to state aid. If I have understood it correctly, this allowance now falls within the ambit of state aid because the allowance is now a targeted rather than universal allowance. As a consequence, the restrictions on state aid come about because the allowance is largely targeted at certain groups of companies—those that make a national insurance contribution of less than £100,000 per year. This change has resulted in what might be described as some unforeseen circumstances. For example, companies within the scope of the allowance and in receipt of state funding for other reasons might find themselves affected. If a company exceeds the de minimis threshold of government funding, they breach European Union state aid rules—rules that we must stick to until at least the end of the transition period and probably well beyond. I will return to the future application of state aid in the UK shortly, but I will first explore the potential for companies and even charities to exceed the de minimis, although charities are of course excluded.

State aid rules determine that companies in the agriculture sector must not receive in excess of €20,000 of UK government aid. In the fisheries and aquaculture sector, that figure rises to €30,000, in the road transport sector to €100,000, and in the cover-all industrial

[LORD GERMAN]

sector, which covers virtually every other company, to €200,000. These ceilings are a cumulative total over a three-year period. Just for accuracy, I understand that the Government have now indicated an exchange rate figure of £1 equalling €1.1249 for the purpose of working out the ceiling figure. I hope that the Minister can confirm that exchange rate. That exchange rate would mean that companies could not receive the employment allowance if they had received government assistance amounting to £17,780 in the agriculture sector, or £177,794 in the industrial sector, over a three-year period.

Two matters arise from this. The first matter is the administrative burden on checking the amount of aid received and whether there is headroom for adding in the £12,000 employment allowance, which would be the maximum over a three-year period. The requirement to quantify amounts of state aid received could be difficult to achieve in practice, as where state aid arises in the form of a tax relief, it may not be as simple as identifying a gross figure which occurs in your accounting records or tax returns. Added to that is that those who are responsible for submitting the claims for the employment allowance may not be familiar with state aid rules and how they apply. In addition, the Government now require annual claims to be made for the employment allowance; relief will no longer be carried forward from one tax year to the next, as has been the case to date. Does the Minister recognise that this new burden poses some problems for companies? There is a danger, for example, that some companies might not bother to apply, given the level of paperwork that they will have to go into. I am sure that they would welcome some reassurance from the Minister on this.

The second matter I am very concerned about is state aid. Will the current support for businesses that are receiving it during this pandemic count towards the cumulative total for state aid? Apart from the grants to small businesses which we are seeing at the present moment, I am particularly interested in the payments that companies receive for furloughing staff. If these are to be counted, that could severely affect a small company's ability to claim the employment allowance. For example, four workers on the minimum wage in an agricultural sector company who are now furloughed for two months could certainly tip the company over the ceiling level, or up to it, which would then rule that company out of seeking the employment allowance for three years. Similarly, a company in the severely affected hospitality sector that is furloughing most, or all, of its workers could also be affected. Add to this any other grant aid received because of the pandemic, and there is real potential for the ceiling to be approached or breached.

Since the employment allowance was created to stimulate employment, and given the Chancellor's statement that he does not want to see a cliff edge or a surge in unemployment as furloughing comes to an end, I would be grateful for the Minister's clarification on whether financial support during this pandemic counts towards the state aid ceiling, and, if so, what modelling the Government have done of the numbers of companies which would now reach that ceiling.

Finally, can the Minister confirm the Government's intentions on the future of state aid? In August 2018, the Government said that, in the event of a no-deal Brexit, they would mirror EU state aid rules. Is that still the case? I have no doubt that this will feature in any deal to be done with the European Union, and indeed the matter of state aid within the United Kingdom is still to be resolved; as I understand it, that role is being passed to the Competition and Markets Authority. Whether we have a deal with the European Union or not, I think that state aid rules will still feature, and will probably mirror EU state aid rules. I would be grateful for the Minister's comments on that matter.

Like many other noble Lords, I am anxious that the potential obstacles and hurdles I have outlined do not detract from the ambition of this policy, which is to promote jobs and job security. The employment allowance is very important at this very difficult time for companies. A fully functional employment allowance is one of the tools which can make the difference between an employee being let go at the end of this furloughing period or retained. This Government will have to do all they can to prevent that happening and to ensure that support is only gradually withdrawn as the financial health of companies improves. If it is withdrawn very suddenly, companies will certainly be looking at lay-offs rather than retention. I am sure the Minister will agree with me that the employment allowance and other support will be needed more than ever before, as this crisis comes to an end.

5.14 pm

**Lord Wei (Con):** My Lords, I add my support and welcome this measure, which, as has been said before, is incredibly important at this time, when many are worried about their job security and a global and national crisis is upon us. My questions are about whether it is enough. This measure was proposed as part of a manifesto by my party, the Conservative Party, not that long ago. But given the circumstances and what has transpired in these last few months, the world has changed tremendously and may never be the same again. I therefore have a number of questions about how this can be thought through, revised or built upon to meet the challenges that we face this year and in the coming years.

The living wage, which this is designed to complement, is certainly very welcome. Moving forward, however, the question is not, as it perhaps was last year, how we increase the wages of workers in an economy that is seemingly near full employment, but how we keep people in employment and support the process of work being carried on.

One of my questions, especially given the remarks just now about state aid, is whether this policy has been designed primarily for a different age—one in which state aid is driving what we are doing. Given that next year and moving forward we may have more flexibility about state aid, I wonder whether we should think about what we actually need this year and in the coming years, as we try to come out of these crises—both the health and financial ones—and design in a more integrated way not just this employment allowance policy but others relating to it.

Why are we focusing just on small business employment and not thinking about measures to support those in self-employment and freelance positions? Is there anything in this, or anything we can add to this, that would support the many freelancers out there—particularly in the light of the Government’s stance on IR35, which I am worried is slightly anti-entrepreneurship in its thinking?

While I welcome the measures to incentivise businesses to retain employees, I wonder whether we are limiting this, and whether our view of the world, which relies on millions of small businesses continuing to employ people, limits our ability to generate future employment through entrepreneurship and self-employment. Of course, we must not forget that much employment in this country is, for better or worse, with those larger businesses. My concern is that this measure, just at the time we need it, bypasses many of the larger employers out there, which literally right now are thinking about whether to keep on hundreds or thousands of employees.

Related to this question is the furlough. I am sure that there is, and will be, much debate and discussion about what we do with this quite expensive measure and how we avoid the cliff edge. I wonder whether the allowance—I would love to know what my noble friend the Minister and the Government are thinking on this—can be used to create financial incentives for employers to retain and even hire workers, at a time when we need people to carry on. Especially when restaurants and many businesses will be not full but empty, there will need to be some mechanism by which we enable people to continue to work and be supported, potentially financially, by the Government. I am not sure that the current furlough system—efficient as it has been built to be—necessarily solves this problem, because it will happen many months after the event. Could the employment allowance be redesigned and built into something that is more “business as usual”, using the systems that we have, to ensure that employers retain employees beyond the initial furlough?

I will make a final point about the general principle of charging NI. I know that, in previous years, there was discussion about merging our different taxes. NI seems a very obvious one. We ought to simplify the tax system and be honest with our citizens about what tax is being paid. There is a danger in using things such as this allowance on an ongoing basis in the long term: given all the allowances out there, it makes it even harder to unravel the system and make it simpler.

At the end of the day, if you level with people—whether they are freelancers, businesses or individuals—and tell them how much tax they owe, then try to simplify things to reduce the paperwork and the cost associated with collecting the tax, you may have a better system that will allow us to rebound as we move in to the next phase, with higher employment and fewer incentives to game the system. So, while this allowance is welcome to alleviate some of the pressures which employers are facing, do we now need to think bigger? This is not just about Covid and the immediate financial impact but how we can think longer-term about building a more resilient economy and a tax system that complements it. The crisis gives us a chance to think deeply, not just

in a knee-jerk way, about what systems we need moving forward. What thinking—if any—has there been about simplifying the tax system and how does this work with it?

Finally, with Brexit coming, what are the plans to remove ourselves from the straitjacket of state aid? We are in emergency circumstances. Many countries around Europe are either not following the rules or have been given exemptions. Are we pursuing means by which our country can have greater flexibility to help our workforce and our businesses as we move forwards?

5.21 pm

**Baroness Anelay of St Johns (Con):** My Lords, I thank the Minister for her explanation of the regulations before the Virtual Proceeding today. Like the previous two speakers, I support the changes being made; they are a way of trying to incentivise business. However, I have a couple of questions for my noble friend about their potential impact on charities. Last Thursday, the House debated the impact of Covid-19 on the ability of charities to continue their valuable work. Noble Lords gave examples of how charities vary considerably—really widely—in their ability to gain funding, the number of their employees and volunteers, their turnover and in the specific area of activity that they focus on.

Large or small, they are all now facing huge financial losses incurred by the immediate loss of income during lockdown from charity shops and fundraising events. I do realise that the Government have already taken significant measures to reduce the impact of Covid-19 on the ability of charities to survive and function effectively, while also taking into consideration the wider financial consequences for the Treasury. My noble friend Lord Wei has just remarked on the fact that the proposals before us today were forecast in the Conservative Party manifesto, long before anybody thought that this appalling pandemic might be on its way.

As has been said already, these regulations increase the maximum amount of the employment allowance by £1,000 to £4,000. However, the regulations also change employment allowance rules in order to exclude employers whose national insurance contributions liability in the previous tax year was over £100,000. I note that the section “Impact on business including civil society organisations” does not refer to the possibility of losers among charities. Of course, regulations covering businesses cover charities. Do any of the larger charities in this country fall within the category of those organisations which will now be excluded from this new scheme by these regulations, having previously qualified? Did any charities take the opportunity to respond to the Government’s consultation, either directly or through a representative? If so, were those representations confidential or are they available for public view online?

