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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

ORDER OF BUSINESS

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

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

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

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

House of Lords

Monday 10 October 2022

11 am

Prayers—read by the Lord Bishop of Coventry.

Introduction: Lord Markham

11.06 am

Nicholas Francis Markham, CBE, having been created Lord Markham, of East Horsley in the County of Surrey, was introduced and took the oath, supported by the Earl of Courtown and Lord Kamall, and signed an undertaking to abide by the Code of Conduct.

Arrangement of Business

Announcement

11.10 am

Baroness Williams of Trafford (Con): My Lords, as noble Lords will know, the House will sit early today for oath taking. A number of noble Lords have taken the oath in the last few weeks, and it seems to work well if noble Lords proceed from Peers' Lobby, take their oath, proceed out and then come back in, in a clockwise direction. I am sure that it will go swimmingly.

Oaths and Affirmations

11.11 am

Several noble Lords took the oath or made the solemn affirmation.

2 pm

Sitting suspended.

Death of a Member: Lord Sheikh

Announcement

2.30 pm

The Lord Speaker (Lord McFall of Alcluith): My Lords, I regret to inform the House of the death of the noble Lord, Lord Sheikh, on 22 September. On behalf of the House, I extend our condolences to the noble Lord's family and friends.

London Olympic and Paralympic Games 2012: Legacy

Question

2.31 pm

Asked by ***Lord Holmes of Richmond***

To ask His Majesty's Government, further to the 10th anniversary of the London 2012 Olympic Games and Paralympic Games, what additional steps they will take to stimulate the ongoing sporting, social, cultural and economic legacy from those Games.

Lord Holmes of Richmond (Con): My Lords, I beg leave to ask the Question standing in my name on the Order Paper and add that it is a privilege to ask the first Question in your Lordships' House to His Majesty's Government.

The Parliamentary Under-Secretary of State, Department for Digital, Culture, Media and Sport (Lord Kamall) (Con): We have built on the legacy of the London 2012 Olympic and Paralympic Games by hosting a number of major sporting events, including this year's Birmingham Commonwealth Games, the UEFA Women's Euros and the forthcoming integrated Rugby League World Cups. We have also seen a number of initiatives in grass-roots sport. We are very proud to have a world-leading sports sector, and the Queen Elizabeth Olympic Park attracts over 6 million visitors a year, creating thousands of jobs and homes.

Lord Holmes of Richmond (Con): My Lords, the Lionesses this summer and the Birmingham Commonwealth Games demonstrate the continuing sporting legacy from London 2012. Does my noble friend agree that there are also continuing economic, social and cultural benefits? In his new role—I welcome him to the Front Bench for DCMS—will he spearhead the initiative from his department to ensure that, for the next decade, we continue to reap all the benefits of that golden summer of sport in 2012?

Lord Kamall (Con): I thank my noble friend for that warm welcome. Indeed, if noble Lords will allow me, I also thank the Labour Front Bench and others for welcoming me to my new post. I look forward to working constructively with noble Lords across the House. On my noble friend's question, he is absolutely right that it is important not only that we continue to see the social, economic and cultural benefits of hosting these events but that we learn from these events. For example, from the things that we learned from London 2012, when it came to the Commonwealth Games, we asked whether we always need brand-new facilities or whether we could upgrade existing facilities that would definitely be used by the community in the future. There are a number of lessons that we learn from each of these events.

Lord Grocott (Lab): My Lords, is not one of the huge benefits of the circumstances in which the Olympic Games took place the fact that they were available on free-to-air television as one of the listed events? Does the Minister share my concern that, over the years, there has been a seemingly inextricable tendency for successful national sporting events to move from free-to-air television to subscription television? Does he think that—with, for example, no international cricket or international golf among the listed events—it is high time that the list was revised?

Lord Kamall (Con): The noble Lord makes an important point, which a number of noble Lords have raised with me since I took on this position. While there are some events for which there is a lot of consensus that they should be free to air, there are others who say, "Maybe not that sport or this sport or this event." It will require a lot of conversations to make sure that we have a list on which there is wide consensus.

Baroness Bull (CB): My Lords, one of the hopes of the 2012 Olympics was that they would inspire a generation not just of athletes and participants but of volunteers. We saw a remarkable upsurge in volunteering

[BARONESS BULL]
during the Olympic Games. Unfortunately, the figures since have shown a dramatic decline and there seems to be some lack of co-ordination in galvanising the opportunity presented by occasions such as the Olympic Games. What role do the Government have in ensuring that these volunteer programmes are built and grown after such events, rather than being allowed to decline?

Lord Kamall (Con): Volunteering did increase in the years after London 2012, halting what had been a long-term decline, and more than half of the 70,000 London 2012 Games makers continue to volunteer in their communities. One of the things I am very happy about, having moved departments, is that I am now the Minister for Civil Society, and one of the things I am talking about is how we encourage more volunteers and more local champions who want to set up a project in their local community. One of the ideas we are looking at is that you can put your postcode into a civil society portal, for example, and offer yourself as a volunteer or have your hand held while you set up a local community project.

Lord Watts (Lab): My Lords, do the Government think they have got the priorities right? We seem to spend an awful lot of money on elite sports, but grass-roots sports seem to be neglected. Should we not put more money into the grass-roots rather than elite sports?

Lord Kamall (Con): A variant of that is that we want to see elite sports themselves put money into grass-roots sport. We are working in partnership with Sport England, for example, and its 10-year strategy called *Uniting the Movement*. That reinforces a commitment to more participation in sport. Sport England has also invested an additional £20 million in the together fund, previously known as the tackling inequalities fund, to reach underrepresented groups in many communities. It is also investing money in multi-use grass-roots facilities between 2022 and 2025. The important thing is that this should not be just about elite sports but should reach right down to local communities.

Baroness Garden of Frognal (LD): My Lords, I had the great privilege of being the Olympics Minister in 2012, which surprised many people who knew me well, but it was fascinating. Part of the point was to get schools more engaged in sport. We all know that many state schools do very little sport. What are the Government doing to make sure that all schools have access to sports facilities?

Lord Kamall (Con): This issue came up in the Health and Care Bill, funnily enough. I remember, when we were talking to noble Lords who raised this, that we raised the issue of the cross-government participation committee. That is now being reviewed, but what we are looking at now, given the learning, is what may need to be tweaked. There will be an updated strategy, but we want it to be cross-government, cross-department and co-ordinated to ensure that we encourage more participation, not only in schools but in out-of-school activities as well.

Lord Kirkhope of Harrogate (Con): My Lords, while I welcome the initiatives the Government take to support sport, and support the Question from my noble friend, will the Minister comment on sponsorship? We are always welcoming financial involvement by organisations, commercial and otherwise, but there is concern that some of the sponsors in sport nowadays are putting forward messages that are not necessarily in line with a positive attitude in bringing on young people, in particular, in sports.

Lord Kamall (Con): My noble friend raises a very important point. I am not sure of the exact details, so I will have to take that back to the department and write to him.

Lord Bassam of Brighton (Lab): My Lords, the Birmingham Commonwealth Games may have ended only a couple of months ago, but has the department undertaken an initial assessment of them? If we are to build a lasting legacy from the Games we need to understand, as we did with the London 2012 Olympics, what worked and what did not. One of the big hopes of the Government was that external partnerships and sponsorships would drive forward regeneration of Birmingham. Perhaps the Minister can offer us an early insight into whether any of this is going to bear fruit.

Lord Kamall (Con): The noble Lord is absolutely right. When we looked at the legacy of the 2012 Olympic Games and subsequent sports events, we learned something from each sports event. One thing that was learned in time for Birmingham 2022 was that, rather than necessarily building completely new facilities, we could upgrade or use existing facilities. For example, there was no new velodrome built; we used the London velodrome for the Commonwealth Games. There was a new aqua sports centre built, and that will now be used by the community. In addition, the Secretary of State announced earlier this month that around £60 million of underspent money from the Birmingham 2022 budget will be invested in the local region for the cultural and social legacy.

Lord McNally (LD): My Lords, I was one of those who slightly teased the noble Lord, Lord Hunt, about Birmingham being the host for the Commonwealth Games, but it was a triumph and a success for the region and showed what can be done with using both old facilities and new, as the Minister referred to. Does any part of the Minister's department keep an eye on upcoming sporting festivals for which we can make bids, and for which local regional authorities can be encouraged to make bids, because they do have an impact for the region and the country?

Lord Kamall (Con): Yes, when I was being briefed for this Question, one of our discussions was about whether the Government would think about bidding for future events—not just athletics or major games but others. For example, one of the things we learned from previous events such as the Rugby League World Cup was that we could have concurrent rugby league world cups—the men's Rugby League World Cup, the Women's Rugby League World Cup and the Wheelchair

Rugby League World Cup, around which they announced that they also organised a learning disabilities day. We want to learn as much as possible about whether it is always feasible to integrate these different tournaments rather than keeping them separate, and make sure that any buildings we use can be used by the local community afterwards so that it does not remain purely in the interests of elite sportspeople.

Baroness McIntosh of Hudnall (Lab): My Lords, to take the Minister back to the question from the noble Baroness, Lady Bull, and extend it into his wider brief, is he aware that many arts organisations—particularly small local museums and galleries—are acutely dependent on volunteers? The shortage of volunteers is not just an inconvenience to them but an existential threat. Can he expand a little more on what he expects government policy to do to help that?

Lord Kamall (Con): One of the things I was very reassured by when I came into the department was how seriously it takes volunteering and what it wants to do for it. As I said earlier, we are looking at different ideas around how we can encourage volunteers in their communities—maybe putting their postcodes somewhere and linking them to their local community foundation, which can then signpost them to volunteering opportunities—and at people who want to set up a project when they have seen a problem in their community and want their hands held to set it up. We are looking at the full range of volunteering, from helping existing projects to creating new ones.

NHS: Winter Challenges

Question

2.42 pm

Asked by ***Baroness Merron***

To ask His Majesty's Government what assessment they have made of the challenges facing the NHS this winter.

Baroness Merron (Lab): My Lords, I beg leave to ask the Question standing in my name on the Order Paper and, before the Minister responds, warmly welcome him to your Lordships' House and to his ministerial role. I wish him well.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Markham) (Con): I thank the noble Baroness. If I may respond personally first, I am delighted, honoured and privileged to be taking on this role. I look forward to working with all noble Lords and learning from the vast experience and expertise around the Chamber. The Government are aware of the pressures facing the NHS this winter due to potential surges in Covid-19, the return of respiratory conditions and impacts arising from cost of living challenges. The Government are taking a range of actions, including increasing NHS capacity this winter by the equivalent of 7,000 beds and allocating £500 million of funds to speed up the safe discharge of patients from hospital. We will keep the House updated as we progress.

Baroness Merron (Lab): My Lords, NHS Providers reports that 72% of trusts are extremely concerned about the cost of living impacting on their ability to manage winter pressures, tackle care backlogs and meet targets. Can the Minister tell your Lordships' House what assessment has been made of the impact on health services of the ever-widening gap between the Government's original assumption of inflation and the spiralling increase and, to protect patients, what will be done about it?

Lord Markham (Con): As I am sure the noble Baroness is aware, we are investing an unprecedented amount of money into the NHS and have recruited more doctors and nurses. We are setting up 7,000 new beds to cope with it all. At the same time, I accept that we are in a period of unprecedented challenge from not just the cost of living crisis but the effects of Covid and the likely impact of flu this year. That is why I very much see our role as making sure that that record level of investment is used to the best effect and that we drive performance across the NHS. I am sure we all have lots of examples of brilliant services and examples of where more needs to be done, candidly. My role in this, as someone with a background of business experience, is to try to take those areas of best practice that I have seen in some of the hospitals I have already visited and make sure they are allocated across the whole NHS.

Baroness McIntosh of Pickering (Con): My Lords, I congratulate my noble friend and welcome him to this place. I remind the House of my interests with the Dispensing Doctors' Association. I commend the Government's vaccination programme for this winter, but in rural areas there is a very difficult and dangerous situation where vaccines for the over-65s are not currently available in many rural practices but they cannot vaccinate the under-65s until they have vaccinated the over-65s. Will my noble friend personally take an interest in this matter and ensure that vaccines for the over-65s are rolled out to rural practices as soon as practically possible?

Lord Markham (Con): I think we are all aware of the importance of the vaccine programme, and I know that, to date, we are following the medical advice as to who the priority groups should be. If I may, I will follow up with a written response so I can give my noble friend the detail required on her question.

Lord Laming (CB): My Lords, the Minister, who we welcome to his post, will know that the efficient use of NHS resources, particularly during the winter, depends in many ways on the availability of social care services. As time is rushing on toward the winter, could the Minister say what action is being taken now to improve the availability of effective social care services during this coming winter?

Lord Markham (Con): The noble Lord is correct that care is at the centre of all of this. The flow of patients through hospitals is vital, and we are all aware that 13% of all hospital beds are held up by people who should be discharged into care. The £500 million investment is all about freeing up those beds. That will ease the flow right the way through the system—right

[LORD MARKHAM]
the way into A&E, so that people can be discharged straight into hospitals, and right back to ambulances being able to discharge into A&E. I completely agree with the noble Lord; that is the focus of what we are doing.

Lord Hunt of Kings Heath (Lab): My Lords, the noble Lord has talked about £500 million going in, but he knows that the efficiency savings target annualised is £12 billion. He also knows that unfunded inflationary pressures are estimated by NHS England to be £6 billion to £7 billion on top of this—and the Treasury is demanding further cuts in order to shore up its disastrous mini-Budget. Given that, how are the Government going to meet winter pressures, cut the Covid backlog and balance the books?

Lord Markham (Con): We are facing unprecedented challenges, as the noble Lord states. We also have unprecedented investment, a plan for patients which is focused on the key elements that will make a difference—ambulances, the backlog, care, and doctors and dentists—and a group of Ministers who are focused on making a difference where it really counts. We have record investment, and a record number of doctors, nurses and people ready to face those challenges.

Baroness Brinton (LD): My Lords, the plan for patients refers to the expansion of virtual wards in hospitals this winter. My local hospital, Watford General, pioneered this in 2020, but it put considerable pressure on GPs, community nurses and social care. Will there be extra funding for those areas that have virtual hospitals this winter to make that work?

Lord Markham (Con): I had the pleasure of visiting Watford General just a week ago, and I saw the virtual wards first hand, so I agree on the excellence we saw there. To give the House a sense of that, the wards have reduced 90-day readmission rates from around 45% to 7%. When I talk about performance improvements, those are precisely the sorts of areas in which I wish to see investment made, so that we can roll that out across the NHS. It is in those areas that we can make a real difference.

Lord Balfe (Con): My Lords, we are now on our 10th Secretary of State in 20 years and we have had slightly more Lords Ministers. In that time, spending on the NHS has more than doubled, yet the answer always seems to be to look for more money. Does the Minister consider that we need to take a more fundamental look at the National Health Service to see whether priorities can be moved so that the money we are presently spending will be spent more wisely and we will not, every single year, have the same headlines, the same problems and the same inability to solve them?

Lord Markham (Con): My noble friend is correct that we have to make sure that the record investment is put to good use. We have 200,000 more people working in the health service than in 2010. It is correct that we have more resources invested in this area than ever before and also that we have to make sure that those are used to best effect. Noble Lords can rest assured that that is very much in my remit.

Baroness Finlay of Llandaff (CB): My Lords, will the Government now ask NHSE to publish the 12-hour length of stay times for emergency departments in order to be able to evaluate the efficacy of the proposed 7,000 beds and financial investment? Data shows that, at the moment, 52% of all emergency medicine trainees are already burned out. On top of that, there is the flight of nurses from emergency departments because of stress. The emergency departments are already in crisis, yet the key data on 12-hour waits there is not being collected.

Lord Markham (Con): I do not have the detail on the 12-hour wait-list at this moment, but I will come back to the noble Baroness with a detailed written response.

Lord Reid of Cardowan (Lab): My Lords, I welcome the Minister. I am delighted that he has his position but I have to say that I do not envy him. Some months ago, I pointed out to his predecessor—who, very fortunately, is sitting next to him—that the number of people on waiting lists had increased over the past 20 years from 0.5 million, which the last Labour Government still regarded as far too high, to 4 million before Covid and 6 million when I asked the question. I asked the then Minister what the Government were doing about it. He kindly explained what they would do, but since that time the number on waiting lists has moved from 6 million to 6.8 million. Since that means that 6.8 million people are waiting in pain, trepidation and fear, will the Minister make it his highest priority to bring what business acumen he can to make sure that choice is extended to patients? It is choice for patients that will bring down the waiting lists, whether they wish to go to another NHS hospital or to a hospital in the private sector provided free at the point of need.

Lord Markham (Con): I agree with those excellent points. As someone who is also responsible for the new hospital build programme, which can give that choice and make sure we have the most effective system, that is top of my agenda.

Family-strengthening Policies
Question

2.53 pm

Asked by ***Lord Farmer***

To ask His Majesty's Government, further to the Children's Commissioner's *Family Review*, published on 1 September, what steps they will take to ensure every department brings forward family-strengthening policies.

The Parliamentary Under-Secretary of State, Department for Education (Baroness Barran) (Con): My Lords, across government we are committed to strengthening families. We recently announced over £1 billion for programmes to improve family services, including funding for family hubs and the Supporting Families programme.

Recent reviews such as the independent review of children's social care and the Children's Commissioner's review of family life make recommendations on how public services should understand and respond to family needs. We will take a cross-government view when considering those recommendations.

Lord Farmer (Con): My Lords, I thank my noble friend for her somewhat positive response. Has a Cabinet Minister been appointed to co-ordinate every department's policies to strengthen families? Also, the Institute for Fiscal Studies says that the hallmark of British families is their "greater fragility and complexity" compared with other western European countries. Only 56% of children are still with both parents at the age of 17; the OECD average is 84%. The IFS also says that parental separation lowers the economic and psychological well-being of the adults. How will the Government address the importance of family stability for economic growth?

Baroness Barran (Con): I thank my noble friend for his question and I take this opportunity to thank him more broadly for his tireless work over many years on support for families and recognition of their value. The Government, too, recognise that a stable environment and well-functioning families are vital for children's outcomes, which in turn can support economic growth. On the issue of a Minister within the Cabinet with responsibility for families, obviously my right honourable friend the Secretary of State is extremely focused on this, but our current focus is on how we can drive join-up, and the department is leading on collaboration with several other government departments in this area.

Baroness Lister of Burtersett (Lab): Does the Minister consider cutting the real value of social security benefits, especially for children, to be a family-strengthening policy in view of the Legatum Institute's prediction that it would mean much more extensive and deeper poverty, especially among families with children?

Baroness Barran (Con): I know the noble Baroness will recognise that the Government have committed £37 billion to households most in need, and that £8 million of the most vulnerable households will receive an additional £1,200 of support for energy bills.

Lord Storey (LD): My Lords, the Minister will be aware that the current Children's Commissioner, Dame Rachel de Souza, has a stated aim of ensuring that no child grows up in an institution. What help are the Government giving to ensure that that noble aim is achieved?

Baroness Barran (Con): The noble Lord will be aware of the work that was done by Josh MacAlister in his independent review of children's social care and by the Competition and Markets Authority on children's homes. We have said that we are considering both those reports, and we will report back later this year.