I ask because the Government’s online section on this, headed “Detail of outcome”, is a very brief—I am being generous—three paragraphs, all of which are general in their comments. They do not mention charities, which is why I am pursuing this point. The change of course will be welcomed by those charities which qualify for this increase to £4,000. Have the Government calculated how many charities might benefit from that change?

[BARONESS ANELAY OF ST JOHNS]

I note that the consultation period on the regulations we are considering today was last summer, closing on 19 August, and the regulations themselves were made on 11 March and laid before Parliament on 12 March. That means they were in final form by the time the director-general of the World Health Organization announced on 11 March that Covid-19 was officially recognised as a pandemic. Have the Government received any further comments on these regulations since the start of the Covid-19 pandemic was recognised?

My noble friend will be aware that last month the OBR calculated that GDP would contract by up to 12.8% for this year as a whole, taking into account what we hope will be a bit of a bounce-back for the economy during the late summer and autumn. Accordingly, will the Government keep their position on the employment allowance regulations under review during the rest of this year, as the impact of Covid-19 on the economy becomes clearer and appropriate adjustments could be made?

I say that because I notice that in the explanation of the regulations it says, under “Monitoring and evaluation”:

“The measure will be monitored through information collected from receipts.”

It might also be valuable, therefore, to not only look at that but to receive further representations from charities which find themselves—unexpectedly now, perhaps—excluded from the opportunity to benefit from the regulations today. I look forward to my noble friend’s responses.

5.27 pm

**Baroness Neville-Rolfe (Con):** My Lords, as this is the first debate in which we have spoken together, I start by congratulating my noble friend Lady Penn on her appointment, and on starting her new career so well in the virtual Chamber. I must say that I cannot wait to be back on the red Benches, enjoying the repartee that makes Parliament famous everywhere—but every cloud has a silver lining.

I support these simple regulations. They increase the employment allowance paid without fuss through payroll software to businesses and charities which made employer national insurance contributions of less than £100,000 in the previous year. That, as we have heard, is up from £3,000 to £4,000. It is double what it was when the Conservatives introduced it in 2014, as my noble friend said. It is a targeted measure to help small business, the backbone of Britain, and small-scale civil society.

The Red Book for 2020 stated that it should help over 500,000 small operators, taking 65,000 out of employer contributions altogether—so less to pay and less red tape. HMRC research, which our wonderful Library unearthed in this lockdown, revealed that three out of four small employers who had claimed the allowance would recommend it to other employers. Even more importantly, as the economy recovers and small business eventually rebounds or new ones spring up, it would mean that a qualifying business could employ four full-time employees on the national living wage without paying employers’ national insurance. I note also, although it is not relevant to today’s debate,

that there was a Budget commitment to introduce a national insurance holiday for employers of veterans in their first year.

On these occasions there is always some debate about those not covered by the allowance: bigger companies and charities, whose interests my noble friend Lady Anelay highlighted well; domestic and personal staff; and those operating under IR35 off-payroll-working rules. I am not going to carp about those, but I was pleased to see from yesterday’s committee report from the Deputy Speaker that the Economic Affairs Finance Bill Sub-Committee had concluded that IR35 had not worked properly throughout its 20-year history and that the Covid-19 deferral of plans to extend off-payroll changes to the private sector should be changed by legislation. I declare my interests in the register, in case businesses with which I am associated might benefit, but this seems to be a common-sense move—and, as my noble friend Lord Wei said, it must be entrepreneur-friendly.

The most important thing about the employment allowance is totemic: it backs small business and enterprise and keeps people working. Since 2010, that has been one of our greatest achievements. It has been particularly pleasing to see jobs created in the private sector bring dynamism and creativity, especially to sectors where we are strong, such as digital and tech, research-based start-ups, food and drink, entertainment and, of course, financial and business services.

To deal with Covid-19, the Chancellor has bravely introduced temporary support: furloughing, loans and his new bounce-back variant. However, I worry that millions of small businesses will be destroyed if we allow the lockdown to be extended for much longer. The Government’s messages, in creating fear, have been too successful. They urgently need to find the right language to explain to the British people that some risks must be taken with coronavirus if we are to head off a recession that will financially cripple the country for decades to come. It is no coincidence that there is no economist on the SAGE committee despite the impact of income and job loss on health and well-being.

May the employment allowance be a small flame of inspiration that we can build on as we work together to get out of the current crisis and as state rules become less bureaucratic and interfering when the Brexit transition period ends.

5.32 pm

**Baroness Burt of Solihull (LD):** My Lords, unlike my noble friend Lord German and the other speakers this afternoon, I do not know a lot about tax—I did not even when I was an entrepreneur. I hope that the House will forgive me if I say anything that is uninformed or naive to the initiated.

I am afraid that I was unable to get through to the recommended Treasury helpline. Apparently, it is not functioning; perhaps that could be checked out. So, for help, I phoned a friend—Rick, an accountant—who gave me a stark account of what life is like for small businesses under lockdown. I will return to this later, if I may. On the positive side, Rick told me that the employment allowance has been a lifeline for many small businesses, and that many a sole trader has

taken on their first member of staff as a result, so the increase in the allowance of £1,000 to £4,000 in the current financial year is very welcome indeed.

Employment allowance was first introduced in 2013 and has been increased several times since. As I understand it, however, in the summer 2018 Budget the allowance was removed from businesses with an NICs bill of more than £100,000. This was scheduled to commence in April 2020. Can the Minister confirm that while this year, most small businesses will pay £1,000 less in tax, larger businesses will pay £4,000 more than they otherwise would have? Does she think that now is a good time to remove this help, albeit that it will come as less of a blow than it would have to smaller businesses? I look forward to the Minister's response to the question put by the noble Baroness, Lady Anelay, about how charities are going to be affected. The Minister said that the cost of the employment allowance will be £2.3 billion, but how much will the Government save by not paying the employment allowance to larger companies and, indeed, to charities?

My next question, which is probably a naive one, concerns which categories of organisation will receive the increased allowance and which will not. The Explanatory Notes refer to some employers,

"charities and community amateur sports clubs"

being eligible. That strikes me as a bit odd. Community sports clubs are presumably constituted in a different way so that they do not fall into the same category as employers and charities. That is something I would really like to know the answer to, and prompts me to ask my next question. Are there other types of organisation paying NICs which will be excluded from the employment allowance? I appreciate that, knowledgeable as no doubt the Minister is, she is not a long way into what I am sure is going to be an excellent ministerial career and may not have the answers to all my questions at her fingertips. However, I would be grateful if she could write to me with her answers to anything that she cannot respond to today.

Finally, I want to return to my friend Rick and what he told me about the clients he had been ringing up to see how they have been faring during the pandemic. He said that owner-managers are faring the worst, principally because many of them have not qualified for the furlough scheme given that they are paid only through the profits they make. He said, "I feel like a doctor visiting an NHS ward full of terminally ill cancer patients and trying to assure them that they will be fine because help is on its way to save them, but knowing that it is not." I believe that people should pay all their tax so I replied to him, "Well, they should have paid their NICs, shouldn't they?" However, as a country we will be the poorer for it if we let these small businesses go to the wall. We will lose the VAT and corporation tax income they would have paid, not to mention the entrepreneurial jobs held by those who rely on them for their living, and of course who themselves pay tax. They will not be here to take risks and help drive the recovery. Will the Minister give some thought to this and speak to her friends and advisers in the Treasury to see whether anything can be done to help this category of entrepreneurs? We cannot afford to lose them simply because they chose the

wrong category of employment status for themselves. Perhaps the Government can find some way of keeping them afloat.

5.38 pm

**Lord Tunncliffe (Lab):** My Lords, I thank the Minister for presenting the regulations and I can assure her that we on this side will not oppose them. However, they raise a number of interesting points. The noble Lord, Lord Wei, said that they will have an impact, but perhaps we should think about their impact in a more holistic way over the longer term, because a much bigger issue is the long-term effect of the coronavirus outbreak.

I am particularly concerned, as were the noble Baroness, Lady Burt, and the noble Lord, Lord Wei, about the impact on the hospitality and leisure sector. It is clear that it will be one of the last sectors to recover, but it plays an incredibly important role in our society. It creates good jobs and is a great source of pleasure for many people. It is therefore important that the Government bear the sector in mind and take a rounded approach. They need to make sure that the businesses operating in it do not go bust so that they can recover and thus provide pleasure for people, as well as employment.

I also regret that these regulations, which cost about £450 million per annum, come with no analysis of the benefits. I checked with the appropriate contact named in the Explanatory Memorandum and was assured that the Government do not have an estimate of how many employers might take on more staff because of this measure.

Finally, it seems to me that the scheme must have problems with respect to fraud. It is important that the Government have thought this through and have appropriate mechanisms to ensure that fraud is deterred. With those few comments, I repeat that I have no objection to these regulations and wish them well.

5.41 pm

**Baroness Penn:** My Lords, I am very grateful for the consideration of these regulations and for the points noble Lords have raised. The noble Lord, Lord German, and my noble friend Lord Wei asked several questions on state aid. I can confirm that the majority of support announced by the Government in response to the coronavirus pandemic is not state aid and, specifically, the Coronavirus Job Retention Scheme is not state aid.

On exceeding the de minimis tax limit for state aid, we undertook consultations with external stakeholders, representatives and the devolved Administrations, and they provided no evidence to suggest that large numbers of agricultural businesses will lose access to the employment allowance because of state aid rules.

The bureaucracy of administering this allowance was also raised. I reassure noble Lords that the allowance will be applied automatically to businesses. The Government will write to those businesses to inform them that they have been in receipt of state aid.

There were also questions about the future of state aid more generally. I shall not go into huge detail in this debate, but the Government have negotiated a

[BARONESS PENN]

deal to exit the EU that includes the transition period we are currently in until December 2020, during which we must adhere to EU state aid rules. After that transition period, we will develop our own separate, independent policy of subsidy. We will have a modern system, supporting British businesses in a way that fulfils British interests.

On the restriction of this allowance to focus on small businesses and smaller employers, my noble friend Lady Anelay stressed that this impacts on charities as well as businesses. I can confirm that the net effect of the restriction to small businesses and the increased allowance is a more generous system. Our estimate is that it will be more generous by around £220 million per year. I reassure my noble friend Lady Anelay that 93% of eligible businesses, including charities, remain eligible for the employment allowance following the reform to restrict it to smaller businesses, organisations and employers.

I shall also address my noble friend's broader point about the pandemic's impact on charities. The restriction to the employment allowance announced in 2018 and the more generous increase in the allowance to which these regulations refer were announced before the full impact of the pandemic had been felt. Indeed, we still do not know what that full impact will be. We will continue to keep under review all the measures needed to support businesses and charities at this time. As my noble friend will know, we have announced a £750 million package of support specifically for charities during this pandemic.

Several noble Lords raised the question of the self-employed. The employment allowance is claimed against employers' NICs only and the self-employed have no equivalent charge unless they have employees, in which case they can benefit in the same way as other employers. The self-employed also benefit from the increase to the personal allowance announced in the Budget and the increase in the NICs threshold.

Several noble Lords encouraged the Government to consider the debate in the context of the pandemic and its impact on jobs and livelihoods. The Government are considering that all the time. I thank my noble friend Lady Neville-Rolfe for her comments and agree that this increase will stand as a vital support for businesses as we pull together to recover from this crisis. It was not announced in that context in the Conservative Party manifesto, but the reason for this focus on smaller businesses and for the allowance increase is precisely to encourage small businesses and organisations to employ an additional or extra person; this is rather than targeting larger businesses, where the difference made would be smaller.

On my noble friend's points on lockdown, our action plan to beat the pandemic is the right thing to do but we know people are worrying about their jobs and incomes. The Government's strategy is to reduce the infection rate, ease the pressure on the NHS and save lives. The First Secretary announced on 16 April that the measures would remain in place for at least the next three weeks. As such, the Government will be conducting a review of social distancing measures before 8 May. The Government share concerns that we

should protect jobs and head off a recession. The Chancellor yesterday offered reassurance that there will be no cliff edge to the furlough scheme. We are working out the most effective way to wind down the scheme and ease people back into work in a measured way.

I hope my response has addressed most of the points raised by noble Lords. If there are any that I have not addressed, I will, as the noble Baroness, Lady Burt, suggested, be very happy to write to noble Lords.

These regulations make important changes. Small businesses play a vital role in driving the economy and creating jobs. By increasing the employment allowance by one-third, these regulations increase by £1,000 the support such businesses are able to receive. They take a further 65,000 small businesses out of paying employer NICs entirely and provide an immediate benefit to over 500,000 businesses. I beg to move.

*Motion agreed.*

5.48 pm

*Virtual Proceeding suspended.*

### **Arrangement of Business** *Announcement*

6.46 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Deputy Speaker (Lord Palmer of Childs Hill) (LD):** My Lords, the Virtual Proceedings on the Motion in the name of the noble Lord, Lord Greenhalgh, will now commence. This is a time-limited debate. As shown on the Order Paper, and unless any noble Lord objects, the time limit is one hour. I will call, first, the noble Lord, Lord Greenhalgh, in the usual way. The Question will then be put and I will then call each speaker on the list in the usual way. Each speaker's microphone will be unmuted prior to speaking and will be returned to mute once their speech has finished.

### **Greater Manchester Combined Authority (Fire and Rescue Functions) (Amendment) Order 2020**

*Motion to Take Note*

6.46 pm

*Moved by Lord Greenhalgh*

That the Virtual Proceedings do consider the draft Greater Manchester Combined Authority (Fire and Rescue Functions) (Amendment) Order 2020.

*The Motion was considered in a Virtual Proceeding via video call.*

**The Minister of State, Home Office and Ministry of Housing, Communities and Local Government (Lord Greenhalgh) (Con) (Maiden Speech):** My Lords, it is with a great sense of privilege that I have taken my seat in this House—the first Greenhalgh ever to do so. It is also with a great deal of trepidation that I appear before your Lordships by video to give my maiden speech at this extraordinary time for our nation. This is the first

maiden speech by video in the history of the Lords, so my place in the Guinness book of records is assured, if nothing else.

My background and experience are, unashamedly, in local government, with 16 years as a councillor in Hammersmith and Fulham, of which I spent six years as leader of the council, and four years as deputy mayor for policing and crime—or DMPC for short—in London. Therefore, it is a privilege to be able to introduce this order on behalf of a fellow DMPC, for Greater Manchester, the noble Baroness, Lady Hughes.

I thank noble Lords and the staff of the House for making me feel so welcome. I thank in particular: the Leader of the House, my noble friend Lady Evans; my noble friend Lord Howe; my Whip, my noble friend Lady Bloomfield; and Garter King of Arms, who has traced my lineage back to James Greenhalgh, aged 47 in 1851—so more work to do. Finally, I thank my noble friend Lady Williams, my ministerial colleague in the Home Office.

The purpose of the Greater Manchester Combined Authority (Fire and Rescue Functions) (Amendment) Order 2020 is to improve the delivery of public services in Greater Manchester by driving greater collaboration and interoperability, and by bolstering accountability for the way in which those functions are exercised.

The Local Democracy, Economic Development and Construction Act 2009 allows, in certain areas of the UK, the devolution of a number of municipal functions. In 2017, the Greater Manchester Combined Authority (Fire and Rescue Functions) Order conferred responsibility for, and management of, the functions of the Greater Manchester Fire and Rescue Authority on the Greater Manchester Combined Authority. Therefore, those functions came under the authority of the directly elected Greater Manchester mayor, and arrangements were introduced to oversee the operational discharge of functions, with scrutiny of fire and rescue functions being added to the remit of the corporate issues & reform overview and scrutiny committee.

In 2017, police and crime commissioner functions were also transferred to the mayor and the role of the deputy mayor for policing and crime was established. The exercise of PCC functions is scrutinised by Greater Manchester's police and crime panel. Devolution of the exercise of fire functions to the mayor, in parallel with devolution of the police and crime commissioner functions, has provided for greater direct accountability for both blue light functions under one individual in Manchester.

In July 2018, the Mayor of Greater Manchester wrote to the Home Secretary to request further changes to the governance arrangements for fire and rescue functions within the Greater Manchester Combined Authority. The mayor sought authority to delegate the exercise of the majority of those functions to the deputy mayor for policing and crime and to amend the scrutiny functions of the existing police and crime panel to include scrutiny of fire and rescue functions. The then Home Secretary approved the mayor's request in September 2018.

The order before the House today gives effect to the mayor's request by amending the Greater Manchester Combined Authority (Fire and Rescue Functions)

Order 2017. It brings the exercise of police and fire functions closer together by allowing for the exercise of all delegable fire and rescue functions by the deputy mayor for policing and crime. There remain some non-delegable functions—namely those listed under Article 6 of the 2017 order—which remain the sole responsibility of the mayor. These include the hiring and firing of the chief fire officer, signing off the local risk plan and approving the annual declaration of compliance for the fire and rescue national framework.

To ensure that there are appropriate scrutiny arrangements of the exercise of delegated functions, the order also extends the remit of the Greater Manchester police and crime panel to include scrutiny of the exercise of fire and rescue functions, whether they are exercised by the mayor or the deputy mayor for policing and crime. To reflect this wider role, the panel will become known as the police, fire and crime panel.

This is a straightforward order that will improve the accountability and delivery of fire and rescue services in Greater Manchester. The order enhances transparency, augments scrutiny arrangements and should facilitate greater interoperability between blue light services, especially the Greater Manchester Fire and Rescue Service and Greater Manchester Police. It will provide a clearer line of sight for the exercise of fire and rescue functions, with delegable functions being exercised by the deputy mayor for policing and crime rather than a fire committee. This will make it easier for the public to know who is responsible for holding the Greater Manchester Fire and Rescue Service to account on a day-to-day basis.

It will also ensure that police and fire matters are scrutinised effectively and in the round by extending the role of the police and crime panel. This brings similar scrutiny arrangements to fire as already exist for policing. Crucially, by bringing together oversight of policing and fire under the deputy mayor for policing and crime, it will also help to maximise opportunities for innovative collaboration, foster the sharing of best practice and ensure that strategic risks are reviewed across both services.

The Kerslake report into the tragic Manchester Arena attack criticised the slow response of the Greater Manchester Fire and Rescue Service, which did not respond to the attack for nearly two hours and was therefore outside the loop. The report called for greater interoperability between the fire service and other blue light services and better multiagency working. This order takes important steps to do just that.

I am aware of recent collaboration in Manchester as part of the response to the Covid pandemic. I take this opportunity to thank the incredible fire and policing personnel for everything they are doing in Greater Manchester and the wider country. In Greater Manchester, nearly 250 have volunteered to support the NHS and front-line carers in response to the Covid-19 pandemic. They are a credit to themselves and the fire and rescue service.

I commend this instrument to the House and beg to move.

6.53 pm

**Lord Goddard of Stockport (LD):** My Lords, I first congratulate the Minister on an excellent virtual maiden speech. I did not realise that it was the first ever such maiden speech in the House of Lords—perhaps not the one he would have wished to make but one that people will recognise in these difficult times.