Lord Laming (CB): My Lords, the Minister will know very well that there has been a marked reduction in family support services in recent years, in particular day centres and Sure Start centres, which can support families at a critical time in their lives when they are experiencing a crisis. Can the Minister reassure the House that everything will be done to recover these preventive services so that children do not come into care unnecessarily?

Baroness Barran (Con): Obviously the noble Lord is a great expert in this area. I will do my best to reassure him. The Government recently announced over £1 billion in programmes to develop early help at any point from childhood to adulthood; as the noble Lord hinted, none of us always knows when a crisis might emerge. More specifically, on reducing the number of children in care, we are investing £84 million in the Strengthening Families, Protecting Children programme, which is working with the 17 local authorities with the highest numbers of children in the care system.

The Lord Bishop of Durham: My Lords, one of the most interesting discoveries in the report, for which the Children's Commissioner for England is to be commended—it is a really good report—is that policymakers work on households but families themselves think more broadly than households, and that "family" needs to be the thing that drives policy rather than "household". This is seen, for example, in young offenders and in other areas of life. Can the Minister comment on thinking about changing how policy is made towards family?

Baroness Barran (Con): It might take more than the time I am allowed to talk about how policy might be made but, more specifically, it is at the heart of our work on offering children a better start in life through the family hubs that services should meet the needs of families, be seamless to access and have a stress on welcoming; there should be no stigma to accessing them.

Baroness Chapman of Darlington (Lab): Part 1 of the family review is full of case studies of hard-working parents struggling with the cost of childcare, doing their absolute best to support their families but finding it incredibly difficult. Have the Government conducted any recent analysis of the value of free breakfast clubs for primary schoolchildren in England, to give parents and carers more support and flexibility?

Baroness Barran (Con): I am not aware of any recent research, but the noble Baroness is obviously aware that we offer universal free school meals. There are 1.25 universal infant free school meals—sorry, 1.25 million; that was close, it was nearly policy at the Dispatch Box—so 1.25 million children in infant schools receive those meals.

Baroness Butler-Sloss (CB): My Lords, does the Minister agree that there is a particular group of young mothers with very young children who are quite unable to understand how to bring them up, and what can the Government do to help that group?

Baroness Barran (Con): One of the biggest lines in the budget for family hubs—£50 million of the £300 million in that package—is for parenting programmes specifically, and an even bigger line, about £100 million,

[BARONESS BARRAN]
is for infant and parental mental health. Both those things address the group which the noble Baroness refers to.

Baroness Pitkeathley (Lab): Does the Minister remember that many thousands of children take on caring responsibilities, far more than we would perhaps like to imagine? They do so often because services to support disabled parents are quite inadequate. Will her department remember the connection between those children's health and the provision of social care services?

Baroness Barran (Con): The noble Baroness makes a very good point, and that is where our joint working with the Department for Health and Social Care, for example, is particularly important.

Lord Hylton (CB): My Lords, what plans do the Government have two remove, or at least phase out, the two-child cap on welfare benefit? Would that not be a great help to larger families?

Baroness Barran (Con): I fear that I shall have to defer to my colleagues in the Department for Work and Pensions but, as I mentioned earlier, the Government are committed to supporting the most vulnerable families in this country and have committed £37 billion to that end.

Lord Moylan (Con): My Lords, has my noble friend considered the appointment of a commission of inquiry of some sort into the medium and long-term effects of the fall in the birth rate in this country to, I believe, now below 1.65?

Baroness Barran (Con): There may be opportunities for a commission in this area, but my noble friend will be aware that a number of institutions and universities in this country and more broadly are very much focused on that issue.

Baroness Ritchie of Downpatrick (Lab): My Lords, will the Minister talk to her ministerial colleagues in the Department of Health about the importance of tackling RSV in children, particularly those at school and infants, because that respiratory condition is debilitating for families as well as for children?

Baroness Barran (Con): I will be delighted to do that.

Defence: Type 45 Destroyers
Question

3.03 pm

Asked by ***Lord West of Spithead***

To ask His Majesty's Government whether the Type 45 Power Improvement Project (1) is now going to plan, and (2) is producing results that surpass expectations.

The Minister of State, Ministry of Defence (Baroness Goldie) (Con): My Lords, HMS "Dauntless" has successfully completed rigorous sea trials at the end of our power improvement project conversion. The performance of HMS "Dauntless" demonstrated that the PIP design works well. The ship has now returned to Portsmouth for a scheduled maintenance period. HMS "Daring" is receiving PIP conversion at Cammell Laird, and HMS "Dragon" is receiving her conversion at HM naval base Portsmouth as part of an upkeep programme. Both projects are progressing well.

Lord West of Spithead (Lab): My Lords, I am delighted to ask the first Question about His Majesty's ships in this new reign; I may possibly ask some more questions about them in future. I am delighted to hear that the work on "Dauntless" has gone so well. These are the best anti-air warfare ships in the world and it is horrifying that the power issue has been a problem for them. I only wish that they were all at sea now.

However, as we speak, a Type 23 frigate—one of 12 that we have—is looking after our exclusive economic zone assets, such as oil platforms, gas pipelines, fibreoptic cables, power cables, interconnectors and fisheries: what used to be known as the "offshore tapestry". We have some 300,000 square miles to look after and to guard this, the Navy at the moment deploys three patrol boats. In the 1980s, we had 17 ships doing it. Does the Minister think that three patrol ships are sufficient? What work is being undertaken to review the level of protection of these incredibly important national assets on the seabed in view of the current war in Europe and the possibility of a world war?

Baroness Goldie (Con): Well, I do not completely recognise the figures that the noble Lord uses and he will know the constraint I am under in referring to specific operational activity. However, what I would say is that, as he will be aware, we always keep an eye on operational requirement, which is why we plan scheduled maintenance to make sure that we are always able to maintain the essential task that we require of the Navy.

I know that the noble Lord sometimes wears a mournful demeanour when asking me Questions at the Dispatch Box, but I think he will agree that the shipbuilding programme for the Royal Navy is very exciting. For the first time in 30 years, we are building two types of frigate simultaneously at UK yards.

Lord Stirrup (CB): My Lords, the Type 45 is a crucial air defence platform for the protection of surface task forces, but ships are no use whatever without weapons. So how long would the Type 45s' current stock of surface-to-air missiles be expected to last in a high-intensity conflict?

Baroness Goldie (Con): I would be reluctant to speculate on a specific answer to the noble and gallant Lord at the Dispatch Box; I need to go away and make some inquiries and I will endeavour to respond to him as best as I can.

Lord Trefgarne (Con): My Lords, back in the 1980s, when I was a very junior Minister at the Ministry of Defence, we had about 50 destroyers and frigates available for service with the Royal Navy. How many do we have today?

Baroness Goldie (Con): Again, I would be hazarding a guess as to the total number. It is a healthy number, but I will get a specific answer to my noble friend's question and write to him.

Baroness Smith of Newnham (LD): My Lords, in responding to the initial Question, the Minister pointed out that various ships are in dock having PIP done. That is great—but what went wrong with the original procurement? What went wrong with the Queen Elizabeth class such that HMS "Prince of Wales" needed to come back to dock? Can the Minister reassure the House that, with the current shipbuilding process, ships will be fit for purpose first time round and not have to come back for maintenance quite so promptly?

Baroness Goldie (Con): As the noble Baroness will be aware, the propulsion issue that arose with the Type 45s was a complex technical issue. Indeed, it has been a complex engineering project to rectify it, but, thanks to the evidence through "Dauntless", we are now satisfied that very healthy progress has been made.

As I have said previously in the Chamber, the case of HMS "Prince of Wales" is unfortunate. I understand that she has now made it to Rosyth, which is good news, and will be going into dry dock. We will then be able to explore in more detail the exact nature of the fault. It is not thought to be a class fault. HMS "Queen Elizabeth" has been inspected and is continuing to discharge her duties in the US in support of the Atlantic Future Forum.

Lord Browne of Ladyton (Lab): My Lords, in December, in a report entitled *We're Going to Need a Bigger Navy*, the Defence Select Committee expressed concern that the Type 45 PIP programme was "slipping". In February, in their response to conclusion 20 of that report, the Government admitted that barriers to speeding it up included

"constraints of industrial capacity".

In a letter dated 21 June, they said that they were

"assessing options to accelerate the programme".

Do those options include addressing the constraints of industrial capacity? If so, what are the constraints and what are the options for addressing them?

Baroness Goldie (Con): The response given at the time was a reflection of both industry and the department doing their best to advance the correction of the propulsion defects. As I have indicated to the Chamber, progress has certainly been made with "Dauntless" and is being made with "Daring" and "Dragon". We are looking at the options as best we can to accelerate the programme and complete this as early as possible before 2028. However, as I said earlier, that must be balanced against the Royal Navy's current and future operational commitments.

Lord Coaker (Lab): My Lords, following on from the question asked by my noble friend Lord Browne, that means that until 2028 we will not have a full complement of our Type 45 destroyers. Just a month or so ago, all six were in dry dock. Building on the question asked by my noble friend Lord West, does this not highlight once again that the Royal Navy is now too small? Waiting until 2028 for all six Type 45 destroyers to be fully available to the British Navy concerns us, particularly at a time of international crisis.

Baroness Goldie (Con): Of course, implicit in my answer is that before 2028 we hope to have the ships returning to full working order. As the noble Lord is aware, "Defender" is currently conducting operations and defence engagement in the Mediterranean. We very much hope that the drumbeat of progress on restoring the propulsion system will continue. As the noble and gallant Lord said, these are very important ships. They are hugely capable and much admired across the world, and this improvement of the propulsion system is making them more resilient, adding to their admirable capability.

Viscount Waverley (CB): My Lords, given that India and the UK are currently negotiating a trade agreement, given that the Indians are considering moving procurement away from Russia to the United Kingdom, and given that India has recently launched an aircraft carrier of its own from Kochi, is it under any thought at the Ministry of Defence to outsource the production of ships to the Indians for various reasons, not least speed of production and cost?

Baroness Goldie (Con): As the noble Viscount will be aware from the refreshed national shipbuilding strategy, which is one of the most exciting developments we have seen for shipbuilding in the UK, there is a desire to nourish, nurture, sustain and fortify our indigenous shipbuilding industry. We are very anxious to do that, but we have never closed our minds to procuring elsewhere if that is what is required in the best interests of the country. At the end of the day, the shipbuilding strategy covers commercial activity, not just MoD activity.

Lord Berkeley (Lab): My Lords, the Minister said that the work being done on the destroyers will make them more resilient. That is really good, but a few months ago none of them was operational, as other noble Lords have said. We have now got one of our two aircraft carriers with a bent prop somewhere in Rosyth. Have we got anything that works first time these days?

Baroness Goldie (Con): The noble Lord is being slightly mischievous and, as he is well aware, yes, we have a lot of ships that work extremely well. They have been much in evidence, not least when they were supporting the carrier strike group and were part of that global support activity. They have also been active in various arenas, as the noble Lord is well aware. As I said to the noble Lord, Lord West, I cannot comment in detail on operational activity, but we are satisfied that our operational requirements are being met.

Lord Craig of Radley (CB): My Lords, ships of course need crews to work them. Can the Minister give any indication as to whether the Royal Navy manpower and womanpower is adequate to the task that it is being asked to fulfil?

Baroness Goldie (Con): The noble and gallant Lord poses an important question. As far as I am aware, there is not concern over levels of recruitment. However, I do not have detailed information in front of me. I shall inquire and if I can respond in more detail, I will do so.

Social Security Payments: Uprating

Private Notice Question

3.14 pm

Asked by ***Baroness Sherlock***

To ask His Majesty's Government what plans they have for uprating social security payments.

Lord Davies of Gower (Con): My Lords, the Secretary of State is required to review the rates of the state pension and benefits every year. The Secretary of State will announce the outcome of her review to this House by 25 November in the normal way. The Government have committed to the triple lock for the remainder of this Parliament. It would not be right for me to prejudge the outcome of that review when the ONS is yet to publish the relevant indices.

Baroness Sherlock (Lab): My Lords, I thank the Minister and welcome him to the Dispatch Box and his new brief—a great place to start. Last April, when inflation was 9%, benefits were raised by just 3.1%, because that had been the CPI rate the previous September and them's the rules. At the time, despite big pressure, Thérèse Coffey—then at DWP—said no; we must stick with the system year on year. Ministers promised that benefits would rise again by inflation next year, so it would all come out in the wash.

Now we hear that the Prime Minister is threatening to abandon that promise and is even suggesting that linking to earnings might be fairer to workers, as though we are saying to millions of workers, "Your wages are going up by less than inflation; we will fix that by cutting your universal credit and child benefit." As well as low-paid workers, these benefits support children, sick and disabled people, the unemployed and poor pensioners. I simply do not believe that most people in this House or this country think that those people ought to be paying for the fallout from the Government's disastrous Budget. Will the Minister please tell the House that the Government are not seriously proposing to do that?

Lord Davies of Gower (Con): I am very grateful for the noble Baroness's welcome to the Front Bench. My right honourable friend the Secretary of State for Work and Pensions has a legal duty to review the rates of benefit increases once a year. She will be doing this on the same timeframe as previous years, with the latest available data. It is right that, when this review takes place, she looks at up-to-date information for the whole economy and acts accordingly, within the terms of the Social Security Administration Act 1992.

Baroness Boycott (CB): My Lords, as the chair of Feeding Britain, I wonder whether the Government could give us some advice. Over the last few weeks, we have been running out of food in our food banks and social supermarkets in 20 minutes. People who come in on later shifts do not get any food. What should we say to them when they ask why even this charity is in short supply, with so many people using it?

Lord Davies of Gower (Con): I take the noble Baroness's point but can only repeat that we have to wait to see what the CPI is. The Government will make an announcement at the appropriate time.

Baroness Janke (LD): My Lords, does the Minister agree that failure to uprate benefits in line with inflation will hit people with disabilities particularly hard? What does he have to say to the one in four disabled people who cannot afford to heat their home and to the 600,000 disabled people who have £10 a week or less to pay for food and essentials?

Lord Davies of Gower (Con): I am grateful for that question. We are committed to supporting disabled people, which is why we recently paid £150 to 6 million disabled people. For additional needs disability benefits and carers' benefits, the Secretary of State conducts a review once the relevant CPI figure is published and makes a decision in accordance with the requirements of the Social Security Administration Act 1992.

Lord Howell of Guildford (Con): My Lords, who actually knows what the inflation rate will be in the immediate future, over the next 12 months? Many people believe that the price of oil and gas, and energy generally, may fall quite sharply. They do not really know, but many believe that. Is it not wise to pause to see more clearly what is coming, before we rush into judgment on this issue?

Lord Davies of Gower (Con): The noble Lord makes a good point, but we will have to wait to see what the indices indicate at a future date before 25 November.

Baroness Lister of Burtersett (Lab): My Lords, my noble friend has already pointed out that benefits were uprated by less than inflation this year, so we do not have to wait to know any more about that. Could the Minister explain what assessment the Government are making on the impact on poverty—both its extent and depth—if they renege on their promise to uprate benefits in line with inflation?

Lord Davies of Gower (Con): We have targeted additional support directly at those most in need, with a £650 cost of living payment coming in two instalments this year, in addition to the £400 energy rebate and our energy price guarantee. This will save the typical household approximately £1,000 a year, based on the current October prices.

Lord Farmer (Con): My Lords, I recognise that benefits claimants have been coping with higher inflation than 2022's uprating, but it is not unreasonable to ask how the Government will maintain the vital work incentive aspects of universal credit's design if benefits uprating exceeds wage rises so markedly. How will they ensure that the more than 1.25 million vacancies are filled when the risks of moving into work must appear particularly high at this time?

Lord Davies of Gower (Con): I thank the noble Lord for his question. The Government have made a commitment in principle to the triple lock for new and basic state pensions. It is therefore a matter of fact that these will rise in line with whichever is highest: earnings, prices growth or 2.5%. For other benefits, as I said, the Secretary of State conducts a review once the relevant indices are published and makes a decision in accordance with the Social Security Administration Act 1992.

Baroness Butler-Sloss (CB): My Lords, there was a disturbing discussion on the "Today" programme today about the parents of disabled children. What are the Government doing about that? It sounds as though they are in deep trouble.

Lord Davies of Gower (Con): As I said—I am sorry, I have to repeat it—we are committed to supporting disabled people, which is why we have recently paid £150 to 6 million disabled people. As I said, for additional needs disability benefits and carers' benefits, the Secretary of State conducts a review once the relevant CPI figure is published. I am afraid we will have to wait for that.

Baroness Browning (Con): I welcome my noble friend to his new post. Could he undertake an initiative within his department to arrange to publish the much-delayed statistics that I believe the department has had for some time on the suicide rate among benefit claimants?

Lord Davies of Gower (Con): I thank the noble Baroness for that. It is something I will take back to the department.

Baroness Brinton (LD): My Lords, the Minister has now referred twice to the disability energy allowance of £150. The real problem for disabled families, especially those with children, is that their energy costs are double the average, so £150 is a drop in the ocean; it is about 10% of what they need.

Lord Davies of Gower (Con): I thank the noble Baroness, Lady Brinton, for that question. I appreciate her point. Again, it is something I will reiterate when I get back to the department.

Baroness Ritchie of Downpatrick (Lab): My Lords, given the 12 years of austerity, a cost of living crisis that is hitting the poorest hardest, particularly in the devolved nations and regions, and the fact that inflation is rising to 10% and beyond, can the Minister give assurances and undertakings that he will discuss directly with devolved Ministers a means of ensuring that benefits will be increased in line with inflation to deal with the cost of living and cost of energy crises?

Lord Davies of Gower (Con): I thank the noble Baroness. Yes, we engage regularly with the devolved Administrations. She has probably worked out that I come from a devolved Administration. I am very aware of the need to do that.

Lord Forsyth of Drumlean (Con): My Lords, does my noble friend not think that there are some double standards here? On the one hand, the Opposition criticise the Government for committing themselves to helping people with their heating bills and to ending the tax on jobs, which is the increase in national insurance, and argue that the Government should have published their full financial forecast before doing so, but on the other they argue that we should commit ourselves to uprating benefits without doing so. Is this not the ultimate hypocrisy?

Lord Davies of Gower (Con): I thank the noble Lord for making that point. I absolutely agree with him.

Lord Kerr of Kinlochard (CB): The word from Birmingham seemed to be that we should be more concerned with growing the cake than slicing it fairly. Does the Minister agree that sustainable growth requires social stability and, therefore, that to break the Johnson promise on welfare uprating during an acute cost of living crisis would be as bad economics as it would be bad politics?

Lord Davies of Gower (Con): I am afraid I did not quite get all of the question, but perhaps I could come back to the noble Lord later with an answer on that point.

Lord Sikka (Lab): My Lords, first, I ask the Minister to revisit the CPI versus RPI debate. Housing costs, rent, mortgages, repairs and maintenance matter. People experience those costs. Will he consider increasing benefits in line with RPI rather than CPI? Secondly, will he make a Statement to the House to explain what savings the Government have made by linking benefits to CPI rather than RPI?