We may be from different parties, but I believe we have one or two similarities. He became leader of his local authority in 2016; I became leader of mine in 2017. He was deputy mayor for policing and crime in London; I was a vice-chair of the Greater Manchester Police Authority for a number of years. We have a saying up north: “Do they get it?” It is usually about people down south. I think that, with the noble Lord’s background in local government, he gets it. His history and knowledge tell me that. He might just be one of the good guys whom we can work with in government.

The first combined authority was set up in 2011 in Manchester. I was one of the 10 leaders who signed up for it. At the time, that local authority was made up of five Labour members, three Liberal Democrats and two Conservatives. Sir Howard Bernstein, chief executive of Manchester City Council, used to call me one of the “awkward squad”. Another member of the awkward squad was Susan Williams, now the noble Baroness, Lady Williams, and a Minister in the Government. It goes to show how far you can get if you probe, question, check, harry and stick to your principles. The noble Lord has an able ally in her for sure.

I broadly support the order, which I have examined in the Lords scrutiny committee, on which I also sit. There are questions around democracy but I believe my noble friend Lord Stunell will raise them, so my thoughts will be around the budget implications.

Noble Lords may be aware that, following the Grenfell fire and The Cube fire in Bolton, the Greater Manchester Fire and Rescue Service had to pause its programme for change and review the high-risk buildings programme and turntable ladders. No capital grants are now available for the fire authority, and the capital programme will now need to be funded from underspends and borrowings. Should further borrowing proposals come from the Mayor of Greater Manchester, Andy Burnham, can the Minister therefore give me an assurance that he and the Government will support that borrowing?

Perhaps I should declare an extinct interest, as I was a member of the Greater Manchester Fire Authority for about eight or nine years, and old habits die hard. We live in desperate times, and we will overcome them. The fire service has had desperate times: Grenfell, the 2017 Manchester bombing, and the IRA bombing in Manchester. The photograph that sticks in my mind is of that blast in Manchester, when everyone was running away from the fire and the explosion, while the firemen were running towards it. That is the essence of the fire authorities. They need our support, I hope the Minister will support them, and there will undoubtedly be budget pressures on them, so he can give support with that.

The combined authorities go from strength to strength. This is one of the final pieces of the jigsaw. I hope that when the jigsaw is complete and we get fully devolved government to Greater Manchester, we will see the benefits, so I support the order.

6.57 pm

**Baroness Wilcox of Newport (Lab):** I commend the Minister on his appointment and indeed on his historic virtual maiden speech, detailing his wide-ranging experience before arriving in the Lords. Alongside my noble friend Lord Kennedy, I look forward to working with him from these Benches in his latest role, and, as a former leader of a council myself, I welcome the first-hand experience in local government that he brings to the role, together with the knowledge and understanding of probably one of the most challenging and difficult jobs in government: being the leader of a council.

I also take this opportunity to pay tribute to council leaders across the United Kingdom, who have managed and continue to manage the practical delivery of so many vital services during this health crisis, and who are working tirelessly to ensure that their communities have the best possible public services available at this time. They are supported by the leadership at the LGA of Councillor James Jamieson, and at the WLGA by my successor Councillor Andrew Morgan, and the many officers in both organisations who have been exemplary in dealing with how local government responds to the pandemic.

I will mention local government funding at this juncture, and repeat my oft-quoted point that councils are not put in the same position during this decade as they have been during the previous one. The result of this pandemic will demonstrate that austerity was not a financial necessity but a political choice. The coronavirus has well and truly negated that model and has revealed the necessity of well-funded public services now and in the future in our society.

The statutory instrument before us today authorises the Mayor of the Greater Manchester Combined Authority to arrange for fire and rescue functions to be undertaken by the deputy mayor for policing and crime, which, in the best traditions of local government, allows decisions to be taken at the most appropriate level and closest to the people affected by those decisions. This move has precedent: it is in line with similar action taken in 2018 by the Mayor of London to create a deputy mayor for fire and resilience, after the mayor took on powers from the London Fire and Emergency Planning Authority.

This measure is supported, and Members on this side of the House pay tribute to the important work that both the mayor and deputy mayor of Greater Manchester have done on fire safety. However, I urge the Government to take much stronger, swifter action on fire safety across the UK and to end the continued cuts to our fire and rescue services.

Greater Manchester Fire and Rescue Service has seen its central government funding cut by £22.4 million in the last 10 years, amounting to a 35.9% fall over the period. Over the same period, Greater Manchester has increased its contributions to the GMFRS by an extra £3 million. This is at a time when the population of

Greater Manchester is increasing and when the built environment is becoming increasingly complex, as development rapidly tries to cater to the increased need for homes and infrastructure.

This statutory instrument provides for the police and crime panel to have oversight functions in relation to the exercise of all those fire and rescue functions, and thus to have an extended remit. It is an opportunity for change, to make a more effective operational and governance model so that the services in Manchester can work more effectively and the level of scrutiny can be applied across both the police and the fire service by one membership. The city of Manchester has seen many triumphs and tragedies in its history; as it is one of the UK's leading cities, it is of utmost importance that the most appropriate systems are in place to support the vital services that operate within the city region.

In Wales, we have the future generations Act, which leads our operational thinking on such matters. As the former leader of Newport City Council, I chaired the Newport Public Services Board, where public bodies addressed cross-cutting issues requiring a multi-agency approach. This helped to ensure that the emergency services knew what each other's organisations were doing in terms of joint working. I trust that this statutory instrument will have a similar effect for the GMCA.

Finally, in tandem with these changes, what action, if any, are the Government planning to take to reverse the recent rises in average response times across fire and rescue services in both Greater Manchester and England? I thank the Minister for his letter, which I received today.

7.02 pm

**Lord Stunell (LD):** My Lords, I welcome the noble Lord, Lord Greenhalgh, to the Front Bench and to the House. I congratulate him on making an effective maiden speech in very difficult circumstances. He set out clearly his background and the contribution that he will make. I echo my noble friend Lord Goddard of Stockport in saying that he is joining a strong local government team here, alongside the noble Baroness, Lady Williams. We very much look forward to them defending local government inside the Government—as well as defending the Government in the House, no doubt. I look forward to not a virtual meeting but, in due course, a real meeting.

I thank the Greater Manchester Combined Authority for the briefings that it sent to me—and to other Members, no doubt—which outline some of the circumstances. At first sight, there is no doubt that this is a common-sense, tidying-up operation. It aligns the police and the fire and rescue service across Greater Manchester, which is definitely a good thing. It aims to produce a joined-up senior leadership structure to replace the one that was examined and criticised by the noble Lord, Lord Kerslake, in his report; it also aims to get a joined-up scrutiny function to go with it. I have no quarrel with that alignment. It will make those forces—the fire and rescue service and the police service—better able to co-ordinate their actions and to respond effectively in the face of major incidents, as they failed to do in the aftermath of the suicide bombing at the Ariana Grande concert.

I want to question the Minister on what might, at first glance, appear to be a minor and trivial part of this not very significant statutory instrument: the silent reduction in the capacity that there will be to scrutinise the fire and rescue service properly as a direct consequence of this statutory instrument. The Explanatory Memorandum tells the truth about the proposed new scrutiny process—of course it does—but it does not tell the whole truth. It says that:

“Provision is also included to give the Police and Crime Panel the authority to scrutinise fire and rescue functions in the Greater Manchester Combined Area.”

It certainly does that. It says what the new scrutiny arrangements will be, but it is silent on what the old scrutiny arrangements have been up to now in the fire and rescue service, and in that silence is the mischief that I want to comment on.

Let me fill in the gap for noble Lords. At present, by law, the fire and rescue scrutiny panel must be chaired by a member in opposition to the mayor's party. The panel must be balanced in accordance with the pattern of overall elected party representation across the 10 constituent boroughs. As the Minister will know, this is very much in line with local government practice that scrutiny should be led by poachers and not gamekeepers; it avoids state capture of the scrutiny process and the subsequent reduction of scrutiny to token box-ticking. The chair of any scrutiny panel sets the agenda and can choose what to focus on and what to put to one side. In Greater Manchester, there are no directly elected representatives to hold the mayor to account. The scrutiny panels do that job, and they give some assurance to minority parties and dissenting voices that the difficult questions will be raised, and the truth published.

The problem with this statutory instrument is not that, in future, it proposes to combine the two scrutiny bodies; that is sensible. The problem is that the provision sets aside that existing assurance of challenge and inquiry, and substitutes for it the police and crime panel.

In the municipal year 2018-19, that body was made up of 10 Labour members and two co-opted independent members. No opposition members of any party served on that scrutiny body. Of course, those 10 Labour members will always behave with integrity and absolute objectivity in carrying out their scrutiny functions—one would expect nothing less from Labour councillors in Greater Manchester—but I put it to the Minister that compared to the existing situation that this statutory instrument takes away, he is proposing something that is inherently less satisfactory. In place of a multi-party scrutiny panel with an opposition chair, we will have a body made up of members of one party—the mayor's own party.

How does the Minister see the robust challenge that is needed for major budgets and vital services, such as the police service and the fire and rescue service, being delivered by a model of scrutiny that can—and in 2018-19 did—produce a single-party body in charge of operating it? I will be interested to hear the answer. That is a function that must be exercised on behalf of all residents and all electors across Greater Manchester, which is very diverse. With the best will in the world, a body with such a narrow membership cannot do that as effectively as a more diverse and representative one.

[LORD STUNELL]

Does the Minister agree that it would have been better to continue to require the joint panel to work on the same procedures and statutory requirements for membership of the existing fire and rescue service panel, rather than the closed membership of the existing police panel? In other words, given the choice of which way to amalgamate the two bodies, the Minister has chosen the one which produces the least accountability.

Unfortunately, as keenly as everyone now shares the Liberal Democrat passion for the devolution of powers and responsibilities from Whitehall down to local communities, the bit about people with power being held accountable for the exercise of that power has a lot less traction. Whenever it has been a 50:50 call, it always comes down in favour of less accountability, not more. The Minister may say that this is not a big step away from better scrutiny, but rather just a very small baby, and that there is no threat to anything here; perhaps he will say that it is an incidental consequence of a necessary reform—a fishing bycatch, or collateral damage. It is not. Somebody made the choice and, intended or not, that choice has consequences that could easily have been avoided if anyone in the decision tree had thought of doing so.

There is something strangely appropriate in this widening of the accountability deficit in Greater Manchester coming into force through a statutory instrument in your Lordships' House—itsself hardly an ideal mechanism for accountability. A Virtual Proceeding on a statutory instrument, where there is at present no opportunity to intervene to seek clarity or explanation from the Minister when he winds up, adds insult to injury. However, I have a feeling that the noble Lord, Lord Greenhalgh, with his local government background and understanding of these matters, will be able to address my questions and give me direct answers. Perhaps he will get his officials to reflect that, the next time that a 50:50 call on accountability lands on his desk, they should advise him to go the other way and enhance accountability at every opportunity—and not, by accident or design, to slim it down.

The price of freedom is eternal vigilance. Sometimes, the price of it is listening to me complaining about something quite small which has big implications. On this occasion, I fear that that vigilance was not exercised at the ministerial desk. Somebody blinked and we have an answer which is not the best that was available.

7.11 pm

**Lord Kennedy of Southwark (Lab Co-op):** My Lords, I join other noble Lords in congratulating the noble Lord, Lord Greenhalgh, on his maiden speech. As he says, it is a first of its kind. I look forward to our encounters together and, in particular, to when we can meet in person and debate across the Dispatch Box. The Minister has a record of service in local government on which he should be congratulated, serving as a councillor in the London Borough of Hammersmith and Fulham and, in 2006, as he told us, becoming the leader of that council. I know that authority quite well and, as the Minister knows, it has changed political hands many times. The Minister also worked closely with the Prime Minister when he was Mayor of London, and served as deputy mayor for policing and crime.

I wish the noble Lord well with his new responsibilities. He has some very big shoes to fill. He will be aware that the noble Baroness, Lady Williams of Trafford, the noble Viscount, Lord Younger of Leckie, and the noble Lord, Lord Bourne of Aberystwyth, have all carried out his ministerial responsibilities and are respected by the House. They all engaged positively with people in the House, and still do, and always worked to bring people together. If the noble Lord carries out his duties in a similar vein, he will undoubtedly be a successful Minister in the House of Lords.

I was never leader of a council, unlike the noble Lord, Lord Greenhalgh, my noble friend Lady Wilcox of Newport or the noble Lord, Lord Goddard; I was merely the deputy leader of Southwark Council. But like all other noble Lords, I am a big supporter of local government and local councillors, and I know what a great job they do and how much we should support them. I am always pleased when a member of the local government family takes on new and important responsibilities, and I look forward to working with the Minister.

The order before us is not, in my opinion, controversial and it has my full support. But before I get on to the order, I am conscious that yesterday was Firefighters' Memorial Day. I honour the commitment of all firefighters and remember those who made the ultimate sacrifice by doing their duty, protecting others and saving lives. I join the Minister in his tribute to the whole fire service for the work it is doing in these challenging times to help us all.

The order allows the Mayor of Greater Manchester to make arrangements for the fire and rescue service to be delegated to the deputy mayor for policing and crime, and extends the role of the police and crime panel to include scrutiny of the fire and rescue function. It is clear that the strategic decisions will remain with the mayor, who is accountable to the police, fire and crime panel, and to the general public, for the exercise of these functions.

I am aware that the Minister is leading a review into the cost of waking watches. It would be helpful if he could update the House on that work when he responds to this debate. If not, maybe he could agree to write to us about where he has got to with his review.

The noble Lord, Lord Goddard, asked a number of questions in respect of reductions in funding and budgets in general. I endorse his comments and look forward to the response he will receive.

I also endorse the comments from my noble friend Lady Wilcox of Newport in her tribute to council leaders, councillors and the staff of local authorities, along with all public servants who are dealing with these unprecedented challenges for our country. We have been separated from our families and friends, but our communities have been brought together and we have seen fantastic work in the public and voluntary sectors that must never be forgotten.

In conclusion, I look forward to the Minister's response to the points raised today and congratulate him again on his excellent maiden speech. As he said, it is a first of its kind. I also wish him well in his new responsibilities in both the Home Office and the Ministry of Housing, Communities and Local Government.

7.16 pm

**Lord Greenhalgh:** My Lords, this order will help to deliver key outcomes that will improve the delivery of public services in Greater Manchester. I am hugely grateful for the insightful and helpful contributions that noble Lords on all sides of the House have made during this debate.

I will comment on the contributions made by noble Lords, starting with those of the noble Lord, Lord Goddard, and the noble Baroness, Lady Wilcox—I feel we can call ourselves the “former leaders of local government club”. The noble Lord, Lord Goddard, asked whether I would give a cast-iron guarantee to support the borrowing requirements when they come forward from the Greater Manchester Fire and Rescue Service. I cannot do that, but I give my assurance that they will be considered, alongside the comments he made about the need for this.

There have been huge budget pressures on the fire and rescue services, but noble Lords should know that, in the latest round of funding, a considerable amount of money was allocated specifically to these services: about £33 million, as well as some top-slice grant in the latest £1.6 billion for local government. In addition, we recognise that there is a real need to increase funding for the protection pillar of the fire and rescue services. There is £20 million of surge funding support to enable that to happen.

The noble Baroness, Lady Wilcox, raised the issue of the rise in average response times. My understanding is that fire and rescue services are measuring response times in three segments: call handling, mobilisation and driving time. Generally, call handling and mobilisation are speeding up or staying constant, and it is the length of driving time incidents that is increasing. I will write to the noble Baroness on the causes of this, but the latest reported increase was around one or two seconds.

The noble Lord, Lord Stunell, raised not so much the approach to this statutory instrument as the tidying-up operation that has potentially seen a one-sided approach to scrutiny. He clearly agrees with the idea of bringing together the scrutiny functions, but I note his points about the political make-up, and that this may have been avoided with another approach. It was certainly not the intention to reduce scrutiny, but it is far more effective to have a scrutiny panel that mirrors the executive. I am sure that, in due course, elections and the changes of democracy will enable that panel to change over time, as they so often do.

Finally, I thank the noble Lord, Lord Kennedy of Southwark, for raising the cost of waking watches. It is fair to say that this cost goes up the longer the remediation work on tall buildings with flammable cladding carries on. I have asked my officials to look at the very great differences in waking watch costs between buildings, to shine the spotlight of transparency. I am also aware of what many early adopter developers and social landlords have done to reduce waking watch costs, including the installation of evacuation alarms. Above all, I am pleased to say that there is huge cross-party support from the Secretary of State, the metro mayors, a significant number of council leaders in our metropolitan cities and 20-odd boroughs

in London for the building safety pledge, which will ensure the continuation of essential building work on tall buildings with flammable ACM cladding during the Covid pandemic. I thank all noble Lords for their contributions.

I want to provide some more examples of the positive things we are seeing in Greater Manchester, having raised the issue of the report of the noble Lord, Lord Kerslake. I was actually wrong about the level of volunteering: I would like to put on record that apparently there are nearer 500 volunteers in Greater Manchester and I thank them for all they are doing—driving people to hospital, supporting the ambulance service and other things in the course of this pandemic. There are some incredible examples of collaboration in Greater Manchester between the fire and rescue service and the police; for instance, fitting target-hardening measures at homes that are at risk of fire, which has successfully continued even during the current lockdown. Multiagency training has helped partners involved in emergency response and it is envisaged that regular multiagency training, developed through a closer relationship with the districts, facilitated by the deputy mayor, will help to improve all agencies’ responses to large-scale incidents such as pandemics, flooding and fires. The third example is a fire plan which has been developed jointly with the Greater Manchester police and community safety partnerships. Community safety is a key priority and this pre-existing framework will help the Greater Manchester Fire and Rescue Service integrate an approach that supports vulnerable residents at a local level.

Today’s order will provide a clearer line of sight for the exercise of fire and rescue functions. It will make clear to the public who is responsible for which decisions and help them understand the governance process. Importantly, it will also help to ensure that collaboration is implemented more efficiently and effectively by bringing those functions together into one place so that best practice is shared and strategic risks are reviewed across both services. Cognisant of the statutory duty introduced by the Policing and Crime Act 2017 for the emergency services to collaborate, the GMCA recognised that allowing the mayor to delegate the exercise of fire and rescue functions to the deputy mayor for policing and crime would enable the deputy mayor to accelerate the pace of change, ensuring that collaboration is implemented, as well as interoperability across the blue-light services, more effectively and efficiently.

The joining up of policing and fire functions under the deputy mayor for policing and crime will enable quicker decision-making at the appropriate level. It also mirrors the arrangements for police, fire and crime commissioners. Who can delegate police and fire functions to their deputies. As I mentioned earlier, the need for better interoperability between blue-light services was made all the more compelling in light of the findings of the report of the noble Lord, Lord Kerslake, into the tragic Manchester Arena attack. A single individual overseeing both the fire and rescue and policing services is best placed to drive greater collaboration and interoperability between blue-light services.

In closing, the Government firmly believe that democratically elected mayors matter. Today’s order confirms the request of the Mayor of Greater Manchester and serves to clarify and improve governance

[LORD GREENHALGH]  
arrangements for fire and rescue in that great city. I firmly believe that the order serves the interests of the people of Greater Manchester, and I commend it to the House. I beg to move.