Lord Davies of Gower (Con): The noble Lord will know that the Government are currently considering that very point. I am sure that we will have an answer for him in due course.

Baroness Walmsley (LD): My Lords, does the Minister accept that when a person on benefits walks into the shop, her ability to put food on the family's table depends on the price of the goods on the shelf and not the salary of the shop manager? Surely the suggestion is complete nonsense.

Lord Davies of Gower (Con): The noble Baroness has made a very fair point. I cannot say that I disagree with her.

Baroness Jones of Whitchurch (Lab): My Lords, I shall take the Minister back to the question asked by my noble friend Lady Lister. She asked what assessment

[Baroness Jones of Whitchurch]
the department used to understand the impact on poverty of not uprating in line with inflation. Can the Minister explain what that process is and what assessment has been made of the impact on poverty, because I do not think he answered that question first time round?

Lord Davies of Gower (Con): The Government are considering CPI at the moment, so I am going to have to repeat that we will have to wait to see what the figures are. At that point, I will be able to come back to the noble Baroness.

Lord Davies of Brixton (Lab): My Lords, it would be remiss of me not to start by welcoming a fellow Lord Davies to the Front Bench. My question relates to retirement pensioners. I welcome the fact that the commitment to the triple lock has again been made, but the Minister will know that coming down the road in only two or three years is an increase in the state retirement age that is equivalent to a 10% cut in the pensions of people who retire after the increase. Of course, we are waiting for the independent report on the increase in the retirement age. Will the Minister give an indication of when we can expect that independent report?

Lord Davies of Gower (Con): I am afraid that, as I stand here, I cannot give the noble Lord an indication of that. I will go back to the department and will write to him with any information it may have.

The Lord Bishop of Durham: My Lords, I take the Minister back again to the question asked by the noble Baroness, Lady Lister. This morning, the Legatum Institute made it very clear that the number of people in poverty will rise if the rates are not increased by the rate of inflation. Will the Minister acknowledge that that is simply the fact if the Government do not do that?

Lord Davies of Gower (Con): I appreciate and acknowledge that. I fully understand the point that the right reverend Prelate is making.

Baroness Stroud (Con): Will the Minister explain what metrics of poverty are used in the department to help navigate these decisions? We know that if benefits are not uprated in line with inflation there will be an increase of 450,000 people in poverty. It would be good to know what measure of poverty is used by the Government.

Lord Davies of Gower (Con): Again, as I stand here, I cannot give my noble friend an exact answer, but I will go back and come back to my noble friend in writing.

Baroness Berridge (Con): My Lords, it seems that there is a bit of confusion about the process. My noble friend Lord Forsyth outlined that there should have been a detailed analysis of the figures, but unfortunately there was previously an announcement by the Chancellor that this would happen and that has created confusion. I welcome my noble friend to the Front Bench. Can he assure the House that this is not a question of metrics for many people but is about their lives, that this confusion of process will have created undue stress for some of the people under the most pressure in our society and that the review will take into account the human cost of not abiding by the process that my noble friend Lord Forsyth outlined?

Lord Davies of Gower (Con): I thank my noble friend for that point, which I appreciate.

Business of the House

Motion on Standing Orders

3.29 pm

Moved by ***Lord True***

That Standing Order 73 (*Affirmative Instruments*) be dispensed with on Wednesday 12 October to enable a motion to approve the Russia (Sanctions) (EU Exit) (Amendment) (No. 14) Regulations 2022 to be moved, notwithstanding that the Joint Committee on Statutory Instruments has not yet reported on the instrument.

Motion agreed.

Economy: The Growth Plan 2022

Motion to Take Note

3.30 pm

Moved by ***Baroness Neville-Rolfe***

That this House takes note of the economy and the Growth Plan 2022.

The Minister of State, Cabinet Office (Baroness Neville-Rolfe) (Con): My Lords, I start by welcoming the noble Baroness, Lady Gohir, to today's debate. I very much look forward to hearing her maiden speech and to her future contributions. On a sad note, we are also hearing the valedictory speech from the right reverend Prelate the Bishop of Birmingham, who has provided so many mature, sensible and considered contributions to the House over the past 12 years.

It is a great privilege to open the debate on the economy. When the new Prime Minister was forming her Administration, I was honoured to be offered the post of Minister of State in the Cabinet Office, in effect replacing my noble friend Lord True, now the Leader of the House. I take this opportunity to express my admiration for his brilliant eulogy to Her late Majesty. I was briefed that most Cabinet Office work was, in the main, worthy, so I anticipated a future dealing with the humdrum detail of government work—below the radar, as it were. In the event—it is sometimes surprising how things turn out—I first come before your Lordships to outline the Government's economic growth plan.

As the Prime Minister has made abundantly clear, growth is the core economic mission of this Government. With economic growth, everyone benefits. We cannot have, say, a strong NHS, good schools or effective defence without it. We have three priorities: cutting taxes to boost growth, reforming the supply side of the economy and maintaining a responsible approach to the public finances.

I will come to the details of the plan shortly, but first I will touch briefly on another important recent development that is an integral part of our whole economic package: our action on energy bills. The Prime Minister rightly took action on this crisis facing households within 48 hours of taking office. The energy price guarantee will limit the unit price that consumers pay for electricity and gas, so that for the next two years the typical annual household bill will be £2,500, in contrast to the £6,000 or so that some predicted. Millions of the most vulnerable households will also receive additional payments.

We are also helping businesses. The energy bill relief scheme, providing an equivalent guarantee to that for households, will reduce gas and electricity prices for all UK businesses, charities and the public sector, especially schools and hospitals. Finally, to support the market, we have announced the energy markets financing scheme, providing a 100% guarantee for commercial banks to offer emergency liquidity to energy firms in otherwise sound financial health that face high margin calls.

While early estimates suggested that our package could have cost as much as £160 billion, more recent estimates are much lower. The key point is that we are giving relief and confidence to a large section of the British people, something that will particularly matter to those at the lower end of the scale. Significantly, the measures have been designed to provide an incentive for fuel economy. There is a reduction in cost per unit, not an overall cap, so that it encourages people and businesses to minimise their energy use. More importantly, without this package it would have been a very brutal winter for millions of households and small businesses.

Our growth plan sets out our vision for a simpler, lower-tax economy. This Government believe that high taxes reduce the incentive to work, encourage tax evasion, deter investment and hinder enterprise. Hence we are cutting the basic rate of income tax to 19p in April 2023—that is, one year early—which will benefit virtually all taxpayers.

Noble Lords will have heard that the abolition of the 45% band will no longer go ahead. The Prime Minister and Chancellor have accepted that it had become a distraction from our growth plan. I point out, however, that 40% was the top rate from the date of the Thatcher reforms and all through the Major, Blair, and most of the Brown eras. Also, the top rate is 40% in the Republic of Ireland and 39% in Norway.

International competitiveness must remain a vital objective, so next year's planned increase in corporation tax will be cancelled. That means that the rate will remain at 19%, the lowest in the G20, enhancing the attractiveness of the UK as a place to do business. We are also confirming that the annual investment allowance will be set permanently at £1 million, and we have introduced legislation to cancel the health and social care levy. Reversing the levy delivers a tax cut for 28 million people, worth on average £330 every year, and a tax cut for nearly a million businesses.

Planned increases in the duty rates for beer, cider, wine and spirits will also be cancelled. In addition, we want to help families aspiring to buy a home of their own. We have therefore proposed a series of reductions in the thresholds for stamp duty land tax, which will assist buyers, particularly first-time buyers.

Simplification is close to my heart. We are embedding tax simplification into the institutions of government and repealing recent changes to off-payroll working rules—the infamous IR35—which added complexity and cost for many businesses that engage contractors. I know that this will be particularly welcome to our Economic Affairs Committee.

We are introducing a VAT-free shopping scheme. We want our high streets, airports, ports and shopping centres to feel the economic benefit of the millions of tourists who visit our wonderful country each year. While the Government believe in lowering taxes wherever possible, achieving growth will take more than that. With more vacancies than unemployed people to fill them, we need to encourage people to join the labour market—getting more people into work by, for example, incentivising those claiming universal credit to secure more or better-paid work. We will also legislate to ensure that strikes can be called only once negotiations have genuinely broken down.

To drive growth, we need new sources of capital investment. We want to unlock billions of pounds to help British businesses—for example, in developing new technologies that can scale up. Hence we will reform the pensions cap and launch the long-term investment for technology and science fund.

We need global banks to create jobs here, invest here and pay their taxes here in London, not in Paris or New York, so we are scrapping the cap on bankers' bonuses. To reaffirm the UK's status as the world's financial services centre, we will set out a package of regulatory reforms in the coming months.

We must also see our way to simplifying regulation and cutting red tape in key areas such as planning and procurement. The weight of complexity and compliance is absorbing precious resources and holding back productivity. I know from my time with the other noble Lords on our Built Environment Committee how important housing and infrastructure are to our growth and success. Sadly, our planning system for major infrastructure is too slow and fragmented. For that reason, we are accelerating infrastructure delivery in energy, road, rail and gigabit-capable broadband, with new legislation that will unpick the complex patchwork of planning restrictions and EU-derived laws that constrain our growth, and we are getting the housing market moving by promoting the disposal of surplus public sector land for housing.

Finally, and of great significance across our country, we are creating a series of new investment zones. We will liberalise planning rules on agreed sites, releasing land and accelerating development. We are introducing an unprecedented set of tax and national insurance incentives for business to invest, build and create jobs in these zones.

The steps that the Government are taking add up to a radical and concerted effort to boost growth. In the coming months we will continue to work to bring forward

[BARONESS NEVILLE-ROLFE]
further measures, with announcements on agriculture, business regulation, childcare, immigration and digital infrastructure.

Crucially, the Government understand that growth and sustainable finances must go hand in hand. I remind noble Lords that in 2021 the UK had the second lowest debt-to-GDP ratio of any G7 country, lower than Japan, Italy, France, Canada and the US. Even so, only continued fiscal discipline will provide the confidence and stability to underpin long-term growth.

Accordingly, as announced this morning, on 31 October —three weeks from now—the Chancellor will publish a medium-term fiscal plan setting out our responsible fiscal approach and how we plan to reduce debt as a percentage of GDP over the medium term. Further, he has asked the OBR to set out a full economic and fiscal forecast soon, and he continues to work closely with the Governor of the Bank of England.

In conclusion, I passionately want—we all want—our country to succeed and to live up to our past achievements. To achieve that, economic success is essential. To that end, we must get the economy growing again. We must do so while still dealing with the effects of the Covid pandemic and its impact on our public services. We are also rightly engaged in giving significant help to Ukraine—obviously at a cost. Success will not be easy.

Today we are here to listen to views from across the House and look forward to engaging in a constructive debate—but, however one looks at matters, achieving economic growth is vital if we are to achieve our ambitions. We need to do things differently and better. That is what the growth plan is all about.

3.44 pm

Baroness Smith of Basildon (Lab): My Lords, first, I welcome the noble Baroness back to the Front Benches. Many of us were surprised when she was departed from them previously, and I welcome her to her new job. I note that her official title is Minister of State for Government Efficiency. I wish her well; she has never been one to shy away from a challenge, and she has a challenge in that one.

We look forward very much to the maiden speech of the noble Baroness, Lady Gohir. I am convinced that she will make an important contribution to the work of the House, so I look forward to hearing her and welcome her to this place. It is with slightly less enthusiasm that I look forward to the valedictory speech of the right reverend Prelate. Personally and from these Benches, let me say to him that he has been an asset to the House. We have greatly welcomed his wisdom and wise counsel, and we are going to miss him. I thank him for all he has done and look forward to his speech with some regrets.

We last met in this Chamber to pay tribute to and remember Her late Majesty Queen Elizabeth. We did so in a spirit of unity and common purpose. With a new monarch and a new Prime Minister, it is a time of significant change. At a time when we most needed stability, instead we had the most extraordinary non-Budget Budget that this country has seen for at least a generation. I listened with interest to the Minister's speech, and I was surprised that there was no acknowledgement of the turmoil that this country has found itself in in the last couple of weeks since that Statement.

On Friday 23 September, after this House had risen for the Conference Recess, the new Chancellor made his first Statement to House of Commons—and what a Statement it was. Then, and in the days that followed, Liz Truss and Kwasi Kwarteng set out the package, which ended any pretence of fiscal responsibility or levelling up—or indeed of understanding the pressures on families, individuals and businesses across the UK. The response of experts and the markets was one of incredulity. How could this happen? At a time of high interest rates, the great government plan was to borrow more to pay for tax cuts that would benefit those who had more than anyone else in the first place. There was no absolute cap on energy bills but instead a cap on the unit price, which will see some families still paying well over the £2,500 promised under Labour's alternative plans. I see that the noble Lord, Lord Callanan, is responding, and I hope that he will address this in his response.

Following the non-Budget Budget, the pound fell, the markets reacted to the lack of confidence in the Government, and the Bank of England had to step in with a £65 billion commitment to prop up the economy. It clearly did not help confidence in the UK that the Chancellor refused to publish information from the Office for Budget Responsibility. Given the unprecedented market reaction, the Prime Minister should have heeded calls from across the political spectrum to return to Parliament.

A strong or weak economy is not an academic exercise. It is not just a way to gamble on the markets to see whether you can make any money—it is about people's lives. When mortgage offers were withdrawn, hundreds of products were pulled only to be replaced with fewer and more expensive alternatives, and some saw their opportunity of owning their own home or keeping the home that they were in disappear overnight. That will also force up rents. The Prime Minister gave her so-called reassurances that they had borrowed money to try to help with energy costs, but so much of that will be swallowed up by increased housing costs, either in mortgage payments or rents. There was a real need and opportunity for the Government to respond and for ministerial accountability to Parliament. Instead, we had over a week of unhelpful distractions, mixed messages and Cabinet infighting.

The media were briefed that the November "fiscal event" was being brought forward to October, but nobody thought at the time to tell the Chancellor. We now know that it will be the very last day of October. Two Cabinet Ministers joined Back-Bench colleagues in mounting what has been called a "pre-bellion" on the issue of uprating universal credit benefits by inflation. As the Prime Minister turned to BBC local radio to put her case, her lack of empathy as she appeared to be reading out "lines to take" on fuel bills cut little ice with listeners.

This chaos has come at the worst possible time. Household budgets are under enormous pressure, hitting almost everyone with high petrol prices, spiralling food costs, supply issues and ever-increasing interest rates.

Even those who previously felt relatively secure are now nervous for the future. The help with fuel bills will still leave many families paying far more than £2,500.

It is an expensive package, funded by borrowing, so I fail to understand why—despite Labour's pleas and some from the Government's own side as well, and the welcome intervention of Shell's CEO—the Prime Minister and the Chancellor are so set against taxing the billions of pounds in excess profits, preferring instead costly extra borrowing. It does not make economic sense. The mini-Budget damaged both the economy and confidence in the Government—

Lord Forsyth of Drumlean (Con): Will the noble Baroness give way?

Baroness Smith of Basildon (Lab): It is unusual, but to the noble Lord I will.

Lord Forsyth of Drumlean (Con): These are unusual times. Does the noble Baroness accept that the Government's package of support for people and businesses with their energy bills is far in excess of what the Labour Party was promising? Does she also accept that her proposed tax on the energy companies would have raised a trifling £8 billion compared with the costs of the scheme that has been put forward by the Government? Will she not welcome that?

Baroness Smith of Basildon (Lab): I would welcome a fairer way. The key question is: who pays? The Government had a choice. They could have said that future taxpayers will pay—at a time when borrowing is higher than it has been for years—or they could have said that the energy companies should make a contribution to this. The £8 billion the noble Lord cites is wrong; it is at least £14 billion. I do not dispute the "generosity"—I use inverted commas—of the Government; this is an expensive package. The problem is that it will cost us for years to come and still means that many households will be paying over £2,500, which they cannot afford. The noble Lord makes a brave defence of the Government but it is not one that I can support.

The Prime Minister, when talking about the economy, spoke about having an

"iron grip on the nation's finances",

but you do not do that by having a spending spree one day and then slashing your tax base the next. My noble friend Lord Tunnicliffe will talk about the gilt market in his closing remarks later, but the Government's actions have raised the cost of borrowing at the worst possible time, leaving a bill for future generations. Yet Ministers want us to believe that this crisis is not of their making and that, somehow, the decisions taken in Downing Street are not responsible for these economic problems.

There is no doubt that international issues have a domestic impact. If proof were ever needed that we are globally interconnected, the war in Ukraine is that proof. However, as with both Brexit and the Covid pandemic, it is not just about the issue but about how Governments respond at the time, as well as the long-term resilience planning to prepare for such events.

The Prime Minister insists that this is all caused solely by the "global economic crisis" caused by Putin's invasion of Ukraine. This House knows that supporting Ukraine involves sacrifices. We stand alongside the Ukrainian people and will continue to do so. Of course that conflict brings serious economic impacts, but it is also just plain wrong to insist that recent events are a direct result of it. Did the pound crash against the dollar because of the events in Ukraine? Did the war make UK gilt prices go up? Did Putin force banks to pull hundreds of mortgage deals from the market? No, no, no. These were immediate, emphatic and damning responses to the Government's announcement.

When we look at the timeline of what happened and when, we see that the market movements perfectly tracked announcements and media appearances by the Prime Minister and the Chancellor, including last week's speeches in Birmingham. The Chancellor claimed that the economic chaos was partly the result of the additional "pressure" he experienced following the death of the Queen, as his Statement came just

"four days after the funeral".

But he chose that date. I am sure that I was not alone in my exasperation at the economic turmoil being explained away as policies being badly communicated. That was not the issue. They were the wrong policies, and no amount of communication could disguise that.

Some excuses were more imaginative than others. Though not a member of the Government, the noble Lord, Lord Hannan—he smiles at me; he probably knows what is coming next—tried his best to help. I look forward to his contribution later. He remarked that the real reason for the pound's crash was really quite simple. It was not because of decisions taken in Downing Street. The pound's value collapsed because "the markets are terrified" of Keir Starmer. This time, the party opposite was not blaming the last Labour Government; it was blaming the next one. It might be helpful to reflect that, on average, the last Labour Government achieved higher annual growth than we have seen over the past 12 years of a Conservative Government.

The Prime Minister and Chancellor now claim to have listened. They say they have listened to the markets, to the public and to their own MPs. After nine days of digging in on the 45p income tax rate, Liz Truss finally announced, in a massive U-turn during the Conservative Party conference, that it would remain. However, most of the mini-budget still stands—but it is only Monday. It is currently still a package aimed at those in the top 5% of income, despite mainstream economic analysis and experience having shown time and time again that trickle-down economics simply does not work. The Government would do well to follow the advice of the noble and learned Lord, Lord Clarke of Nottingham, and others, and just start again. Or, if the Chancellor is convinced that he has, to borrow a phrase from Boris Johnson, "got the big calls right", he should publish the OBR's economic forecast. He should publish it today and in full.

The OBR was set up by a Conservative Chancellor and its forecasts have become a key part of UK fiscal events. Mr Kwarteng says he recognises the OBR's independence, but the facts speak for themselves: he muzzled it when it was most needed. And it is not just

[BARONESS SMITH OF BASILDON]
the OBR in the firing line. The former Bank of England Governor, Mark Carney, has accused Liz Truss of "undercutting" the country's economic institutions and

"working at some cross purposes with the Bank".