*Motion agreed.*

7.23 pm

*Virtual Proceeding suspended.*

## Arrangement of Business

### Announcement

8 pm

*The announcement was made in a Virtual Proceeding via video call.*

**The Deputy Speaker (Baroness McIntosh of Hudnall) (Lab):** My Lords, the Virtual Proceeding on the Statement will now commence. I will call the Statement and the Minister will repeat it in the usual way. I will then call the Front-Benchers and the Minister to respond. After that, we begin the period of Back-Bench questions, which has been extended to 30 minutes. I will call each Back-Bench Member on the speakers' list to ask a supplementary question and the Minister to answer. Each speaker's microphone will be unmuted prior to their supplementary question and returned to mute once their supplementary question has finished.

## Covid-19: Department for Work and Pensions Update

### Statement

8.04 pm

*The Statement was made in a Virtual Proceeding via video call.*

**Baroness Scott of Bybrook (Con):** My Lords, with the leave of the House, I shall now repeat a Statement made yesterday by my right honourable friend Thérèse Coffey, the Secretary of State for Work and Pensions. The Statement is as follows:

“With permission, Mr Speaker, I will make a Statement updating the House on the work of my department. I want to pay tribute to the civil servants in my department as well as to contractors and partners who have been working tirelessly to provide help and support to those in need. They are the hidden heroes for many people in this country. They should take great pride in their hard work and dedication to supporting people through these difficult times.

Since 16 March to the end of April, we have received over 1.8 million claims for universal credit, over 250,000 claims for jobseeker's allowance and over 20,000 claims for employment support allowance. Overall, this is six times the volume that we would typically experience, and in one week, we had a tenfold increase. The rate for UC claims appears to have been stabilised at about 20,000 to 25,000 per day, double that of a standard week pre Covid-19.

I am pleased that my department is standing up to the challenge. We have redeployed a significant number of DWP staff, about 8,000 so far, and staff from other government departments, about 500 so far, to process these claims. Our payment timeliness for universal credit

is running at a record high. We have also issued almost 700,000 advances to claimants who felt that they could not wait for their first routine payment, and the vast majority of these claimants received their money within 72 hours.

Where possible, and mindful of risk, we have also streamlined our processes. We will consider carefully learnings from this time in the response phase on whether any of them can be made permanent. We have also sought to make it possible for people to work from home and have already deployed 10,000 computers. We are now at a level of deploying 750 new devices a day to enable working from home and have added to the IT capacity for remote users.

However, where staff need to continue to work at the office, we are applying social distancing. From 17 March, we suspended all face-to-face assessments for health and disability benefits. We automatically extended awards for existing claimants that were due to be reassessed by three months and will undertake reviews or reassessments only when claimants notify us of changes which could lead to a higher payment. Any claim made under the special rules for terminal illness continues to be fast-tracked, it taking an average of six days to process these claims. From 24 March, jobcentres have not been open for regular appointments, but we have continued to offer face-to-face appointments in exceptional circumstances, when claimants would otherwise not be able to receive support. Claimants can continue to receive support over the phone or through their online journals. All local jobcentres have been turned into virtual processing teams, prioritising advances and the registration and payment of new claims. We have also been pairing jobcentres across the country to support each other with processing, fully using the capacity of our network.

This focus on the processing of claims has also meant that we stopped checking the claimant commitment regarding looking for and being available for work for three months. However, we want claimants to continue to look for work wherever they are able to do so. Ministers are working hard to ensure that existing vacancies can be accessed by people who have been made unemployed, and we will continue to support those people while they are waiting for the opportunity for work. We have created a new website to guide people, [jobhelp.dwp.gov.uk](http://jobhelp.dwp.gov.uk), and we have 58,200 vacancies advertised.

While our IT systems worked, thanks to extensive work by the universal credit team, including our contractors, I know that some claimants experienced significant delays in verifying their identity. Identity checks are crucial in reducing fraud risk, so we worked closely with the Cabinet Office substantially to increase the capacity of the online Verify system. Average wait times are now below five minutes. Call volumes have also been extremely high, with over 2.2 million calls in one day at our peak. Recognising again the delays people were experiencing—or indeed not being able to get through at all—we turned this around with our “Don't Call Us, We'll Call You” campaign. A bolstered front-line team now proactively calls claimants when we need to check any information provided as part of the claim. This has been very successful in freeing capacity and reducing the time customers need to spend on the phone.

Regarding other operations of the department, while we have redeployed staff we have kept critical work ongoing in child maintenance and bereavement. We are monitoring our performance and will return staff to these areas if the response rate becomes unacceptable. On pensions, we have cancelled the pension levy increase, supported defined contributions through the job retention scheme, and worked with regulators to assist DB pensions and combat scams.

I think it is worth reminding the House of our financial injection of over £6.5 billion into the welfare system so that it can act as a safety net for the poorest in our society. We focused on changes that could be made quickly and would have significant positive impact. We have increased the standard rates of universal credit and working tax credit for the next 12 months by about £1,000 per year. We have increased local housing allowance rates for universal credit and housing benefit claimants, so they can now cover the lowest 30% of local rents. We also increased the national maximum caps, so claimants in inner and central London should also see an increase in their housing support payments.

I have been made aware that some councils have not made the adjustment in housing benefit, and my department is communicating with them all this week. Furthermore, across England we had already increased the discretionary housing payments by an extra £40 million for this financial year.

The 1.7% benefit uplift was implemented in April, ending the benefits freeze, and the state pension rose by 3.9%, as per the triple lock, reflecting last year's substantial rise in average earnings. We have also introduced regulations to ease access to benefits. We legislated to allow access to employment and support allowance from day one of a claim. We relaxed the minimum income floor so that the self-employed can access universal credit more easily. We have also made it easier to access ESA by launching our ESA portal for online applications. We legislated to ensure that employees had statutory sick pay available from day one of sickness or self-isolation due to Covid-19. I remind the House that statutory sick pay is the legal minimum.

We will continue to look at issues that arise—for example, we are ensuring that maternity pay is based on standard pay, not furloughed pay levels—and will see what we can do quickly and straightforwardly to fix either unintended consequences or unforeseen issues. But it is not my intention to change the fundamental principles or application of universal credit.

A significant project that we have undertaken is to support MHCLG and the national shielding service by establishing the outbound contact centre. Furthermore, we use this contact centre to proactively contact the most vulnerable customers, who receive their benefits or pensions solely through Post Office card accounts. I want to thank the Post Office for helping us to support this group of customers. We have been able to provide contact-free cash payments by Royal Mail special deliveries. We were also able to signpost people to extra support from their local council.

I can also inform the House today that the DWP will stop any new benefit and pension claimants from using the Post Office card account from 11 May, as we prepare for the end of this contract. The uptake of

accounts in the past year has been exceptionally low but, in any event, given that the vast majority of people using POCA already have a bank account, the cost of the contract is poor value for taxpayers. Existing customers who currently receive payment through the Post Office card account will see no change and will continue to receive payment into their accounts for the remainder of the contract period. We can use the HMG payment exception service for people who cannot access any bank account.

I want also to thank the Health and Safety Executive for its work on Covid-19. It is an arm's-length body for Great Britain that is sponsored by my department. It has been doing crucial work with the Department for Business, Energy and Industrial Strategy and Public Health England to provide guidelines for employers to adhere to once restrictions can be eased. The HSE is working hard, along with local authorities, to enable work to continue safely in the sectors for which it is responsible. It has developed practical guidance and is enforcing the law where workers are exposed to unnecessary risk.

My department is standing up to the challenge of unprecedented demand for our services and we are getting support to those who need it. We will continue to work across government to help the nation get through this health emergency. I commend the Statement to the House".

8.16 pm

**Baroness Sherlock (Lab):** My Lords, I thank the Minister for repeating that Statement. I want to record our thanks to each member of staff working on the DWP front line for all they are doing during this crisis to process the unprecedented volume of claims that have been made.

I want to say at the outset how much we welcome each of the steps that the Government have taken to improve the welfare state to deal with this crisis, but the social security system that we had going into the crisis was a safety net with holes in it. I am glad that the Government have recognised the need to start shoring some of those up.

Labour has five proposals to enable the social security system better to respond to the crisis. The first is to increase legacy benefits. The Government have increased universal credit by £20 a week for this year, but those on legacy benefits such as JSA or ESA do not get that increase. More than 100 charities point out that this discriminates against disabled people. Can the Minister explain that?

The second proposal is to suspend the benefit cap. The House of Commons Library estimates that at least 18,000 extra families in Great Britain could be hit by the cap as a result of the increase in UC and housing help. That would take the total number of families affected this year to over 100,000. The cap affects not just big families; half of those 18,000 families have only one or two dependent children. More often, it is the high cost of housing. Ministers normally say, "You can escape the benefit cap by getting a job, working more hours or moving to cheaper housing", but all those are impossible during this crisis. No wonder so many bodies, from the IFS to CPAG, are calling for the cap to be suspended. Will the Government do that now?

[BARONESS SHERLOCK]

Thirdly, suspend the savings limit in universal credit. Anyone with savings of over £16,000 is banned from claiming UC altogether. That does not happen in tax credits, where the means test simply takes account of any income from savings. Why should someone who has put money aside for a housing deposit or is saving for a substantial item be completely frozen out of universal credit? They paid into the system when they were able to work, so should it not be there for them now? Will Ministers review those savings limits?

I have a brief question. Can the Minister tell me whether this would affect someone who is self-employed and who had a viable business that has collapsed since the Covid crisis? The Government have put back the date for paying tax. If you have that money sitting in your bank account, would it be treated as savings income and thus stop you getting universal credit?

Fourthly, remove the two-child limit. Ministers argued for this policy on the grounds that those who receive social security benefits should have to make the same family choices as those who do not. That was always a deeply flawed argument, but this crisis shows the absurdity of it. Some 2 million people have applied for benefits over the past few weeks. Do we really think that when, three years ago, some of them decided to have another child, they could possibly have imagined that a global pandemic would virtually shut down our economy? The policy is pushing ever more children deeper into poverty, so will Ministers please think about it again?

Fifthly, end the five-week wait for universal credit. I know that I go on about this a lot, but it is simply wrong that people have to wait five weeks for their money, or else they take a loan that will be deducted from future payments that will leave them with less to live on each month than the basic universal credit amount. That five-week wait has been the single biggest driver of housing arrears, short-term debt and food bank usage, so will Ministers act now to either end it or give grants instead of loans?

I want now to ask some specific questions. First, given that the noble Baroness, Lady Scott, is standing in for the Minister, I recognise that she may need to write to me in response to some of them. However, I would really appreciate some specific answers. First, she mentioned that the Government have now allowed maternity and adoption pay and maternity allowance to be calculated on salary rather than on furlough pay, which may be lower. Will they now backdate payments to women who have already had their payments calculated on their furlough pay rather than their full salary?

Secondly, universal credit disregards statutory maternity pay when it applies to the work allowance, but it does not do that for maternity allowance, which is the benefit paid to many low-income women. This means that a low-paid pregnant woman could be as much as £4,000 a year worse off. Will the Minister correct this?

The Minister went on to mention how people are struggling to get through to the DWP on the phone. She talked about the “Don’t call us, we’ll call you” approach? Can she explain that? If I want to call the DWP and I cannot get through, can I leave a message and will someone call me back? If so, on average how long will it take—or is it simply that the department

will call me only if it wants information? People need help in the first place, and they ought to be able to get through.

This crisis has revealed two things. It has shown how unjust and unequal our labour market is, and it has also shown how our basic welfare state has been quite significantly eroded in recent years.

The Secretary of State told the Commons yesterday that universal credit was only there to help the poorest in society. I do not think that it is giving enough help to them. Our welfare state is meant to provide a safety net to support any of us who are hit by a crisis. Like the NHS, it is a means of pooling our risk because we do not know who will be affected by disability, unemployment or bereavement, or indeed by a virus. How many of the millions of people who have claimed universal credit of late ever thought that they would need help from the welfare state? We all know of people who have been paying in all their lives expressing shock at how low SSP is and how low benefits are, probably because they have heard Ministers claim for so long that the benefits system is far too generous—even though we know how really ungenerous it is for many people.

As the Government plan for the recovery and not just the immediate response, is the department looking at all of the recent learning and thinking about how best to use the system to address the inequality, poverty and insecurity which have been revealed by this crisis? I look forward to the Minister’s reply.

**Baroness Janke (LD):** I thank the Minister for repeating the Statement and I would also like to thank the staff of the DWP for their commitment to answering and addressing the huge additional workload which is the result of the current crisis. What is clear is that, despite their hard work, there are now many people in desperate straits who are struggling to survive. Many people whose income has dropped to zero have been trying desperately to access money through universal credit to meet their daily needs. They cannot wait the required five weeks when they have no money and a family to feed. Equally, people with no income cannot be expected to pay back any emergency advance.

The two-child limit hits families with children hard and is a major factor in causing child poverty, which is now at 4 million and thus one of the highest rates of childhood poverty in Europe. The benefit cap seriously hits families with children, in particular the poorest. As the noble Baroness, Lady Sherlock, has just said, it affects people on low pay with insecure jobs. It is a major problem in the current situation for people who are on such very low incomes.

I would ask the Government to consider taking the following crisis measures to help those who are most in need. First, the initial universal credit payment should be sent after five days rather than five weeks, and the clawing back of UC advance payments should be suspended. The Government should suspend the two-child limit and the benefit cap for at least three months, subject to a further review. They should suspend all benefit sanctions and introduce an additional dedicated hardship fund via local authorities for people in urgent need who cannot access funds through universal credit. I look forward to the Minister’s response.

**Baroness Scott of Bybrook:** I thank both noble Baronesses. I realise that I am quite new to this, but they have a large amount of knowledge and experience. I will start with the five questions put by the noble Baroness, Lady Sherlock. The first was about increasing legacy benefits. If we had those in place now, the whole system would have been far slower than universal credit. We have looked at the people who are in most need and who need their benefits much more quickly. Much of the change has been to put money into those things, but we will continue to look at all other benefits as we move forward.

Suspending the benefit cap will not happen; the Government are not looking to do that. The savings limit is there because universal credit is to support those people who cannot support themselves. For the self-employed, the savings limits can be used for pensions or tax purposes. That might help some self-employed people who have to go into universal credit. The two-child limit has been discussed continually. The Government have no plans to change it. The policy ensures fairness by asking families getting benefits to make the same financial choices as people who support themselves solely through work. However, exemptions and safeguards are in place and I urge the noble Baronesses to look at those.

The five-week wait has also come up many times in the Chamber. About half a million advances have gone through already on the basis of 13 payments in 12 months. I think people are beginning to understand how the advances can be paid back. They are now being paid quickly—within 72 hours—so there should be fewer problems with people requiring food banks and such things, as referred to by the noble Baronesses. Councils also have emergency funds for anybody who needs help in those 72 hours; this needs to be better communicated.

The noble Baroness, Lady Sherlock, asked about maternity allowances. This was brought up in the other place yesterday. I will certainly make sure that she gets a full answer on this, rather than me trying to answer it. Maternity allowances are now paid on full salaries, not on furloughed ones, which is a good move. I do not know about the DWP on the phone, but I have heard good case histories of people who have been phoned by the DWP who were not expecting it but who were pleased to have had the call. So we probably do ring them, but I will get the noble Baroness an answer to her question.

I know that, from her background, the noble Baroness, Lady Janke, knows a lot about what local authorities can do to help people through these difficult times. I have answered the questions about the two-child limit and the benefit cap. Advancing universal credit to five days is important; I cannot add anything further.

8.30 pm

**Lord Balfe (Con):** I thank the Minister and the staff of the DWP for this amazing effort. We should really be loving not only the NHS, but the DWP. I am reminded during this crisis of the old saying that politics is about giving other people's money away. There has to be a limit to how much we can spend. I would like the Minister to tell us, first, what is being done to advertise these 58,000 vacancies, because everybody who takes one is

someone who is not reliant on public funds. Secondly, at the risk of being unpopular, I remember the outpouring of sympathy after Grenfell Tower but none the less, a number of people were convicted of fraud. Is the DWP still vigorously pursuing people who are wrongly claiming? I am sure that there are some and we should not let the present situation blind us to the fact that some people might be trying to take advantage of it.

**Baroness Scott of Bybrook:** I thank my noble friend. Yes, there are still 58,000 jobs on the website. It is a new website and it is easy to access. For anybody who is still looking for a job—I know that there are jobs and schemes for fruit and vegetable picking this summer for those people who might be furloughed but still want to work—the website is there. We are still encouraging people to go for jobs that can be done safely. As far as fraud is concerned, the capacity in the system at the moment is creating difficulties, particularly for lawyers in the department, because of everything else that they are doing. I will get an answer to my noble friend on what we are doing about that.

**Baroness Drake (Lab):** My Lords, it took 16 years to get consensus and fully implement pensions auto-enrolment, so I certainly welcome the decision to maintain employers' auto-enrolment duties, thus avoiding undesirable consequences and the negative impact on younger generations, and the fact that the job retention scheme allows grants to cover employers' statutory contributions for furloughed workers. However, with 6.3 million furloughed workers, that scheme cannot suddenly cease without triggering widespread redundancies and loss of earnings. Are the Government committed to maintaining adherence to employers' auto-enrolment duties in the rebuilding of the economy? What discussions is the DWP having with the Treasury on the manner and timing of the phasing down of the job retention scheme, the consequential increase in the number of benefit claimants, and the number of furloughed workers becoming redundant? Finally, I too thank DWP staff.

**Baroness Scott of Bybrook:** I thank all noble Lords who have spoken so far who have thanked the staff in the DWP, who have been amazing and are still under huge pressures. The noble Baroness asked a lot of very detailed questions that I will not try to answer at the moment, but I promise her a written response as soon as I get back through to the office tomorrow.

**Baroness Thomas of Winchester (LD):** My Lords, I am concerned about online appeal tribunals for PIP appeals that do not allow tribunal members to question claimants directly by speaking to them, as they can in face-to-face tribunals. Could this not be done by phone, as well as online?

**Baroness Scott of Bybrook:** I thank the noble Baroness very much. I know that this issue is dear to her heart. However, in line with government guidance, face-to-face hearings obviously had to be stopped. First-tier Tribunals—ones for social security and child support issues—have been replaced with telephone hearings and the use of other remote hearing technologies. As many of those hearings as possible have to be held remotely. All parties in the hearings are being contacted directly to

[BARONESS SCOTT OF BYBROOK]

confirm how they can be part of that tribunal. We are also working very closely with our colleagues in HMCTS, who continue to undertake paper-based and telephone hearings. The DWP continues to join these when directed to do so. What is important is that we are working with HMCTS to test video hearings, because that would be a great way forward.

**Baroness Meacher (CB):** My Lords, I am grateful to the Minister for the Statement and for the short-term loosening of the sanctions regime.

Covid-19 is not a three-month problem. As the UK comes out of the pandemic over the next year—if it does—we will find ourselves with many broken sectors in the economy and millions of unemployed workers. One of the most serious consequences of the pandemic—there will be many—will be the re-emergence of high levels of long-term unemployment, last seen in the 1980s. In view of this grim reality, will the Minister ask her colleagues for a full-scale review of the sanctions regime upon which universal credit is based? Minor adjustments here and there will not make a significant difference: we need active labour market policies. In the 1980s, unemployed young people who were out of work for six months or more were offered work in the public or charity sectors and paid the rate for the job, probably something like the minimum wage. Importantly, they did not lose their capacity to work, their confidence or their mental health. Idleness destroys us all. Yes, it would cost money, but the benefits would outweigh the costs by a very big margin. I ask the Minister for her response to this proposal.