Of course, some have argued that this sorry saga might have been avoided had the Prime Minister not dismissed the Treasury's Permanent Secretary in one of her first acts in office. Getting rid of a senior civil servant for personal or political reasons is a significant departure from our traditions of how to govern. As we see in this House—perhaps the noble Lord, Lord Forsyth, and I are a good example—we know how to disagree agreeably. Instead, in the words of the noble Lord, Lord Macpherson of Earls Court, the Prime Minister chose to fire the

"only official with serious experience of crisis management and then precipitate a crisis a fortnight later."

I hope that the Government are not just going to listen to, and surround themselves with, those who will always agree, whatever the issue. That is no way to run an economy and no way to run a country.

A strong economy is one in which a Government play their full part in supporting and unleashing the potential for growth. That sits alongside strong public services that enhance our social fabric and our economy. A first-rate health service and the best training and educational opportunities are not just items to be ticked off in the "Nice to have" category; they are essential for a modern economy. An incoming Labour Government will implement a genuine plan for growth, creating the biggest partnerships between businesses, government and communities that this country has ever seen. We will ensure greater fairness in the tax system and, by making us a global leader in green technologies, we will secure investment and resilience in our energy markets.

It is not just in the green economy where we have to be ambitious. We will work together across manufacturing and service industries to find solutions to the ongoing skills crisis, to which this Government have no answer. We will also change how politics is conducted in this country, taking responsibility for our decisions and the consequences they have for people across the nation—because when we look at everything said by the Prime Minister, the Chancellor and the rest of the Cabinet last week, one word is conspicuous by its absence, and that word is "sorry."

3.58 pm

Lord Newby (LD): My Lords, when Liz Truss was elected as Conservative Party leader a mere five weeks ago, she and her new Government faced two separate economic challenges. The first was how to respond to the dramatic impending rise in gas prices, due on 1 October. The second was how to put the country on a path to sustainable growth. The Government's response to these challenges was to introduce the measures announced by the Chancellor on 23 September, which attempted to deal with them both in one fell swoop.

On the first, dealing with the impending energy price rises, the Government have introduced an extensive package covering both individual households and businesses. In our view, it still suffers from a number of flaws. For example, we believe that the freeze should have been applied to April rather than October prices. The business support lasts only six months, leaving companies unsure what happens after that. Most importantly, it is not accompanied by a windfall tax on the energy producers, which could have helped mitigate the very substantial costs. However, at least the measures are timely, offer real relief and will protect the vast majority of people and businesses from at least some of these otherwise unbearable costs.

All the remaining measures announced on 23 September seek to deal with the second challenge of promoting growth. Sadly, far from doing so, they have already precipitated an economic crisis, will leave many people worse off and will fail in their fundamental purpose. For a start, there was literally no reason to introduce these changes so precipitately, with no attempt to quantify their consequences and no explanation of how they were to be funded. As a result, the markets were alarmed, the Bank of England had to step in to prevent a pension fund collapse and interest rates, including mortgage rates, rose. Before looking at the broader consequences for the economy and the Government's reputation, let us look at the individual measures announced on 23 September and see how they might help achieve the Government's aim of promoting growth.

I start with the £18 billion cut in corporation tax. In reality, this will do little or nothing to promote growth. If you look at corporation tax rates across the developed world, there is no correlation between them and long-term economic growth. Many of our European competitors have higher corporation tax rates and higher long-term growth. The business community itself has not been making the case that lower corporation tax rates in themselves mean higher investment and therefore growth.

The best argument for the cuts to income tax and national insurance—other than a purely populist political one—is that they might help stave off the worst of a recession because they will help prop up consumer spending in the short term. That may be true, but it has nothing to do with promoting underlying growth. The reason is that, with almost full employment and in the absence of larger-scale immigration, the only way in which growth can be increased over the medium and long term is by improving productivity. Achieving this requires sustained increases in investment in people and equipment. Cuts in income tax and national insurance will simply not achieve this.

As for the cut in stamp duty, this may mitigate the costs of buying a house, but it pales into insignificance compared to the increased mortgage costs which the Government's actions have brought about. These so-far unfunded tax cuts will do absolutely nothing to resolve the UK's problem with long-term growth.

But what about the supply-side measures which the Government plan to introduce? As with the ill-fated proposed 45% tax rate cut, some simply appear to benefit those who need help least—for example, the proposal to end the cap on bankers' bonuses. Some, such as the proposed investment zones, are highly unlikely to increase aggregate investment in the economy as a whole. Some, such as the intention to speed up planning and infrastructure projects, are so vague that they are, frankly, meaningless. Some, such as the proposals to curb the right to strike and to strengthen universal credit sanctions, simply look mean and vindictive. Whatever they are, they will not lead to a spurt in growth.

So, if the Government's package of tax and supply side measures look doomed to fail the growth test, what about their other consequences? Three in particular stand out. First, the manner in which they have been announced has completely spooked the markets, particularly the mortgage market. The number of mortgage products fell by over 40% because mortgage providers lost any sense of the future trajectory of interest rates. Those mortgages which are still available now cost on average about 1% more than before the Chancellor's announcement. This is entirely down to the Government's own Budget, before any further increases in interest rates by the Bank of England.

Secondly, it is now clear that the Government plan to cut public expenditure to pay for their tax cuts. We do not yet know where these cuts will fall, but we do know that the impact of inflation on departments' budgets already means that they will struggle to maintain services while providing fair wage increases. The idea which the hapless Chief Secretary seems to believe, that there is substantial fat to be cut, is laughably false. We wait with trepidation for a Halloween horror story to see where the cuts are going to fall.

Thirdly, and most damaging to the Government, they have lost within days of their formation any shred of a reputation for economic competence. They are pursuing fiscal policies completely at odds with the monetary policy that the Bank of England is legally bound to pursue. They have bet the farm on a pro-growth strategy which no respectable economist believes will work, and they have already been forced into U-turns caused by a lack of support for their policies, even among their own MPs.

Against all this, the Prime Minister simply labels all her critics as "anti-growth". This is risibly untrue, so let me suggest as a starter a five-point plan which might actually do something to improve Britain's growth prospects. First, given that the Government are in a big, big hole, they should stop digging—stop pushing ideological policies which will not promote growth but will undermine their credibility as a serious Government. There are many to choose from, but I suggest that they should stop their attacks on the healthier food agenda. Supporting buy-one-get-one-free offers clearly makes the Prime Minister feel better but will do serious damage to the fight against obesity, and the illness and therefore lack of productivity that ensue. The Government should think again.

Secondly, the Government should start rebuilding economic ties to the EU. We know that Brexit will reduce GDP consistently unless things change. They should start by sorting out the Northern Ireland protocol but then move towards aligning with the single market. This will do more for growth than any number of third-order supply-side gimmicks.

Thirdly, instead of prioritising fracking and North Sea oil permits, the Government should put their weight behind a green industrial revolution, including a massive programme of housing insulation. This will create jobs and growth and help mitigate the high energy costs now facing millions of households.

Fourthly, the Government should invest in skills. Having a more productive workforce is the only way we can increase productivity and therefore growth, and spending more on apprenticeships, FE and lifetime learning is the only way we can achieve this.

Fifthly, the Government should create a climate which encourages business investment. Investment in the UK has lagged that of France, Germany and the US for years. This is why they are much more productive and why household incomes there are now so much higher than here in the UK. Stability and consistency would improve the investment climate, but so too would a new industrial strategy which recognised where Britain's economic strengths are and showed how the Government planned to support them.

Setting the UK on a path to sustainable growth will not be easy, but it is possible. What is not possible is to do so with a Government who are driven by a simplistic, failed ideology, who have failed even the most basic tests of competence, and who the British people rightly think have to go.

4.09 pm

Lord Macpherson of Earl's Court (CB): My Lords, there are some sensible policies in the Government's growth plan. A better functioning supply side will enable higher growth of the economy—although I have a word of warning. Every Chancellor I served as Permanent Secretary announced reforms to the planning system—some announced them once a year. Announcing reforms is the easy part; making them stick is much harder.

I also congratulate the Chancellor on the senior team he announced today. I worked with James Bowler and Beth Russell over many years and under different Administrations. They are very able and represent all that is good in the Civil Service. Their appointment will be good for the Treasury's credibility—and not before time, because credibility is hard won and easily lost, as the Chancellor has discovered in recent weeks.

Sacking a respected Permanent Secretary on day one can just about be dismissed as a little local difficulty, but choosing to announce the biggest giveaway since Anthony Barber's in 1972 without involving the Office for Budget Responsibility was an elementary error. We now know that the OBR offered to produce a fiscal forecast, but the Chancellor declined. Investors want to understand the consequences for the public finances of major announcements and the OBR has provided considerable reassurance since George Osborne set it up in 2010. Perhaps if the Chancellor had engaged with the OBR he might have had second thoughts about the scale of his tax cuts, because injecting £45 billion into an economy facing chronic labour shortages and the highest inflation rate in 30 years is a risky strategy.

The Government are right to point out that the markets are fragile, but surely that is a time to move carefully. Bond yields had been rising since early summer but, as the markets began to digest the incoming Prime Minister's programme, gilt yields rose faster in the UK than in the US and Europe. Again, that should

[Lord Macpherson of Earl's Court]
have been a warning sign, but the Government chose to ignore it. The result is that the long-term cost of borrowing now stands at 4.7%—when I started writing these notes this morning, it stood at 4.3%. So the long-term yield is 210 basis points higher than at the beginning of August and, if sustained, will add over £40 billion to public spending in the long term.

Moreover, as the Bank of England Deputy Governor, Sir Jon Cunliffe, set out in a letter to the chairman of the Treasury Committee last week, yields rose considerably in the days following the Chancellor's statement and, as we now know, the Bank of England had to intervene to calm the markets. When it comes to future meetings of the MPC, the Bank will have little choice but to raise interest rates more than it otherwise would, not least to protect the value of sterling. This is already putting pressure on mortgage rates and risks more than offsetting any growth effect of the mini-Budget.

It is not too late to put things right. I welcome the Chancellor's announcement that he is bringing forward his Fiscal Statement to 31 October. This needs to include a credible plan to stabilise and then bring down debt as a share of the nation's income. It needs to include credible public expenditure proposals. History suggests that writing in ever-bigger cuts to the benefits of poor people is simply not deliverable. If the Government cannot show how they will cut spending, they will need to revisit their tax proposals. This may be embarrassing but, unless the Government can restore economic credibility, the market response in the weeks ahead could be a whole lot worse than we have seen so far.

4.13 pm

The Lord Bishop of Birmingham (Valedictory Speech): My Lords, I have been immensely grateful for the stimulation and companionship I have found in your Lordships' House as a Member for the last 12 years, not least in the last three or four speeches this afternoon on this immensely complex subject. It is worth turning up, if only to feel the embarrassment of my colleagues when one of their number is called "mature" and "sensible"—where better to hear it than here, in public and on the record?—and to be with the Minister, the noble Baroness, Lady Neville-Rolfe, with whom I share a long business background, although not necessarily in the same sector. I am particularly grateful to have been Convenor of this Bench for some years and to have been able to relate to the usual channels in the House informally. I am very grateful to those here who have accepted my presence at certain moments, whether they were to do with Brexit, the pandemic and the hybrid House, or even the late Queen's funeral.

This is an opportunity just to say thank you to the officers of the House for the remarkable support that we received from them—in recent weeks, as it happened, day and night. I wish my successor as convenor of these Benches, my right reverend friend the Lord Bishop of St Albans, every success and the same wonderful co-operation and fulfilment.

For me the context of this deliberation on the economy and of many other debates in this House has been the vibrant and exciting life of the West Midlands, especially Birmingham, where we have recently enjoyed a financially as well as a socially and culturally successful Commonwealth Games. The first of my asks today is to ask the Government to be generous in supporting the legacy of this remarkable effort, and to do so much quicker than was mentioned earlier in this Chamber in response to a Question on the Olympic Games.

None the less, the numbers provided by economic science, checked, as they should be, by the Office for Budget Responsibility, the Institute for Fiscal Studies and, if you like, a charitable organisation called Full Fact, are either swinging out of control—consumer prices have already been mentioned in detail—or simply depressing: the fact of the depression of real earnings.

The theoretical or political points that arise—they will be made many times this afternoon—are puzzling and confusing to people in the regions who run their own economic life, I dare to say, with intelligence and wisdom, if not always rationally, but knowing the cost of food, housing, heating, clothing and holidays and how much money they have available to bring them into their charge.

I was glad to see the governing party described by the Prime Minister, after the Chancellor's Statement, as one of "aspiration, enterprise and growth". I like that phrase because it describes exactly what I have been trying to do in the Church for the last 40 years. The Prime Minister is quoted as saying:

> "We believe in making it easier for our wealth creators, doers and makers to get things done"

to reset the economy and not manage decline. Again, those are very agreeable aims for the Church. However, will the Government answer the difficult questions faced by all of us: wealth created for whom, in an unequal society, doers with what skills in a competitive world market, and makers of what that people will buy at the right price?

I hope that Ministers in the years ahead, as well as in the months and even weeks ahead, will think clearly about how to articulate the principles behind these numbers and behind the very important points which have been made already this afternoon—clear principles in a complex scene. This is my last chance to mention two or three that matter to me: transparent measurements of success and failure, because we are allowed to fail but need to measure them transparently; a bigger picture of worldwide interdependence—we have mentioned the war but I mean the whole oikumene of the world—and longer-term cycles to achieve real change. These can be framed in a way to strengthen and be supported by local households, businesses and local authorities: discipline, development, distribution and devolution.

I see that I have overrun my time but I will finish by saying that this last point, devolution of power and influence, is very close to my heart. The new investment zones are welcome, as are the infrastructure projects listed, which in our own region are led by Andy Street, the West Midlands mayor. We will do well, but I ask the Government to go further and to make local influence part of an equal partnership, putting responsibility and resources where they belong in the local regions.

As a former Member of this House, Rabbi Jonathan Sacks, would remind us, to make a better world for all we need both market and state, but neither of those can provide the values on which they are to be built.

Perhaps we should return to the prophet Micah as we continue this debate and remember that we are all called to do justice, love kindness and walk humbly with our God.

4.19 pm

Lord Bilimoria (CB): My Lords, as the chancellor of the University of Birmingham, I had the privilege to know the right reverend Prelate, David Urquhart, the ninth Bishop of Birmingham. In 2006, when he took office—taking over, of course, from John Sentamu, who went on to become Archbishop of York and now sits with us on the Cross Benches as the noble and right reverend Lord, Lord Sentamu—in his first sermon, he took out a mallet hidden under his cloak and smashed a clay jar in front of the whole congregation. His message was to demonstrate the fragility of human life in the world as a gift from God.

He has worked for the homeless. He has worked tirelessly for interfaith harmony. He has worked for the chamber of commerce, as somebody from a business background and with a business degree. He has been here in the House of Lords since 2010, and has been convenor since 2015. Note the word "convenor". We on the Cross Benches do not have a leader, we have a convener, and the same goes for the Bishops. What a time, with the changes of Government and all the challenges. He is a knight of the Order of St Michael and St George.

Seventy is far too young an age to retire: you have just reached the middle of middle age. The right reverend Prelate always signed off as David Birmingham. Well, David Birmingham, the University of Birmingham, the city of Birmingham and this House will miss you enormously. Thank you for all you have done for all of us, and we wish you every success in your continued great work.

In February 2021, I said to the Chancellor at the time, Rishi Sunak, when I was president of the CBI, "Do not increase taxes. Increasing taxes will hamper the recovery and hamper growth." What did he do? He kept putting taxes up, up and up, to the extent that they are the highest in 70 years.

Before the financial crisis in 2008-09, we in this country had a growth rate of 2.5%. Since then, we have had a decade of no growth, low productivity and low inflation. What a state to be in. We had austerity. That achieved nothing. So the Government are absolutely right to target a growth rate of 2.5%. They are absolutely right to reverse the 2.5%—1.25% and 1.25%—national insurance: it is a tax on jobs. Even the Labour Party said it would not have done that. The Government are absolutely right not to increase corporation tax from 19% to 25%. They are absolutely right with investment zones. They are absolutely right with the reform to IR35.

But—and there are "buts"—what about speeding up the move to alternative energy, such as small modular reactors? That is not being spoken about. What about investment: replacing the super-deduction of 130% that will go in April with a 100% write-off to encourage businesses to invest? What about labour shortages? We kept saying to the Government, "Activate the shortage occupation list." Now the Government say they are going to do it. I ask the Government to confirm in their response that this will actually happen.

Then there was 23 September. It is a great lesson in life that it is not just what you do but how you do it. As the former Chancellor, now the noble and learned Lord, Lord Clarke, said, it is the first time a budget has caused a crisis. So much of what was intended was right. To go back to 40% as the top rate of tax is absolutely the right thing to do in the long run, but perhaps not now. As we have heard time and again, not having an OBR report to back it up was not a good thing; I am glad it is happening on the 31st.

People do not talk about the thresholds. The thresholds were frozen by Rishi Sunak and remain. That is the biggest tax increase happening in front of us now. Do the Government agree with it?

I am sorry that I am overrunning, because of paying the wonderful tribute that I was privileged to pay, but I have two more points. First, I have made the point time and again that we as business are grateful for the £400 billion of support that the Government gave through the pandemic that saved our businesses, our economy and our citizens, but you cannot stop there. If you play a tennis stroke and hit the ball—the £400 billion—to get the ball over the net you must follow through, and the Government must be prepared to follow through. Our debt-to-GDP ratio is not that high; it is the second lowest in the G7. Japan's is at 250%; America's is at almost 150%. We need to invest in skills and education, we need to reform the apprenticeship levy.

My final point is this. If the Government do not help now, SMEs, in particular, will not survive. They need help with business rates, with delaying their taxes and with cash flow. Hospitality needs a VAT reduction. If these measures are not taken, we will see businesses going bust. Defence expenditure needs to go up to 3% of GDP right now. On a positive note, when the Ukraine war ends, we will have boom time.

4.25 pm

Lord Forsyth of Drumlean (Con): My Lords, I must say, I agree with almost every word that the noble Lord said. Now that we have put Brexit behind us, I think we could form a good partnership.

What a great Budget Statement it was in terms of content. IR35 was an all-party recommendation from the House of Lords Economic Affairs Committee. The energy cost programme is an open-ended cheque for two years to save people from stress and worry in their homes and businesses. It goes far further than anything that the Labour Party proposed—its meagre proposal was for six months—yet we hear little about it. The other day, Laura Kuenssberg moved a Minister on because he had mentioned it before. It is a huge commitment on the Government's part. To argue that the proposal to cut the top rate of tax, which would have cost £2 billion, crashed the economy is grossly irresponsible.

The noble Lord, Lord Bilimoria, is absolutely right that the presentation of the mini-Budget was perhaps not ideal—it certainly created a reaction—but it was the spark that lit the tinder box, the tinder box being the fact that we have been living on printed money for far too long. In 2020, through QE, we increased the government bonds owned by the Bank of England by

[Lord Forsyth of Drumlean]
£450 billion. That is how Rishi Sunak was able to fund all those Covid measures, from Eat Out to Help Out to the furlough scheme and all the rest.

The truth of the matter—both opposition parties need to recognise this—is that the era of cheap money is over. In the United States, Jay Powell is absolutely determined to drive down inflation, and rightly so. He is doing it by putting interest rates up. Those people who think that the mini-Budget caused the collapse of the pound—that is, the reduction in the value of the pound versus that of the dollar—need to recognise that the Bank of England put interest rates up by 0.5% when the market was expecting 0.75%. When the Americans are committed to a severe programme of interest rate increases, any economics undergraduate will tell you that the exchange rate is determined by the relative interest rates. So the campaign being pushed by the Labour Party to try to present the Government as having created an economic crisis is stuff and nonsense. The duty on all of us—[*Interruption*.] No, I will not give way; I have only four minutes.

Noble Lords: Oh!

Lord Forsyth of Drumlean (Con): Fine, I will give way.

Lord Liddle (Lab): How does the noble Lord explain away the fact that the Government introduced the largest set of tax cuts and the biggest increase in the budget deficit since the time of Anthony Barber in 1972?

Lord Forsyth of Drumlean (Con): How does the noble Lord explain away the fact that his Front Bench supported all of it, including the reductions in national insurance and the basic rate of income tax? They did not support the corporation tax cut but that is presumably because they do not recognise the importance of having investment in our country. Where does investment come from? It comes from retained profits after tax; that is how I would explain it. It is actually to the credit of the Opposition that they supported the populist things. But they concentrated on the cut to the top rate of tax, which the Government have since decided not to go ahead with.

Inflation is the enemy. Jim Callaghan, a great Labour Prime Minister, warned us that

"inflation is the father and mother of unemployment".

That is why the Government are determined to try to get growth, and why we need to recognise that continuing with QE on the present scale will result in inflation and a disaster for both unemployment and our country's prosperity. The era of free money is over. We need to concentrate on wealth creation, not wealth consumption. We need to save every penny; we could start with our own front door in this place, which is costing £2.5 million. Use the candle ends. Look at programmes and decide on priorities. Personally, I think that increasing universal credit should be a priority. However, if that is to be funded, people must recognise that it will mean cuts elsewhere.

So I say this: all support to the Prime Minister. Stop the personal attacks and look at the reality, because if we get this wrong people's mortgages and costs will go through the roof—and they will not be able to blame the Government.

4.30 pm

Lord Eatwell (Lab): My Lords, it was encouraging to hear the Prime Minister echo Keir Starmer's conference speech, putting growth at the heart of the political agenda, but terribly discouraging that her policy for growth embodies the libertarian philosophy that she has soaked up at America's libertarian think tanks.

Her libertarian economics has already been tried. Donald Trump's Tax Cuts and Jobs Act 2017 cut taxes—notably for the better off—and funded the cuts by borrowing in excess of $2 trillion, arguing that these measures would increase investment, growth and incomes, so that tax cuts could pay for themselves. Well, it did not work. Investment increased temporarily but then declined. Lower taxes produced a barely perceptible increase in growth of 0.1 of 1%, and there was no increase in incomes to pay for tax cuts. The American experience confirms that libertarian economics is bad for business. Consider the most commercially successful innovation of modern times: the iPhone. Every significant technical innovation with the iPhone was made in the public sector, from the touch screen to internal electronics.

Growth demands innovation. Because returns are an unknowable future, innovative investment in new, untried technologies, or new products, accessing new markets, is always risky. That is why the state has such an important role to play, funding the risk-taking that markets cannot handle. When public bodies created the iPhone technologies, they were taking risks that the market would not.

There remains Britain's perennial problem of transforming invention into innovation into commercially viable products. Imitating best commercial practice in Europe and the US will help, but more is needed. We need to leapfrog our competitors by building a new financial and industrial system that faces up to competition today and beats the competition tomorrow. That is why Keir Starmer's commitment to turn the UK into a green-growth superpower is so important. Britain has the science to produce green energy and to create the new technologies that will allow us to adapt to climate change. This is a challenge that cannot be met by shrinking the state. It requires a new entrepreneurial state underpinning the risks involved in providing the new goods and services that an overheating world will need.

The Prime Minister's diagnosis of the need for growth is correct but, instead of tackling the problem with modern economic medicine, she plans to bleed the patient. I understand that the Prime Minister read politics, philosophy and economics—PPE—at Oxford. It is evident that she read too many Ps and not enough E.

4.33 pm

Lord Fox (LD): My Lords, I too welcome the Minister to her new position.

The current Prime Minister says that she is focusing on growth and, seemingly, she believes that almost the entire rest of the world are enemies of growth, yet her view on who the culprits are is not really supported by the track record of the government incumbents. For example, how does it help when we had a BEIS

Secretary, now our Chancellor, turn his back on the industrial strategies that were effective growth partnerships with the Government? How does it help when the badly botched Brexit deal has created so much extra red tape that many businesses have stopped exporting altogether? How does it help when the Tories create duplicate regulations such as UK REACH, which has caused billions of pounds of extra costs for our chemicals industry? How does it help, when all sectors are facing chronic shortages of people and skills, to have a Home Secretary who is quoted as saying that there are too many immigrants in low-skilled jobs? She should have said that because training has been so badly neglected, there are too few British people in high-skilled jobs. High skills boost productivity.

However, the most effective enemy of growth is instability. In just over three years, we have had three Conservative Prime Ministers. Each enters No. 10 decrying and overturning the efforts of her or his predecessor. It is very difficult for businesses to justify investing with these political shifting sands.

Last month's fiscal statement has created yet new levels of instability. To summarise the external view, I will quote the highly respected former US Secretary of the Treasury, Larry Summers:

> "The UK did not have room for a massive ineffectual fiscal expansion. The uncontained energy subsidies were themselves substantially problematic and did not leave room for large, permanent tax cuts. That called the credibility of the government into substantial question."

As we saw, once this credibility was called into question, all hell broke loose. Just one consequence of that is the cost of business financing, which has increased materially.

These rising rates come against a backdrop of near-record levels of SME debt. The banking trade body, UK Finance, puts borrowing by small businesses at over £200 billion. About half of that debt is loaned on floating rates, which means that the cost of servicing is rising every day. With the number of company insolvencies in England and Wales already at a 13-year high, it bodes very badly.

As the Budget debate unfolded and the debacle became clear, the Prime Minister sought to distance herself by focusing on the previously announced energy cost measures. As we heard from my noble friend Lord Newby, despite their flaws, this principle is broadly welcome—but remember that domestic energy costs remain at least twice those of last year. That is what we should be thinking about when we think about benefits.

However, the business scheme has a major flaw to which I would like the Minister, the noble Lord, Lord Callanan, to respond to specifically at the end. Based on the terms of the scheme laid out by the Government, only businesses that signed a fixed agreement after 1 April 2022 and those on variable rates will benefit, so businesses with energy agreements signed before this date do not get a subsidy to their unit prices. I ask the Minister to write to me with the Treasury estimate of the number of UK companies missing out on the subsidy due to this cut-off and its estimated impact. I ask him to undertake at the Dispatch Box today that the Government will review this cut-off.

In conclusion, when it comes to diagnosing the cause of our country's problems, the Conservative Party needs to look in the mirror. The enemies of growth are politicians whose ideology drives out realism, Cabinet Ministers for whom blind faith eliminates proven expertise and a party for whom policy purity transcends common sense.

4.38 pm

Lord Burns (CB): My Lords, the financial statement has not gone down well. I will leave it to others to address many of the details of why it went wrong, and my noble friend Lord Macpherson has done that with great clarity. I will say a few words about some of the issues facing the new Government in designing the proposed medium-term fiscal plan.

The first and most important task is to make sure that we get through the period of abnormally high energy prices without serious adverse consequences. I agree with others that the energy price cap scheme has substantial support. Capping prices has the advantage of containing some of the increase in RPI inflation we would have seen and it can be done quickly. It has an in-built mechanism to adjust the amount of subsidy to the future pattern of energy prices.

Of course, the scheme is not without problems: it dampens the incentive for households to economise on their use of energy and it is not well targeted. But the reality is that it is difficult to target vulnerable households at short notice, as the tax and benefits system is based around individuals rather than households. However, because the scheme is poorly targeted, it could be expensive—indeed, very expensive. Along with others, I must say that I find it very difficult to understand why the Government have resisted a windfall profits tax. Energy companies are experiencing a windfall and we should try to recover some of that.

At this difficult time, it is essential that fiscal policy supports the Bank of England in bringing down the rate of inflation. The Government have made it clear that they regard bringing down inflation as a job for the Bank of England. I share the view that the Bank of England is not without blame around some aspects of the present circumstances, and it has been slow to recognise the emerging inflationary pressures and to increase interest rates. But my worry is that its task of bringing down inflation will be made considerably more difficult if the Government's fiscal policy is pulling in the opposite direction.

The proposed tax reductions next April remain a high-risk strategy until we know the size of the bill for the energy price cap scheme, so it is vital that the Government's forthcoming medium-term fiscal plan gives dual weight to the OBR's report on public finances and the need to support monetary policy in the job of bringing down inflation. This lesson was learned the hard way in the 1970s and it was an important driver of the MTFS introduced by the Thatcher Government in 1980.

I fully support the principle that supply-side measures play a critical role in any policy to improve growth rates, but in the circumstances I hope that they will be concentrated on those measures that do not make the task of dealing with inflation more difficult. In my view,

[Lord Burns]

the harm from unfunded tax cuts at this point is very likely to exceed any supply-side benefit. I do not know of any convincing argument that unfunded tax cuts ultimately pay for themselves, other than in very special circumstances of high marginal tax rates.

In these circumstances, public expenditure cuts will be difficult to find. My noble friend Lord Macpherson talked about this, and I shared his experience for many years. They could also be potentially damaging if they target those who are suffering most from the rise in energy costs and inflation in general.

This is not to question the longer-term ambition of simplifying the tax system. However, we should recognise that supply-side measures will take time; they require careful analysis and implementation. I witnessed many attempts to introduce supply-side measures. Many of them fell into considerable problems as they moved on because they were exploited by people for whom they were never intended.

Growth has been affected in all advanced countries by the combination of the financial crisis of 2008, the pandemic and the Russian invasion of Ukraine, so this is a general problem and is not unique to the UK. Higher public indebtedness and higher tax ratios are largely a consequence of dealing with these adverse shocks. I am afraid that the consequences for growth will take some time to work through.

4.42 pm

Lord Lamont of Lerwick (Con): My Lords, it is a personal pleasure to follow the noble Lord, Lord Burns, who always gave me very wise advice in the Treasury, just as he has to the House today. I also welcome my noble friend Lady Neville-Rolfe back to her position on the Front Bench. We have lost a doughty Back-Bencher but regained a formidable Minister.

I welcome many of the measures in the Government's growth plan, particularly the radical deregulatory ones—IR35, the pensions cap and the planning reforms. Provided they can be delivered they are the sorts of measures that will make a real difference to our growth rate. I also welcome the energy price guarantee. It is a major intervention but, as the Minister said, one that, because of the death of the Queen, was not widely recognised and is still not widely known among the public. The package is very important not only for the relief it gives to hard-pressed consumers but economically, because of the 5% it knocks off the rate of inflation. This by itself could help to stave off a deep recession, as high energy prices can be both inflationary and deflationary.

However, it has to be recognised that the energy price guarantee is potentially a massive commitment and adds huge uncertainty to the borrowing figures. The Government's support to consumers as a percentage of GDP, according to the Goethe Institut and Conservative Central Office, dwarfs that of other countries. It is, potentially, more than double that of Germany, which funded its package out of taxation. It was the hugeness of the money at stake, together with the absence of the OBR assessment of the cost of tax cuts, that produced the market reaction that it did. The Government also made something of a rod for their own back with some of the rhetoric that was carried forward from the leadership election about rejecting orthodoxy and the attacks on "bean counters" and people peddling "abacus economics". I am sure it was not intended to, but it sounded very like a Conservative belief in the magic money tree. Since then, the Chancellor has emphasised that he believes in fiscal discipline and in a declining debt-to-GDP ratio.

Going for growth is a certainly laudable objective, but it has to be recognised that there can be a conflict between going for growth and getting inflation down. A stimulus to growth from unfunded tax cuts may mean that inflation stays higher for longer, and that could mean higher interest rates holding back growth. If fiscal and monetary policy point in opposite directions, the result is again likely to be higher interest rates and thus slower growth. So the stage is set for something of a battle between the Treasury and the Bank of England as the Government push for growth and the Bank raises interest rates to tame inflation.

This dilemma could of course be resolved if tax cuts always paid for themselves. That would be wonderful—we would never have to discuss taxation again—but as the noble Lord, Lord Burns, said, they do not always pay for themselves. It depends on whether the rates are set at confiscatory levels or, technically put, where precisely the rate is on the Laffer curve. Ronald Reagan's tax cuts resulted in increased debt, a fact that he later acknowledged and regretted.

Fiscal responsibility is not the enemy of growth. It produces the stability that is essential for it. I welcome the fact that the Chancellor is drawing up a debt reduction plan and plans to bring forward the OBR assessment of that plan. It is very important that the plan set out is credible and does not consist of just easing the present fiscal rules or back-ending all the pain that is going to be necessary. If we do not face reality, reality is going to face us. Fortunately, the Chancellor has, I believe, the resolve and determination to face these challenges, and I wish him well.

4.48 pm

Lord Liddle (Lab): I join the noble Lord, Lord Lamont, in welcoming the noble Baroness, Lady Neville-Rolfe, back to the ministerial Bench. There is much in the speech made by the noble Lord, Lord Lamont, with which I agree. We all want growth, and it is a realistic ambition to try to turn Britain back to the 2.5% growth figure that we enjoyed until the financial crisis. The question is how to do it in a way—I think this is an important point—where the whole of society benefits. The fact is that the growth we have seen since the financial crisis has not trickled down. People on median wages and below have not seen any increase in their standard of living. This is an important thing that future government policy has to address.

As for the details of the plan for growth, there are some things in it with which I agree, but it is limited in its vision. If the Government had paid attention to business, business would have put skills at the top of the list and said that what is needed is more apprenticeships and more people with higher technical qualifications. On pages 19 and 20, which talk about getting more people into work with the right skills, there is not a single mention of that agenda and what the Government are prepared to do about it.

On housing, there is the cut in stamp duty but no clarity on how planning law is to be changed. We know that Conservative MPs in the Commons hate this. There is no mention of any need for social housing.

On infrastructure, there is a sort of half-acknowledgement of guilt that it was the Conservative Back-Benchers, again, who stopped onshore wind—one of the most positive things we could have done to cut energy bills. Let us see whether the objections to onshore wind can now be overcome.

Things such as Northern Powerhouse Rail, which we have been talking about for a decade or more, are on the list of things that the Government might do, but what credibility is there that they will actually do them? Investment zones are an interesting idea, but I have read the academic evidence and it is not very positive on whether they produce results.

There is a point that I think is original. A lot of the Johnson levelling-up agenda was about how we reinvigorated our town centres. Lots of government money is being funnelled into that. These investment zones will be on brownfield sites outside town centres; this seems to be a fundamental contradiction. If I were to encourage investment in my home town of Carlisle, I would want to see it in the centre and on the fringes of the centre, not on some site outside.

The fundamental thing about this Government's policy is that they have lost the reputation for macroeconomic stability that is fundamental to encouraging business to invest. It was the most irresponsible and reckless Budget since Barber's in 1972. It caused turmoil in the markets, which threatened the future of people's pensions. It will lead to spiralling mortgage costs. As the noble Lord, Lord Macpherson, pointed out, there are risks here of a contradiction with monetary policy.

On the fiscal plan that the Government are committed to coming up with, I do not believe the numbers can be made to add up by public spending cuts, which would be both counterproductive in their impact on growth and politically undeliverable. I agree with the noble Lord, Lord Macpherson, that some of the announced tax cuts should be cancelled.

This is not a plan for growth. It is an economic disaster.

4.52 pm

Baroness Bowles of Berkhamsted (LD): My Lords, the Government have U-turned on some of their insensitive Reaganomics, giving tax cuts and perks to the wealthy during a cost of living crisis for the wider population, but a harsh right-wing agenda is an integral part of the Tory Brexit plan. It may not have headlined beyond the Singapore-on-Thames misnomer—thought just to mean light-touch financial regulation—but disruption and asset price adjustment are part of it, as the Prime Minister has revealed in various things that have been said.

Those kinds of adjustments are painful and require a long policy horizon, broad and deep support and good communication, as do any challenges to market orthodoxy. But done naively, two years before an election, with none of the accompanying platform—no wonder the markets took flight. The mini-Budget and growth plan set in train faster and further falls in sterling and gilt prices, and rises in interest and mortgage rates, than would otherwise have happened.

The gilt glitch triggered Bank of England intervention to save defined benefit pension funds that had tried to manage mark-to-market gilt valuations with derivatives and borrowing, collateralised by the gilts themselves: an incestuous systemic linkage, which sounds crazy anyway, inherently vulnerable to a doom loop, created and perpetrated by and around regulated entities, warned about to the Bank of England, and deemed acceptable or untouchable by regulators.

This was a systemic accident waiting to happen. Dodgy derivatives, shifting risk horizons, timelines and effective ownership change—has nothing been learned from 2007? The issue that has driven the invention of liability-driven investments and the recent gilt-sale doom loop is the mark-to-market requirement of accounting standards and applying it to hold-to-maturity gilts within pension fund assets. It has caused 20 years of instability in the pensions sector.

Gilts held to maturity are not volatile; the coupon and end return are either fixed or linked to inflation. As Terry Smith pointed out in his opinion piece in the *FT* last week, LDIs are not hedging risk—which is the total realised end return—but attempting to hedge the accounting valuation with all its short-term noise and volatility. The only gainers are the peddlers of exotic products; the losers are the public and pensioners who foot the cost of the rescue and the finagling.

Why is this done? Because of universal mark-to-market accounting standards dogma, also embedded in other regulation. Maybe it makes audit less work, requiring less judgment, but what good is that when the consequences and get-arounds open the door to extreme systemic events?

I know that the noble Lord, Lord Callanan, follows the infallibility of accounting standards mantra of BEIS—it is probably being scribbled down in the Box right now—but there are dangerous flaws and absurdities, and it is negligent if government, BEIS, the Treasury, regulators and the Bank will not get their heads around issues in accounting standards. It is no defence to say that accounting standards are independent; they are a closed shop defended by their acolytes. We are not all bamboozled, but those with power must take off their blinkers.

4.57 pm

Baroness Gohir (CB) (Maiden Speech): My Lords, it is a huge honour and privilege to be among you. I thank noble Lords for their warm welcome across the Benches, whether they have found me wandering the corridors or sat next to them, and for the warm welcome that I have received today. I want to particularly thank the noble and learned Lord, Lord Judge, the noble Baroness, Lady Watkins, and the many members of staff who have supported me in so many different ways. I also appreciate the words of wisdom and advice that have been offered to me so far. I am listening and I am learning: thank you.