**Baroness Scott of Bybrook:** The department is keeping all welfare changes under continual review. Not only that, it is already working on forward planning for when the economy first starts to increase again. As the noble Baroness says, there may be more unemployment. We are therefore working on how we can deal with that and support people back into work, although it may not be the same work. All that work is being done in the department at the moment.

**The Lord Bishop of Durham:** My Lords, I thank the Minister for repeating the Statement. I add my thanks to all those in DWP for the incredible amount of work that they are doing.

I want to return to the two-child limit. I am sorry but it simply will not do to keep parroting back the same answer every time we raise this issue. Today, the Church of England and the Child Poverty Action Group published our latest information and a report on the impact of the limit. It includes evidence from the early days of the Covid crisis. Sixty thousand more families will be impacted. The policy is utterly flawed. I have been assured by Minister after Minister that if we give them the evidence, they will re-examine the limit. It is time that it be re-examined. Please agree at least to look at our report and re-explore the arguments around this issue.

**Baroness Scott of Bybrook:** I thought that the right reverend Prelate would speak on this. There are no plans to change the two-child limit, as he knows, but if a new report is out, I will of course make sure that the DWP responds to it.

**Baroness Lister of Burtersett (Lab):** My Lords, I too thank DWP staff for their amazing work. I welcome the increase in the UC standard rate but in the face of accumulating evidence of serious hardship, even hunger, among families with children—and the stated intention to help those in greatest need—why have the Government resisted growing civil society calls for an increase in child benefit or other benefits for children? Given that it takes only two months to implement the uprating of legacy benefits from when they were agreed by Parliament, will they reconsider their refusal to increase legacy benefits on technical grounds? At the very least, will they consider a one-off bonus to compensate for not doing so?

**Baroness Scott of Bybrook:** I thank the noble Baroness for her question. This is an unprecedented time. The department has looked at how it can invest more money, in a way that is quick and simple to deliver, into the benefits system. That is what we have done, particularly with our increases in universal credit. That is the best way we can ensure that the money—£1,000 a year—is going to families with children. It has been done quickly and speedily; that has to be the way to do it.

**Lord Addington (LD):** Will the Minister look into reports that some of the 3 million European citizens staying over here are having problems being eligible for the support of the system? If this is true, it means that people here who have contributed are not getting the support that they deserve. Can the Minister give an undertaking that this will be looked at and that we will get a cohesive answer back? This really is not on.

**Baroness Scott of Bybrook:** Yes, I will be happy to take that back to the department. It has come up before, and we should be doing some work on it with the Home Office. I will certainly take this back.

**Lord Ramsbotham (CB):** What is the situation regarding those released from prison? Before Covid-19, they could not go to jobcentres to apply for universal credit until they had been released. The Statement said that jobcentres have not been open since 24 March, so what are released prisoners meant to do?

**Baroness Scott of Bybrook:** I do not know what they do in the prisons before they are released, but when they are released, they can go online, because universal credit is an online system. They can also use the telephony service to get advice. I will get a further briefing for the noble Lord and make sure we have information on everything that is happening and changing for prisoners, before and after they are released.

**Baroness Bennett of Manor Castle (GP):** There is no mention in the Statement of the bedroom tax. I ask the Minister to reflect on its impact in the age of Covid-19—the impact on the education of two under-16s having to share a room; the impact on people's mental health in these difficult circumstances; the impact if someone in the household is ill and has to self-isolate. The bedroom tax affects everybody. It is obviously difficult to reverse this quickly, but there are two things the Government could do. First, claims have 13 weeks' grace; that could be extended, since it is

impossible to move. Secondly, will the Government consider extending that period for people coming up to the first anniversary of a death, where the bedroom tax kicks in?

**Baroness Scott of Bybrook:** We have no plans to change the bedroom tax, but I will take those two issues to the department. I know that it can be an issue when people are in small houses with a large number of people self-isolating.

**Baroness Kennedy of Cradley (Lab):** My Lords, I thank the Minister for agreeing to look into the issue raised by my noble friend Lady Sherlock as to why an anomaly exists in the way universal credit differentiates between maternity allowance and statutory maternity pay. Thousands of pregnant women are worse off. The anomaly needs to be changed. Does the Minister agree that, following the review of this policy, any subsequent changes should benefit those who have already applied for universal credit during this crisis?

**Baroness Scott of Bybrook:** I thank the noble Baroness, Lady Kennedy. I know that the Secretary of State is looking into this in detail, and I will certainly bring up the question of subsequent changes having such an effect. I will have a look at this, and we will come back with a substantive answer to those questions.

**Baroness Ritchie of Downpatrick (Non-Aff):** My Lords, what further steps—by which I mean the introduction of new legislation—will the Minister and her colleagues take to transform welfare policies to ensure that they are applied with fairness, equality and compassion to bring about a reduction in poverty?

**Baroness Scott of Bybrook:** I thank the noble Baroness, Lady Ritchie. At the moment, I do not see any new legislation coming through. Currently, we are making sure that the welfare system works for the people who most need it during these difficult times. However, we will learn from what has happened and from the changes we have made. The Secretary of State said yesterday that we will take on board the effects of some of the changes. It is possible that we will continue with those changes, but, as we move forward, we will always make sure that the welfare state is fit for purpose and that it looks after the most vulnerable in our society.

**The Earl of Clancarty (CB):** My Lords, there is a particular concern in the creative industries that many will not be able to return to work for a long time yet, as theatre, music and other venues will be among the last working environments out of the lockdown on account of the clearly huge difficulties around social distancing. Many of these workers are self-employed. Are there plans to extend the period covering claims for the SEISS, and indeed for the job retention scheme? Otherwise, come the summer, there will again be a significant increase in claims for universal credit.

**Baroness Scott of Bybrook:** I thank the noble Earl. I know how much concern he has for this sector. These arrangements will be kept under review the whole time. Obviously, if parts of that sector cannot come

back into full production, one assumes that the Government will look favourably on them. However, we have to go step by step. As I said, we are dealing with a new phenomenon and will have to keep all these matters under continual review.

**Lord Purvis of Tweed (LD):** The Scottish Government's options paper, which they published today, shows very clearly that, going forward, there will be a different approach to social care, employability, and relaxing some of the social distancing measures and aspects of the lockdown. Other than the HSE reference in the Statement repeated by the Minister, which parts of the Statement cover the United Kingdom as a whole and which parts cover only England? There is now a UK-wide welfare system and a ministerial working group has been established to discuss the interaction between Scotland and England on welfare. However, it last met six months ago. Why has it not met more recently to discuss the interaction between the two? Given that the Minister has not been able to answer many questions on the Statement today, would it not be appropriate for the Government to bring this issue back to the House in government time for it to be debated fully, with substantive answers being given to all the points that have been raised?

**Baroness Scott of Bybrook:** I thank the noble Lord. Many of the points raised today have been raised before in a number of recent debates, but I am sure that there will be other debates on the welfare system as we move forward through this difficult period. As for the changes that will happen in England—they possibly differ from what is happening in Scotland at this time—we will know more this Sunday, I believe, when the Prime Minister will talk about the way forward.

**Lord Berkeley (Lab):** My Lords, I am grateful to the Minister for her Statement. In particular I congratulate the Health and Safety Executive staff, who have produced a very wide range of important activities, all designed to keep the workforce safe. However, I suggest that the guidelines it produced on social distances are pretty feeble, because for employers who do not comply—that is practically every employer in the land—the remedy in the guidelines is that,

“we will consider taking a range of actions”,

including

“the provision of ... advice ... through to ... enforcement”

actions. Will the employers notice any of this? Perhaps the Minister could write to say how many enforcement actions were taken against employers in the last year. Surely the answer is to have binding and enforced standards for this purpose.

**Baroness Scott of Bybrook:** I thank the noble Lord. I will get him the numbers of enforcement actions, which I do not have in my briefing pack, but if there have been any I will certainly let him know. However, much of what we are doing is in guidance and we are a country that works by consensus. It would be more difficult, and I think we would have to have more legislation, if we were to place a much stronger effect on any employer who does not comply with the guidance.

[BARONESS SCOTT OF BYBROOK]

My Lords, I am going to go and turn my light on, but the noble Baroness, Lady Bull, should go on.

**Baroness Bull (CB):** My Lords, perhaps we might have some light shed on whether any consideration has been given to a job retention scheme that operates on the basis of a part-time furlough. This would maximise the work that people can carry out during this period and support longer-term viability. It will be particularly important in the recovery period for those businesses which have to wait for other businesses to gear up. In the creative industries, for instance, post-production or special effects companies cannot fully get back to work until filming has started and content has been made. Might part-time furloughing be one way to address this?

**Baroness Scott of Bybrook:** Yes, I thank the noble Baroness. That is a really good idea and I know that it has been brought up in other places, because some jobs will not be as full-time as they were, yet people can still get out to do useful employment. I will take that idea back to the department and come back to her when it has considered it.

**The Deputy Speaker (Baroness McIntosh of Hudnall) (Lab):** My Lords, we have reached the end of the speakers' list for the Statement well within the allocated 30 minutes. I thank all noble Lords for their contributions. The day's Virtual Proceedings are complete and are adjourned.

*Virtual Proceeding adjourned at 8.54 pm.*



**Volume 803**  
**No. 54**

**Tuesday**  
**5 May 2020**

---

**CONTENTS**

**Tuesday 5 May 2020**

---