Let me introduce myself to noble Lords who do not know me. I am the CEO and one of the founding members of Muslim Women's Network UK, a national charity based in Birmingham. We operate a national helpline and counselling service, conduct research—most recently on maternity experiences—and conduct

[BARONESS GOHIR]

awareness-raising campaigns. We also have a national membership. The late Baroness Afshar was also one of our founding members. I was really excited to tell her that I was going to be following in her footsteps and joining her on the Cross Benches, but I did not get to share my good news with her because, just a few days before the public announcement of my appointment, she sadly passed away. However, I will be continuing her fight for gender justice and women's equality.

As a women's rights campaigner, I also work with many women's organisations on many different issues. So I will be concentrating on women's lived experiences, whether of the criminal justice system, the education system or the health service, or in employment. I will also be focusing on the economic impact on women of laws and policies. I will do all that I can to advance the rights of all women and girls and advocate for a fairer society.

However, society will be fairer only if more money goes into the pockets of women, because money is power—the power to increase life chances. However, over the last decade or so we have consistently seen more money, and hence more power, go into the pockets of predominantly wealthy men. In real terms, money has been taken out of the pockets of the poor, especially women. According to analysis by the Women's Budget Group, the spending cuts on public services and freezes to social security over the last 10 years or so have hit women the hardest because they are most likely to use public services, work in the public sector and depend on social security for a bigger portion of their income.

Public spending may have gone up briefly during the pandemic, but a return to the pattern of cutting public spending while cutting taxes will continue to benefit men because women earn less and are more likely to work part time. Research by the Women's Budget Group along with the Runnymede Trust shows that cutting spending and taxes at the same time hits women in every income group harder than men, hits the poorest hardest and hits minority-ethnic women, disabled women and lone parents hardest of all. That means women will struggle to pay for food, energy bills, rent and mortgages. Children will go to school and to bed hungry and they will be cold. Because children cannot keep warm, they will get sick. Families will become homeless.

If that situation is not bad enough, part-time workers have been told that if they do not increase their hours, their benefits will be cut. But many women work part time because they have caring responsibilities. They are looking after children, the sick, the disabled and the elderly. Women are not sitting idly by; they are working, but it is unpaid work that is not valued.

If we want to see a fairer society, Budgets must reduce inequalities and not exacerbate them. I look forward to seeing one day—I hope not too far in the future—an intersectional and feminist approach to the Budget. The empowerment of women will be crucial if Britain is to recover from the current economic challenges. I will therefore be returning to these issues again and again. I know there are many allies in the House, and I look forward to working with noble Lords across the Benches on many different issues, including the ones that I have mentioned today.

5.02 pm

Baroness Hayman (CB): My Lords, it is an enormous pleasure to welcome the noble Baroness, Lady Gohir, to the House and to congratulate her on that outstanding maiden speech. It was full of fire and passion, and full of many issues that many of us will be happy to follow her on in days to come.

The noble Baroness is obviously a formidable campaigner. She has managed in the past to persuade the Foreign Office to end the dreadful policy of charging the victims of forced marriage for the cost of their repatriation air flights home. I am sure she will bring that campaigning vigour, her knowledge of the health service and her knowledge of community relations to our deliberations in this House. Today, sadly, we heard the last of one very powerful voice from Birmingham; I think we can console ourselves that we have heard the first from another.

I turn to the debate and declare my interest as co-chair of Peers for the Planet.

"Growth, growth, growth" is a slogan, not a strategy. To turn it into a strategy, you need some adjectives to go along with that single noun. I offer three: "fair", "credible" and "sustainable". In the reaction to the Chancellor's fiscal event, we see very clearly how the lack of fairness torpedoed the 45p proposal and how the lack of credibility of the unfunded tax cuts created havoc in the markets. But I will concentrate on the third adjective, "sustainable", and argue that pursuing a growth agenda that also aligns with and will deliver our net-zero and nature commitments is not only compatible with but in fact central to long-term economic growth and prosperity.

In the "growth, growth and growth" speech, the Prime Minister also spoke of the need to build our country for a new era, but that new era is already with us; it is an era of decarbonisation and electrification. We have embarked on a transition which benefits business and society through better health outcomes, cleaner air, skilled and secure jobs, and restored and revived natural environments.

As the Treasury concluded in its net zero review, the cost competitiveness of renewable technologies relative to fossil fuels has fundamentally changed, and fundamentally changed our economy. The Government need to make it clear that they understand and are committed to this future, rather than harking back to the technologies of the past. The UK's greatest allies and competitors—the US, China and the EU—have recognised the opportunities and are acting at eye-watering speed and scale. The US is committing $369 billion towards emissions-cutting measures. Germany is spending €177.5 billion. China is accelerating investment in solar and other renewables. All, unlike the UK, are also moving decisively on national energy demand reduction plans, informing the public and campaigning on energy waste.

We need to capitalise on UK achievements. The successes in homegrown wind power, solar, PV, and electric vehicles have been driven by government identifying and supporting the technologies needed to drive down emissions and bolster energy security. We need to target specific technologies now to deliver tipping points and unblock barriers such as intermittency. None of this will happen without a clear transition strategy and costed and timetabled plans for the sectors—energy, transport, housing and land—that will determine the success of our economy, underpinned by cross-cutting strategies in enabling areas, such as taxation, planning and training.

Last month, Amazon, Coca-Cola Europacific Partners and Sky were among 100 businesses and financial institutions representing £1.8 trillion of market capitalisation that wrote to the Prime Minister. Their letter said:

> "As skyrocketing energy bills inflict considerable costs on businesses and push vulnerable households into poverty, we would like to see you prioritise policies that will address this crisis, as part of a robust net zero strategy … Acting now to accelerate the energy transition, could both support UK households with the cost of living and deliver huge economic benefits, unlocking opportunities for the UK to be a leader in clean growth."

I hope the Government will listen very carefully to that advice.

5.07 pm

The Lord Bishop of Durham: My Lords, I congratulate my friend of more than 40 years, the right reverend Prelate the Bishop of Birmingham, on his valedictory speech. I thank him for his contributions to this House, particularly as our convenor, and pray God's blessing for his future endeavours. I also congratulate the noble Baroness, Lady Gohir, on her excellent maiden speech.

In Luke, chapter 16, Jesus tells of a rich man who

> "lived in luxury every day",

while a beggar named Lazarus lay longing to eat what fell from his table. Sat at the rich man's gate, Lazarus was in plain sight, yet he was invisible to the rich man—a man blind to suffering and the needs of Lazarus.

The Trussell Trust has revealed devastating statistics regarding those in poverty. In recent months, its food banks have provided 50% more parcels. Of those on universal credit, 2 million have skipped meals to meet other essential costs. These statistics continue to rise; poverty is in plain sight. Yet a policy of trickle-down economics renders those in poverty invisible. Like Lazarus waiting to eat what fell from the rich man's table, this policy does not address urgent needs. These people cannot wait for the benefits of this economic policy to trickle down; this is especially the case for children and young people. We all get only one childhood, which shapes the rest of our lives. Children do not have time to wait for the "pie" to grow; they need meaningful investment now. God does not "trickle down" his love for us; he pours it out extravagantly. Jesus's priority was to lift up the poor, not wait for some small advance to trickle down.

I agree, therefore, that the rule book needs rewriting to recognise in plain sight the value of parents giving their full time to raise children and to honour carers for selfless service to the disabled and elderly—an economics that says the well-being of people and of creation matter most. It is urgent that economic policy prioritises the poor and vulnerable. Growth certainly matters, but growth must have the most vulnerable in sight. It must not be a growth of greed but of supply, sufficiency and contentment. Social security should be increased in line with inflation. A failure to do so will have devastating consequences for families across the UK—families already struggling due to policies such as the two-child limit and the benefit cap. In the north-east, two in five children live below the poverty line, making the gap between the north-east and the UK average child poverty rate greater than ever. The Government's lack of commitment to increasing social security will further plunge children into poverty, while making levelling up an increasingly distant fantasy. What does this say about the value that this country places on caring for children?

I acknowledge the reversal of the 45p tax cut, but for those on the lowest incomes it is, frankly, irrelevant. As Jesus proclaimed:

> "You cannot serve both God and money."

We must ask ourselves who we serve when developing economic policy. Is it for the benefit of a select few, or is it those who are poor and most vulnerable, those whom God expects us to protect and care for first and foremost?

5.11 pm

Lord Lilley (Con): My Lords, it is a pleasure to follow the right reverend Prelate the Bishop of Durham; I will take his biblical injunctions to heart. I hope that he will take to heart my observation that there is no free market economist who believes in anything called "trickle-down economics"; that is a fantasy of his imagination.

My noble friend Lord Lamont reminded me that I should perhaps begin with a declaration of interest: as a former Treasury Minister I am a registered bean counter and member of the Treasury orthodoxy, which may be why I voted for Rishi Sunak in the leadership election. However, I passionately want the Prime Minister and Chancellor to succeed, not just because I believe in their central objective; I also wanted Tony Blair and Gordon Brown to succeed, because I want our country to succeed. I am therefore rather upset by the relish that some have shown for the brief adverse market reaction to the Budget. After all, it was brief, which suggests that it was as much about misunderstanding as about the substance. Sterling is back to the level against the euro that it was before the announcement. The dollar has been equally strong against both the pound and the euro—and many other currencies—which has nothing to do with the Budget statement.

Surely we can all agree that the Government's priority is right. Growth is crucial. Growth, not redistribution, is the only sustainable way to increase living standards and finance improved services. If I may, I will use my four minutes to make a few reflections based on the experience of the 1980s.

First, the impact of the deregulatory measures that we introduced then was in fact greater than we anticipated. Britain moved from being the slowest-growing major economy in Europe to the fastest. But this improvement was slower in emerging than we hoped, and reflected the cumulative effect of a whole range of often small changes. It is therefore very unlikely that the benefits of changes that this Government rightly propose will

[LORD LILLEY]

be felt before the next election. But that is no reason for giving up. The electorate is collectively far more intelligent than many cynics assume. They re-elected the Thatcher Government twice before much of the benefits of their reforms had materialised, because they gave the Government credit for tackling what were manifestly important issues.

Secondly, in the 1980s we tackled many, although not all, of the big regulatory problems, such as scrapping exchange controls, ending the vestiges of a prices and incomes policy which gave the Government control of every single price, wage and dividend in the country, and privatising large swathes of nationalised industries. But that does not mean there is nothing left to do. We could not then tackle the issues covered by the EU's laws and regulations. Now, thanks to Brexit, we can, so this Government are right to turn their attention to these.

Thirdly, one area we did not tackle, which was at least partly within the scope of domestic law, was planning. There, in my experience, speeding up decision-making, so you know whether you can or cannot do something, is as important as liberalising it, and may be less contentious.

Fourthly, we tend to forget one significant feature that the UK had in the 1980s, which was the development of North Sea oil, which simultaneously strengthened the balance of payments and generated huge tax revenues. The Government are absolutely right to license more North Sea acreage, but the only energy sources which can come on stream speedily are onshore gas and onshore wind. We must face up to the anti-growth coalition, which agitated against shale gas with arguments which, frankly, make anti-vaxxers look positively scientific. More than a million wells have been fracked in the United States without a single building falling down as a result of the micro-seismic events which follow, and without anyone being poisoned by contaminated aquifers, and gas produced domestically emits far less CO_2 than importing LNG. If anyone needs to apologise for our present shortage of secure, affordable energy, it is those who objected to nuclear because it would not come on stream until 2021, to quote Nick Clegg, and who supported frankly scaremongering arguments to stop us exploiting such shale reserves as we have.

5.16 pm

Baroness Blackstone (Lab): My Lords, in the 60 years I have spent either participating in or observing British politics, I have never seen such a shocking failure in government policy-making as last month's mini-Budget. What is particularly shameful is that it was a self-inflicted failure—what the former Governor of the Bank of England described, using a tennis analogy, as "unforced errors". It showed an inability to make sensible economic judgments and an irresponsible lack of proper consideration to what the likely outcome would be for the markets of enormous unfunded tax cuts, with no indication of how they would be paid for in the medium and longer term. It is said that hedge fund managers have described the Chancellor as "a useful idiot". Useful to them perhaps, but what about the rest of us?

There are a number of lessons that the Prime Minister and the Chancellor might learn from the mini-Budget fiasco. Above all, they must stop trashing the system which is set up to advise them. Doing so is arrogant as well as ill advised. They need to understand the likely consequences of their actions from good advice. They should not sack a competent Treasury Permanent Secretary with particular expertise in the way the market works on their first day in office. They should not sideline the Office for Budget Responsibility, citing the dubious excuse that there was no time for it to respond. They should consider the views of the Bank of England on maintaining financial stability, for which it is responsible, before taking actions which threaten that very stability.

They should also demonstrate greater political nous. To propose cutting the top rate of tax for high earners against a backdrop of a cost of living crisis which will damage the lives of medium and, especially, low-income families, beggars belief. Not surprisingly, it led to a rapid, embarrassing U-turn. It has also led electors to believe that this is a Government on the side of the rich and not the poor. Did they not also think through the possible risk of higher interest rates as a consequence of their Budget? Quite apart from the damage to investment, a hike in interest rates would have big implications for the mortgage market. I am sure many Members of your Lordships' House will feel great sympathy, as I do, for young people who have worked hard to save, found a property they want to buy and, at a stroke, have been told the mortgage that they had been promised has been cancelled.

As an aside, it is particularly galling to hear the Prime Minister say in interviews that the increase in interest rates is a decision of the "independent Bank of England" when it is obvious that her policies forced the Bank of England to act quickly and raise rates to prevent further damage to our financial system.

The noble Lords, Lord Newby and Lord Macpherson of Earl's Court, and my noble friends Lady Smith and Lord Eatwell have all challenged the Government's flawed economic ideology about how growth can be achieved. They have pointed out the past failure of trickle-down policies, especially in the context of high inflation, and the need to restore economic credibility. I hope that the Minister will say in responding why greater priority has not been given to innovation, as mentioned by my noble friend Lord Eatwell, to improving skills, which no one has mentioned, and to creating better infrastructure, as referred to by my noble friend Lord Liddle. All these are likely to be far more valuable in achieving growth than unfunded tax cuts.

Growth is of course a highly desirable goal, but I ask the Government and the Prime Minister in particular to refrain from further slurs against the Labour Party for being anti-growth. That is nonsense. The issue between us is not whether we want growth but how to achieve it. Lastly, following what the noble Baroness, Lady Hayman, said, I ask the Government, in thinking about growth, to give further thought to the economic rewards and cost-saving potential of the green economy.

5.21 pm

Baroness Smith of Newnham (LD): My Lords, I have not been watching British politics and economics for quite the 60 years that the noble Baroness, Lady Blackstone, referred to. My first memory of the British economy was during the three-day week in the early 1970s and its periodic blackouts. My father and I visited my great-uncle, who had a corner shop; I would have been about three or four, but even then I can remember him talking about the difficulties of getting in produce, as supermarkets found it so much easier to undercut. There were changes in the economy then that were not necessarily attractive; they were not necessarily times we would want to go back to. The 1970s were probably the worst time for the British economy that I and many others remember.

When we voted for Brexit, despite the Project Fear perhaps put out by some, I did not expect that we would indeed end up in a period where there would be threats of blackouts and growth would be slipping back as much as it is.

Lord Forsyth of Drumlean (Con): It has nothing to do with Brexit.

Baroness Smith of Newnham (LD): The noble Lord says from a sedentary position that it has nothing to do with Brexit—

Baroness Jones of Moulsecoomb (GP): Of course it does.

Baroness Smith of Newnham (LD): I thank the noble Baroness. There was a suggestion by those who were arguing against Brexit that it would have catastrophic economic consequences. We will never know fully what the implications of Brexit would have been had it not been for the Covid pandemic and a whole range of other issues, but it is absolutely clear that we are in an economic situation that was unforeseen five years ago and which very clearly started at the time of Covid and was exacerbated by the war in Ukraine.

Had I not been heckled from a sedentary position, I was going to say that today a miracle has happened—I agreed with the noble Lord, Lord Lilley. Before the Whips in my party get too worried, I say that it is over something with which I hope perhaps all Members in your Lordships' House can agree: that we should not want a Government to fail. It must be of considerable interest to us all, as citizens of the United Kingdom and Members of your Lordships' House, that our country should be respected globally and that our economy should be as strong as possible. I therefore do not seek to talk down the Government, however much I might like to see them defeated at the next election.

The noble Lord, Lord Eatwell, raised the question of whether the Prime Minister had too many Ps in her PPE. I was more concerned that she had missed Politics 101: as Prime Minister, there are certain people you want to have in your Cabinet, so do not kick to the Back Benches those people who do not agree with you. The Prime Minister might like to rethink that a little bit. But did she really learn the lessons in Oxford PPE that some of the rest of us did? There seem to have been so many decisions in the last four weeks that are not about strengthening the economy; some of them stand to weaken the economy.

The noble Lord, Lord Forsyth, is right that cheap money is no longer available, but those decisions that the Chancellor put forward two and a half weeks ago led to a set of consequences that is going to increase borrowing. Can the noble Lord, Lord Callanan, in his response tell the House what calculations the Government have made around the impact on the economy and our borrowing of the Government's mini-Budget; the amount of borrowing the Government are having to do; the intervention of the Bank of England; and the long-term consequences this will have on young people and their mortgages, and on those who are repaying their student loans? The youngest are among those who are going to suffer most from many of these changes.

Cutting energy prices is right. Borrowing for tax cuts most certainly was not.

5.25 pm

Lord Londesborough (CB): My Lords, first, I congratulate my noble friend Lady Gohir on her passionate and eloquent maiden speech. We look forward to hearing much more from her from the Cross Benches.

As we have heard, the Prime Minister's economic strategy is, "Growth, growth, growth". This has unfortunate echoes of her predecessor who, just five months ago, trumpeted the slogan, "Jobs, jobs, jobs", at a time of record unfilled vacancies. Single repetitive word slogans often suggest oversimplified approaches, with wilful disregard for the consequences. Indeed, the Chancellor appears to have grabbed the helm of a vessel without consulting the crew on the weather or sea conditions and slammed down the throttle with the fuel tank on reserve and oil lights flashing. I will not prolong the nautical metaphor, but you get my drift.

Sustained economic growth requires a qualitative, not quantitative, approach, especially in a period of high inflation and supply side shortages—not least our shrinking workforce. We have economic inactivity levels not seen anywhere else in Europe, while our productivity remains in the doldrums. These are the issues that need to be addressed, and they will not be solved by tax cuts and escalating debt. If you think you can buy growth this way, the markets will find you out—indeed, they already have. Growth needs to be sustainable, balanced and, I suggest, broadly distributed. Achieving 2.5% is far from ideal if only 10% of the population benefit.

Let us reflect for a moment on the impacts of the proposed tax cuts, especially amid a cost of living crisis. Do we give a £20,000 tax break to one person—let us say a mid-ranking City lawyer earning £500,000 a year—or a £1,000 tax break to 20 people earning the median average salary of £26,000? The cost to the Treasury is the same but I argue, as an entrepreneur and business investor, that the impact on growth will be much more significant if you reward at the margins. I do not have time to preach the theory of marginal utility but I urge the Ministers to brief both No. 10 and No. 11 on its relevance in relation to taxation and growth.

[LORD LONDESBOROUGH]

So how do we engineer real economic growth? I have two suggestions. First, we now have a very competitive exchange rate, close to record lows against the US dollar. Remember what happened back in 1992 when we exited the ERM: sterling lost 20% of its value—a gift from the markets—and our economy grew by 3% per annum over the rest of the decade, fuelled by a boom in exports. I ask the Minister: what are the new Government's plans to seize this opportunity?

Secondly, we must address the UK's anaemic productivity, which in terms of output per hour still lags both France and the US by some 15%. This is where our political system serves us very poorly. We need to stick to targeted, long-term measures to spur productivity, addressing education and skills, and the chronic underinvestment in both the public and private sectors. Would the Government consider setting up a productivity task force, or at least an advisory board, that includes those at the cutting edge of the private sector, who build businesses, create jobs, balance the books, count the beans and have first-hand experience of what drives productivity, and indeed growth?

5.30 pm

The Lord Bishop of Derby: My Lords, it is a pleasure to join other noble Lords in congratulating the noble Baroness, Lady Gohir, on her maiden speech, which was delivered with such authority and clarity on matters that are close to my heart as well. I look forward to working with her in the years ahead. It is also a real privilege to pay tribute to my right reverend friend who gave his final reflection from these Benches. I am indebted to him as he has been not only an excellent Convenor of the Lords Spiritual but someone whose example has greatly influenced my ministry over many years.

I declare an interest as vice-chair of the Children's Society. This afternoon, I want to give voice to the unheard voices that it works with and advocates for, as we take note of the economy and the Government's growth plan. Last month, the Children's Society published the 2022 *Good Childhood Report*, which records that 85% of parents and carers, despite welcome packages of support, are worried about the increase in the cost of living as it affects their ability to care for their children.

I too am concerned about the direct impact of economic policy on children. To ask the lowest-income families to cope with even less seems unthinkable. At a time when so many families are already struggling to put food on the table, a real-terms cut to their income would be catastrophic. Some 4.3 million children in the UK are growing up in poverty and the Children's Society calculates that not uprating benefits would add another 200,000 to that number.

According to a coalition of national children's charities, one of the most direct ways of supporting the most vulnerable children would be by increasing child benefit. A £10 increase would help but, given the rate of inflation, an increase of £20 to £25 would be more realistic. On behalf of those charities, I ask the Minister whether His Majesty's Government might reconsider their position on those benefits to directly support the welfare of children. Jesus, our scripture tells us, put a child at the heart of the kingdom of God and I urge us to do the same in our United Kingdom.

As Bishop of Derby, I am pleased to recognise that Derby is an international centre for skilled engineering and high-tech industry which has brought to the area many highly paid and secure jobs. Some in Derby and Derbyshire will likely benefit from much of the Government's plan for growth. However, we also face some of the starkest indices of inequality in the country.

I finish with words from Psalm 41:

> "Blessed are those who consider the poor and needy; the Lord will deliver them in time of trouble."

I trust that as we take note of the economy and the Government's growth plan we will prioritise those who are at the margins of our society to reduce further inequality, especially as it impacts our nation's most vulnerable children.

5.34 pm

Lord Bridges of Headley (Con): My Lords, I start by congratulating my noble friend Lady Neville-Rolfe on her appointment. It is great to see her back on the Front Bench. I also congratulate the noble Baroness, Lady Gohir, on her excellent maiden speech. It is wonderful to see her here. I regret very much that we heard the valedictory speech of the right reverend Prelate the Bishop of Birmingham. We shall all miss him.

We are at last waking up from the make-believe world we have lived in for a decade or so. As my noble friend Lord Forsyth said, it is a world where we became deluded into thinking that cheap money would last for ever and that inflation was safely behind bars. Far from being transitory, as we were confidently told, inflation is now running amok, seeping into the pores of our economy.

As the noble Lord, Lord Burns, said, the Bank has questions to answer. For example, why did it take so long to kick the addiction to QE, raise rates and send an unequivocal, clear message that it will do whatever it takes, however painful, to keep prices down? It also needs to clarify how its current £65 billion bond-buying programme has nothing to do with monetary policy, as it claims, even though it seems to be using QE to do so.

That is the first delusion that has fallen. The second has been called out by the Prime Minister. She is entirely, 100% right to say that high taxes risk snuffing out growth and enterprise. The problem is that we—this and successive Governments—have been putting taxes up: in just two years, Boris Johnson raised taxes by more than Gordon Brown did in 10.

So this Prime Minister has my full support in calling time on higher taxes, not just corporation tax but also the dreaded IR35. But—and there is a "but"—taxes are high because spending is high, and it is getting higher still. Here we are only just beginning to wake up to reality. Before the energy package was announced, Mr Sunak said his last Budget increased total departmental spending over this Parliament by £150 billion. That is the largest increase this century.

That is the backdrop to this debate. As we look ahead, if we want to lower taxes, as I do; if you believe that you cannot borrow your way to growth, as I do;

and if you want to bring inflation down, as I do, we must all be very honest about spending. If we are not, we risk taking a gamble we cannot afford. Thanks to our living in this make-believe world for so long, borrowing is already high and risks rising higher thanks to the soaring cost of servicing our debt.

Let me give one fact on why this is such a risk. We have the highest proportion of index-linked debt in the G7. It is 25%, which is five times what it is in Germany. Add to that the risk of rising rates and it is not surprising that the OBR forecasts that this year debt interest costs might hit a record high of £83 billion. That is getting on for double what we spend on defence—and it was forecast in March, before the impact of the last few weeks. An average RPI rate of 15% next year would boost borrowing costs to almost £130 billion, and that does not include the cost of rising rates.

So, when my noble friend stands up, I would like him to assure us unequivocally that if we are going to proceed with tax cuts, which I would love to see, a coherent plan will be published on 31 October that sets out how our finances will be put on a sustainable, stable footing. I would also like him to assure us that we will not try to borrow our way to growth, as that is part of the make-believe world I hope we have left behind.

5.39 pm

Lord Davies of Brixton (Lab): My Lords, I start by reminding the noble Lord, Lord Bridges, that his Government were in power for the 10 years he referred to and some of the guilt must attach to him and his colleagues.

I want to ask about two of the specific proposals in the so-called plan for growth; first, on the change to the IR35 freelance rules. I find this proposal to give up on the effective enforcement of tax rules both extraordinary and wrong. The reopening of opportunities for employees to exploit tax rules does nothing for growth—the purported purpose of these proposals—let alone levelling up. It also severely undermines the wider integrity of the tax system. It should be understood that the Government are actively making mugs of the majority of independent contractors, who follow the rules and pay the tax that is due. I recognise that the whole treatment of freelance workers is a mess and needs to be sorted out, particularly the issue of employment rights. I note the conclusions of the Finance Bill Sub-Committee from two years ago but it should be understood that the Chancellor's proposal here falls far short of the comprehensive approach that was proposed by the sub-committee.

It is particularly extraordinary that the Chancellor should make such a proposal now, when, inevitably, on the one hand we have no idea of the eventual cost, because it depends on individual actions, while on the other we know that the Treasury has set a figure of £6 billion for the cost of this change over the next four years. That is an extra £6 billion that will have to be borrowed to pay people who are seeking to avoid paying the tax that is due. Therefore, my first question to the Minister is: why do the Government think that this reversal of policy is justified on its own terms, let alone at the current time?

Secondly, I want to ask the Minister about the announcement of the change in the pensions regulatory charge cap. This is particularly relevant following the events of the last few days that arose directly from the investment policies of private sector pension funds. The Bank of England has stressed the significance of the problems that the whole system faced, so I ask the Minister: is this really the time to make these changes, which are intended to have the effect of reducing the liquidity of these private sector pension schemes? Does he understand that the crisis was a crisis of liquidity and not about solvency? This measure is aimed at further reducing the liquidity of these schemes. Therefore, before proceeding with these proposals, we need, at least, a far better understanding of what went wrong following the Budget and the impact that it had on the investments of pension schemes.

5.42 pm

Lord Patel (CB): My Lords, I congratulate the noble Baroness, Lady Gohir, on her powerful maiden speech and I look forward to hearing more from her. I also wish the right reverend Prelate the Bishop of Birmingham well in his retirement from this House. I join others in saying that we will miss his contributions.

It is widely recognised that innovations drive the economy. America's ability and genius for innovation is estimated to contribute to 50% of its annual rise in GDP. The United Kingdom is a world leader in science and research, with some of the world's top universities. Our strength in science and ability to innovate was evidenced during the pandemic. Our biotech industry alone contributes nearly £50 billion a year to UK GDP and employs over 50,000 people. In life sciences today the UK leads in gene and cell therapies, genomic science and cancer research, including areas of immunotherapy and messenger RNA-related technology, to mention some.

The ABPI estimates that investment in life sciences in the United Kingdom would increase GDP by another £68 billion over the next 25 years. Apart from our strengths in life sciences, other areas of science that the UK excels at and has the potential to deliver innovations in are the next generation of batteries and fuel cells, artificial intelligence, data science, digital technology, microchip design, and in many areas of environmental science, to list just a few.

The last two Prime Ministers strongly supported science, research and innovation. The previous Prime Minister Boris Johnson wanted the UK to be a science and technology superpower and a world centre for innovation by 2030. Academia and industry welcomed the vision articulated in the government report *UK Innovation Strategy: Leading the Future By Creating It*, published by BEIS in July 2021. This and the creation of ARIA—the Advanced Research and Invention Agency—demonstrated the Government's commitment to science. By the way, it was a big coup for the Government to get somebody of the status of Ilan Gur from California to be chief executive officer of ARIA. I wish him well. To deliver on the vision articulated in the innovation strategy report and grow the economy will now need a laser-like focus on implementation, across government departments.

[LORD PATEL]

The Government's commitment to increase R&D funding to 2.4% of GDP by 2027 and an ambition to increase it to 3% of GDP by 2030 have been widely welcomed by academia and industry. It is important that this commitment is honoured. I hope the Minister can confirm that that will be so.

What is my concern? We finally have a Minister of State for Science. I wish the Minister, Nusrat Ghani, well, and know that the science and technology community will be willing to give her all the assistance she needs to make her job a success. However, the fact that she will not attend Cabinet meetings means that the position does not have the status it needs and deserves; in addition, a Cabinet sub-committee, the National Science and Technology Council, chaired by the previous Prime Minister, will no longer continue, gives the impression that the current Prime Minister does not value science nor its potential contribution to economic growth. I hope that the Minister can provide reassurance. Can he also say who will be responsible for driving the Government's innovation strategy across all government departments?

5.47 pm

The Lord Bishop of St Edmundsbury and Ipswich: My Lords, I add my congratulations to the noble Baroness, Lady Gohir, and look forward to working with her. I also add my lament at the departure of our dear right reverend friend, who has to me also been a great friend and a great encourager.

Two of the most important lessons many of us learned during the pandemic were, first, that we were all in it together and that none of us was immune, and secondly, that no one should be left behind, which meant focusing on the most vulnerable, with all of us sharing the load. As His Majesty's Government embarks on this bold and, I believe, risky economic experiment, I urge that those two lessons be heeded, for we ignore them at our peril.

I will make two points. We are all in this together, and we and our children and grandchildren are together in this dangerous time of climate crisis. Therefore, I must raise my concerns relating to the environmental impact of some of the announcements made in the Government's plan for growth. While I welcome the commitment to low-carbon energy sources and the desire to

"unlock the potential of onshore wind by bringing consenting in line with other infrastructure",

I share concerns about ending the pause on extracting reserves of shale gas, and a new round of licences for oil and gas extraction. These are retrogressive steps that will harm not only our progress in attaining vital environmental targets but our credibility in encouraging other nations to respond to the climate crisis. The Government seem to be giving with one hand and taking away with the other, and in the long run these steps make little economic or strategic sense to me, when all our effort and investment should be focused on renewables.

Secondly, the measure of any society is how it treats the poor and the most vulnerable, as we learned during the pandemic. I fear that the Government's plan for economic growth in itself betrays a lack of awareness of the real and acute pressures facing lower-income households at this time. In my beloved Suffolk, in 2020 there were 48,000 households in fuel poverty. This year, according to the Suffolk Community Foundation, on which I serve as a patron, even with the energy price cap, that will rise to at least 75,000 households, and probably closer to 100,000—more than a quarter of all Suffolk households. Again in Suffolk, close to 29% of properties are off-grid for gas—double the national average for England. That is 29% that do not benefit from the cap on gas prices. I know that the Government have recognised the need to support those off grid by offering an additional £100 per year in support but, given the price of fuel oil, that will barely make a dent. I ask the Government to ensure that those without access to mains gas are not overlooked as discussions continue.

As so many have noted, the growth plan's proposed tax cuts are untargeted and hardly aid the poor and most vulnerable. Even at present, we are hearing of pensioners having to go back to work to make ends meet, and more young working parents in Suffolk come with embarrassment for the first time to a food bank or a top-up shop to be able to feed their family. Please do not make this situation worse. Incidentally, we have become far too familiar with and dependent on food banks, and they are now struggling to find enough donated food to meet demand.

The number of people in Suffolk claiming universal credit has risen from roughly 30,000 in February 2020 to 54,000 in May 2022. I join those calling for an uprating of benefits in line with the CPI inflation rate. If His Majesty's Government are to continue on this path, I plead with them to have both a climate strategy and an anti-poverty strategy that shape and are absolutely intrinsic to the growth plan, not dispensable options. We are all in this together; no one must be left behind.

5.52 pm

Baroness Noakes (Con): My Lords, we have heard many speeches today from the anti-growth coalition, and doubtless there will be more. Noble Lords do not say that they are against growth, but they support the kind of policies that have failed to produce growth and are unlikely to allow the UK to escape from the deadly combination of slow growth, high inflation and high taxation. The Prime Minister is absolutely right to prioritise getting the UK growing again. She is also right to focus on bold supply-side measures and tax reductions. Those who set their faces against this need to explain how else the UK can achieve a paradigm shift. It will not be found in a magical green economy, as some noble Lords advocate. Net zero is costing money; it is not making money.

The Government's supply-side plans, such as investment zones, are exciting, and I look forward to significant regulatory reforms which will allow small businesses to concentrate on growth rather than on bureaucracy. Thank goodness we are not shackled by the EU any more.

We also need lower tax rates, and this is nothing to do with the fantasy about trickle-down economics. It is about incentives. The right tax rates are the ones that encourage people to work, which encourage and support entrepreneurs and which attract overseas investors. That is the route to growth. Low rates are not synonymous with low tax yields, as previous Conservative Governments have shown.

The Prime Minister is also right about refusing to look at economic policy through the lens of redistribution. That is an obsession based on the politics of envy, and it does nothing to encourage growth. It is not a coincidence that Labour Governments, with their focus on redistribution, make the kind of policy choices that leave an economic mess when they are pushed out of government.

There is no moral high ground in redistribution. Of course we have a moral duty to support those in need, but the best route to that is a successful economy. On the flip side, it is morally wrong to impoverish everyone by holding back people with potential for success.

I have made many speeches in your Lordships' House regretting various debt-to-GDP percentages well below the ones now likely, and I stand by the need to get our debt down, but these are not ordinary times, and the key driver of the changes since the last Budget is the huge energy support package, which I am sure that all noble Lords support. We are not an international outlier, with our debt-to-GDP ratio among the bottom of the G7 range. I am, however, glad that my right honourable friend the Chancellor is bringing forward his medium-term fiscal plan to the end of this month. I am sure he will show the doubters that we remain the party of responsible public finances.

Before finishing, I should like to say a few words about the Bank of England, which has let the country down. The Monetary Policy Committee kept monetary conditions too loose for too long and failed correctly to identify recent inflationary trends. Its interest-rate policy created a housing market built on high house prices and unrealistically low interest rates. That policy also sheltered zombie businesses from economic reality. Its Financial Stability Committee, aided and abetted by the Pensions Regulator, failed to spot that pension funds have pursued liability-driven investment strategies which presented a risk to financial stability, and taxpayers have had to stand behind the Bank's support actions. I fully support Bank of England independence from the Executive, but that independence has to be underpinned by strong and effective accountability, and that is something that Parliament, especially your Lordships' House, must work on.

5.56 pm

Baroness Brinton (LD): My Lords, I add my best wishes to the right reverend Prelate the Bishop of Birmingham as he leaves your Lordships' House. He has always been thoughtful, often provoked us and made us think about what he has said, and I will miss his bluntness in some of our debates over recent years—it has been vital for all of us to hear, and I thank him for it. I also welcome the noble Baroness, Lady Gohir, to her place in the House and very much look forward to working with her in future.

"Growth, growth, growth" as an aim is not, as we have heard from many sides of your Lordships' House this afternoon, in itself a bad thing. The problem is the growth plan, the mini-Budget and the reference by the Chancellor and the PM to trickle-down economics—whatever the noble Baroness, Lady Noakes, says, they have made it plain that is the policy they are following. That has not been proven to have worked and, as we have heard from many others, it has not worked elsewhere. It will certainly not work within the two years that we need it to do so.

Many of us have found the growth plan wanting and, most likely, unachievable. I shall focus in my brief contribution on the impact of the current situation, particularly in health and social care and how the plan does or does not address the growing crisis faced there. The OECD spend in the UK is 2.3 hospital beds per 100,000. In Germany, it is 12. The actual spend as a percentage of GDP is equally different. That, for many, explains why we have had problems in the NHS for years—not just since Covid but for much longer.

Those delays are becoming unimaginable. A friend in A&E last week said that a fellow patient reported that she had been waiting to be seen in A&E longer than she had queued to see Her late Majesty's lying-in-state. This is now commonplace. The *Health Service Journal* highlighted just last week that increases in inflation will force the NHS drastically to scale back services unless there is extra funding. It could have to find £20 billion in efficiency savings over the next three years because of the increased cost of goods and services that it purchases. Already, two out of three integrated care systems, only introduced by the Government on 1 July, have fallen off-track on their financial plans. Common pressures reported include the impact of inflation and Covid costs that were not funded this year.

The mini-Budget recognises the vital role of the care sector, as does the Health Secretary's plan for patients. However, there is no money, not least because the money from the levy has been removed. The crisis is there already. Staff cannot be recruited because they can get far more money in hospitality and retail.

Far worse than that, however, are the energy costs that the sector faces. One small care home discovered that its energy costs would go up by 600% from October this year. A six-month extension of help from the Government for part of it is unlikely to keep that business going. Earlier, in Questions, noble Lords commented on the problems that disabled people are facing with energy costs. Many of them have high energy costs, with only £150 offered when their bills are considerably higher.

The anti-growth coalition, to which the noble Baroness, Lady Noakes, referred, is a bizarre term. It reminds me of Humpty Dumpty, who said:

> "When I use a word … it means just what I choose it to mean—neither more nor less."

The PM's definition of the anti-growth coalition now seems to include anybody, including people in her own party, who disagrees with her.

6.01 pm

Lord Low of Dalston (CB): My Lords, the economy is not in a good state. The Budget and the so-called growth plan are not about to make things any better.

[Lord Low of Dalston]

The Prime Minister and the Chancellor would like us to believe that all our economic woes are the result of Putin's war and the resultant energy price increases. They want us to focus on the energy-capping element of their economic strategy, but the truth is that, before Putin, there were already worrying signs of output constraints, labour market distortions and inflationary pressures resulting from the disruptive effects of both Brexit and the pandemic.

Now, inflation is at almost 10%, output is still below its pre-pandemic level and wages for many, especially those in the public sector, are lagging well behind prices. Meanwhile, public services are in urgent need of resources, not just to deal with the enormous backlog built up during the pandemic but to rebuild resilience following a decade of underfunding of health, social care, education and local authority spending. Not only that but the lack of healthcare resources is almost certainly having a significant, negative impact on the labour market and, consequently, economic output.

In these circumstances, the Budget on 24 September should have confined itself to introducing the new energy price caps, with a promise of properly considered tax and spending decisions—and funding arrangements to match—to come later in the year. Instead, the Chancellor succeeded in spooking the financial markets with the promise of massive unfunded tax cuts, thereby weakening the pound and, more importantly, pushing up the cost of government debt and raising interest rates more quickly than would otherwise have been needed.

With mortgage rates already increasing to over 6%, mortgage payments as a proportion of household disposable income will be at their highest since 1989, just before the crash in house prices of the early 1990s—and this on top of record energy bills. No wonder consumer confidence and business confidence are weak and there is every prospect of stagnation, perhaps even recession, in the coming months. What is the Government's response? It is tax cuts for the rich, benefit cuts for the poor and the prospect of a new round of austerity in public sector spending, all dressed up as a plan for growth.

How, then, are we to explain the Chancellor resorting to swingeing tax cuts, worth £43 billion at the latest count, in conditions of high—and rising—interest rates and overstretched, underfunded public services? The Government's position, at least in public, is that tax cuts will be paid for by increased economic growth, which they will also help to generate in combination with cutting red tape and easing planning regulations. The problem, however, is that almost no one—certainly not the markets—believes that these things are likely to happen. There is no evidence from either comparison across countries or past experience that lower taxes are associated with higher productivity growth and, hence, higher trend rates of growth in output. Of course, in the right circumstances, cutting taxes can stimulate demand and so raise output in the short run, but that works only when inflation is low and there is plenty of spare capacity, which is far from the case at the moment.

As for deregulation, easing planning regulations may help a little if it is not thwarted by local opposition, including from Tory interests. However, the perennial and often counterproductive war on red tape and gimmicks such as investment zones will have a marginal impact at best.

If we cannot rely on increased growth to fund the Chancellor's tax cuts, there is only one option for avoiding an unsustainable spiral of increasing government debt: large-scale cuts in government spending. Perhaps it is not unduly cynical to suggest that shrinking the state may have been a secondary—even primary, in some quarters—objective of the tax-cutting strategy. That would certainly be consistent with the decision to sidestep the scrutiny of the OBR when the tax cuts were announced. In any case—

Baroness Bloomfield of Hinton Waldrist (Con): The noble Lord has had quite a lot of latitude with the advisory speaking time but is now significantly over. Perhaps he could think about drawing his comments to a close.

Lord Low of Dalston (CB): I am on my last sentence.

In any case, if the tax cuts are to be sustained, substantial cuts in government spending are on the way. The paradox is that this is the opposite of what is required for a credible growth plan.

6.07 pm

Baroness Fox of Buckley (Non-Afl): My Lords, I am delighted to welcome the noble Baroness, Lady Gohir, and congratulate the noble Baroness, Lady Neville-Rolfe. One thing that is growing is the strong women brigade in here.

I welcome one aspect of this debate. I want to move away from the focus on the redistribution of a shrinking national cake. The answer is to bake a bigger cake. I am glad that so many noble Lords now profess that they are pro-growth because, until recently, those of us who were arguing for economic development faced lectures that growth was unsustainable, irresponsible, damaging for the environment, a recipe for greedy consumerism and so on.

My problem is that the measures announced in the growth plan are flimsy and insubstantial. The problems we face—here I disagree with the noble Baroness, Lady Smith of Newnham—were foreseeable, but they were denied by all sides politically. Those problems are far greater than the Government or the Opposition seem to acknowledge, even now. If only they could be fixed through the prism of cutting or increasing tax.

I have no doubt that the mini-Budget was a trigger for the present crisis, but we need to be honest that it is not the cause of Britain's woes. Our stagnated, unproductive economy has deep roots of many years' standing. For more than a decade, central banks have turned to easy monetary policies and vast amounts of quantitative easing both to keep interest rates near zero and to prop up and sustain a zombie economy. This was not called out by politicians. It could not have gone on indefinitely.

Closing down the UK economy for two years during lockdown, which received all-party support, and now the war in Ukraine have brought the UK economy's underlying fragilities to the fore. However, the idea that tax cuts are an easy answer is pitifully inadequate—let alone those who blame Brexit; that is just pathetic.

Without things being produced, no wealth is created to generate incomes, profits and tax revenues to pay for public spending, so production is the key. But is the idea of the tax cuts that businesspeople, corporates and wealthy capitalists will spend their untaxed windfalls productively? Why would we think that? Since the 1980s, business has not been short of funds to invest but it has not been entrepreneurial and it has not invested in innovation, better technologies or the skills revolution. Instead, corporate culture itself has become risk-averse, playing it safe and playing with financial engineering.

A furious public are not just in terror about the short-term—their bills and mortgages—but dismayed at the lack of meat on the bone of the plans. Take the energy policy—the energy that we will need to fuel growth. There is no point in the Government loudly shouting, "Let's frack", and then whispering, "With local consent", and continually reaffirming their net-zero targets. Green growth in reality means unreliable energy and eco-austerity. Let us get on with nuclear power. Let us get on with building those houses. At the moment, it is all soundbites. Never mind subsidising old industries, where is the concrete plan to invest in new sectors, with new jobs and new energy solutions? Where is the spirit of risk, courage and experimentation? We must create a new industrial revolution. That is the long-term plan that we need but it is sorely lacking, and the public need to hear more of it.

The public are not fools. They instinctively know that there is no pain-free route out of this. We need some frank talking, and a collective approach to solving the problems, beyond party politics. A huge transformation is needed in the economy, and everybody must be involved in shaping it. The words "Growth, growth, growth" are not enough. A lot more must be done. We must be humble and recognise that we have to take a lead on this but that we need the British public onside to make it happen.

6.12 pm

Lord Frost (Con): My Lords, it is a pleasure to take part in this debate and to follow the noble Baroness, Lady Fox, who is a voice of clarity and forthright speaking in this Chamber. I congratulate my noble friend Lady Neville-Rolfe on her appointment once again to the Front Bench, in the Cabinet Office.

This country faces serious underlying problems, which my noble friend Lord Bridges and others have set out, and in my view this Government are beginning to tackle them. This will create turbulence but there is really no choice.

My noble friend Lord Lilley referred to the achievements of the Thatcher Government in the 1980s. One of her close advisers, John Hoskyns, said:

> "It is not enough to settle for policies which cannot save us, on the grounds that they are the only ones which are politically possible or administratively convenient."

Unfortunately, too many of those who have opposed the Government's growth plan seem to want to do just that, thinking that the right way forward is just more of the same: more super-zero interest rates, more public spending and more clever policies, and the whole thing run by clever officials and institutions who are very invested in how things are now. The task before us is different. It is to make politically possible what is necessary for the country to begin to recover, and I believe that this is what the Government are setting out in the growth plan. I welcome that. I have spent a lot of the last year, within and outside government, urging the Government to get more serious about low taxes, reform and change. I am very happy that they have begun to do so.

The situation that we face as a country is difficult but it is not as bad as that which many others face. It is not as bad as for those trapped in the eurozone, who have no control over monetary policy or much else of the normal role of a Government. The report a week or so ago from Deutsche Bank researchers attracted a lot of attention in the hysteria of the last couple of weeks, pointing out that our economy might shrink slightly, by 0.5% in 2023. What attracted less attention was it saying that Germany's economy would shrink by 3% or 4%. We must keep these things in proportion.

We have had a productivity and growth problem since 2008—which I note in passing is the period of the deepest integration of this country in the single market and of the highest inward migration. Re-joining the single market and reversing those trends will not help our growth performance at all; it did not help then and it will not help now.

The right way forward is set out in the growth plan: the gradual normalisation of monetary policy, which is essential if we are to solve the productivity problem. Zero interest rates harm the motor of a free market economy. The only way forward is medium-term fiscal discipline while letting fiscal policy take the strain in the short run, and supply side structural reform.

When the economy does not grow, you get competition for static resources, which is why we have what my right honourable friend the Prime Minister called the anti-growth coalition. The fact that so many people do not like the term shows that it has captured something real about attitudes. These people's vision of the country seems to be to keep everything as it is. They do not want change. They are happy to see our country as a shabby-genteel aristocratic family, trying to keep up appearances but not ready to go out to work.

This will not be easy. Politicians must explain what needs to be done. However, I take inspiration again from the words of Margaret Thatcher, who said:

> "First you win the argument, then you win the election."

If the Government stick to their guns, I am confident that they will do both those things.

6.16 pm

Baroness Walmsley (LD): My Lords, the Chancellor's special economic operation was not as tragic as Mr Putin's appalling special military operation, but it was pretty tragic for the economic prospects of ordinary people. Since the Budget that was not a Budget, I have met a small business that has shelved its expansion plans,

[BARONESS WALMSLEY]
a person with two jobs who is now looking for a third, and a mother of four who got extra blankets from the charity shop to avoid putting the heating on.

Planning to cut taxes for top earners shows whose side the Conservatives are on, and I am glad that they have decided to reverse that idea. In their defence, they say that they will reduce the basic rate of income tax by 1p next April—that is if we all get through the winter. However, 5 million people earn too little to pay tax, and the freeze on the tax threshold means that the average family will be £290 worse off next year anyway, and the tax cut is worth only about one month's mortgage payment increase for some people.

Then there are energy bills. The Government have intervened to cut bills but they are still double what they were a year ago. The Prime Minister and the Chancellor, with their bungled Budget that was not a Budget, caused a massive increase in mortgage rates, connected exactly to the timing of the Chancellor's statement. They spooked the money markets so badly that the Bank of England had to intervene to prevent pension funds going bust. All this adds up to ordinary families struggling, and then the Chairman of the Conservative Party tells them to go out and get a better paid job—shades of "Get on your bike".

The Prime Minister has invented a new fantasy enemy: the anti-growth coalition. She even said in her conference speech that green issues are anti-growth—no; it was Brexit that was anti-growth. We on these Benches are not against growth but we are in favour of growth that works; growth from the bottom up rather than from the top down. We are in favour of the growth of well-paid jobs in science and technology industries, particularly green technologies to reduce emissions. That is not anti-growth; that is a vision for saving the planet.

Telling companies that they can keep more of their profits rather than increasing corporation tax is telling them that they can spend it on whatever they like—perhaps increasing CEO salaries. They should instead be saying that companies can keep more of their profits but must spend it on innovation and research and development to increase productivity and increase the skills of their workers. This can be done by various measures, including more tax credits.

The Lords Science and Technology Committee, in its latest report, heard evidence that growth comes from investing in science and technology. We welcomed the new national Council for Science and Technology, chaired by the previous Prime Minister, and recommended that it should meet more often—but the first thing the current Prime Minister did was to abolish it. Now all government departments are being asked to make cuts. What cuts will be made to the Chancellor's former department, BEIS, reducing its ability to fund innovation and R&D?

I recognise that the Government have provided a significant amount of money to subsidise energy bills, but I have heard nothing about how they plan to reduce energy demand, thus improving energy security and cutting the amount needed for the subsidy and the cost of borrowing money for the subsidy, as well as ordinary people's bills. Where, in the noble Baroness's opening speech, was an emergency programme to insulate houses? Where are the improvements to building regulations and, importantly, enforcement to ensure that all new buildings are energy efficient? It saves families money, saves the Government money and creates jobs. What is not to like?

6.20 pm

Lord Birt (CB): Announcing unfunded tax cuts in the Government's mini-Budget was all but universally condemned. There was no advance consultation, no leaning on expertise. The Permanent Secretary to the Treasury was summarily fired, the OBR's offer of a forecast waved away. This appeared a back-of-the-envelope, "we know best" plan.

The immediate consequences of course were dramatic. The Bank of England was selling UK debt one moment and buying it back the next. It had to mount a massive and costly rescue of pension funds. We experienced a rapid rise in interest rates, impacting both individuals and business. The estimates of the future level of government debt ballooned and the cost of financing that debt rose to 4% and is still rising.

The impact of all these factors on redistribution will be chaotic; the full consequences ahead for public services are still unknown. The rationale, of course, was growth, and we all want more growth. The World Bank published a league table of growth rates for the G7 countries from 2008 to 2021. Is Britain in the relegation zone? No. In fact, we are near the top; we are third, behind the United States and Canada, and ahead of Germany, France and the rest—hardly a crisis.

The US is clearly top of the tree with a 1.9% average annual growth rate versus our 1.1% over that period. So, yes, it would be nice to be up there with the US—but how? Where is the analysis: not another back-of-the-envelope plan but a deep and evidenced diagnosis to help us understand what really stands in the way of higher growth in the UK? The notion that stimulating the economy at a time of full employment and high inflation will do the trick sustainably is widely condemned and wide of the mark.

One requirement for growth is clearly investment, yet we have now spooked the markets. Investors have a global perspective: they look for opportunity but will shy away if we fail to offer them reliability and stability too. Beyond that, what can government do?

We know that we have vast labour and skills shortages across the economy: crops unpicked, short-staffed restaurants unable to open on the days they used to, and too few doctors and nurses. I know from my own exposure to the real economy that we are short of many more skills—for example, data scientists, digital marketeers and engineers. The Institution of Engineering and Technology estimates a current shortfall of 200,000 across the economy. We need a massive drive to bring our system of education and skills into line with the UK's economic needs.

Moreover—I experienced this very strongly myself—modern workers no longer live just down the road. Executives and specialists often fill jobs hundreds of miles from home, travelling huge distances each week to reach their work, crashing locally mid-week. Other workers commute long distances daily, and all travel to and from work unproductively in our crowded country, on the worst road and rail infrastructure in the developed world.

Addressing these and other problems will improve the trend line of UK growth, but problems largely ignored for decades will take decades to put right. The notion that we can suddenly accelerate beyond the US to a sustainable annual growth rate of 2.5% is manifestly unachievable. The sooner the Government come back down to earth and face reality, the better for us all.

6.25 pm

Lord Inglewood (Non-Afl): My Lords, in Cumbria, where I live and chair the local enterprise partnership, it looks as if the local economy will not return to its pre-Covid levels until 2024 at the earliest. Business has been under the cosh and widespread commercial and personal hardship has ensued, as the right reverend Prelate the Bishop of Birmingham, among others, told us.

Business and commerce now need stability—a period when they can get on with their own business, confident that policy will not be oscillating like a pendulum on cocaine. Business has had its period of commercial destruction; now give it some time for commercial creativity and security for its working capital. The post-Brexit world must be allowed to settle down. There is no short-term or even longer-term prospect of going back. Apart from anything else, the EU cannot want that kind of relationship with us.

One of the most damaging aspects of Brexit was and still is the reintroduction of costly and bureaucratic friction into trade with our most important neighbouring market, with its consequential real disruption of supply chains. Increasingly, I am convinced that, in the real world, the trade deals we are negotiating are not a substitute for trade with our neighbours, which is different because of the mainland's physical propinquity to us. Rather, I sense that President Modi and Gulf potentates are looking at and eyeing up this country rather in the way that Robert Clive did when looking at the Carnatic in the second half of the 18th century.

Equally, the Government's apparent avowed intent to systematically dismantle that piece of our statute book derived from EU law looks gratuitously damaging. Most of this legislation has been given political legitimacy by the support of the then UK Government at its birth and much has been gold-plated on its transposition into UK law. Reasoned change for good purpose is good, but gratuitous, iconoclastic meddling is bad.

The planning system is clearly, on occasions, byzantine, overcomplicated, bureaucratic and poorly administered, but it is also necessary and that needs to be recognised, as do its real shortcomings. Innovation zones could have a beneficial impact, so long as they do not displace what is happening anyway, are in the right place and on the right scale, take legitimate, site-specific concerns into account and are not mere political pork barrels. I would be grateful if the Minister would tell me what the position on business rates in these innovation zones is.

There has also been a lot of comment about the environment and what one might describe as associated aspects of policy from what the Government are proposing. In areas such as Cumbria, the environment, agriculture and natural capital are important economic assets, not bolt-on luxuries, as some people appear to suppose. Can the Government confirm that they recognise them for what they are and will treat them as important, wealth-creating activities and drivers of growth, not fripperies?

Carbon is now being described as the new gold or the new oil. It must be valued at its real worth and its value redeployed in those places where it is fixed, in the way in which coal wealth was used in the north in the 19th century to promote that part of England's economy. The same is true for clean energy.

Nobody is suggesting that any of these things is easy, but competent economic governance is rather like being a doctor: if the patient lives and thrives, the reputation grows; if not, it is the opposite. Doing this right might be boring, but if so, boring is good.

6.29 pm

Lord Howell of Guildford (Con): My Lords, I welcome my noble friend Lady Neville-Rolfe back to the Front Bench and I congratulate the noble Baroness, Lady Gohir, on her maiden speech. I am sorry that the right reverend Prelate the Bishop of Birmingham is leaving us.

I begin by reminding your Lordships of something they probably do not need reminding of, but the media and many critics of the Government certainly do. After the two years of shutdown of the entire economy during Covid, plus now a war in Europe, after a huge swelling of public spending to cope with all that, and now the enormous energy cap finances and subsidies to stop the bleeding, it cannot be any surprise at all that we are in a very tight public finance situation.

I cite the Office for National Statistics in saying that public sector debt, excluding public sector banks, at the end of last month was running at £2.428 trillion. That is a couple of hundred billion more than this time last year. That puts net public debt at 96.6% of GDP. That is a net level last seen here in the 1960s and just slightly lower than at the end of the Second World War, or some of the levels experienced in the 1930s. This is not the highest in the world by a long chalk. In fact, it is the 11th highest in Europe. I see no harm and some good in judicious tax cuts, especially those that would bring down the CPI, which has an enormous effect downwards on government finances, or those that actually increase revenue, such as lowering fuel tax or going back to the income tax top rates the country enjoyed under Tony Blair, Gordon Brown and Alistair Darling, which were quite happily accepted then but now seem to cause such agitation.

But when all that is done, it is obvious that very big steps are now needed on the spending side. I beg Ministers to understand that the sane and effective way of bringing public finances into some sort of reputable balance is to identify and remove functions from the public sector, rather than slashing budgets all round by 10%. That is the classic Treasury style. The functions approach, which is questioning systematically the objectives of endless departmental activities and why they need to be in the state sector at all, was what we tried in the 1970s and later in the 1980s when I worked with John Hoskyns, as has been mentioned, which eventually led to taking most major industries out of state ownership, a healthy restoration of the balance between the state and the market, a real reduction in civil service manpower and a major contribution to growth.

[LORD HOWELL OF GUILDFORD]

I take my last minute to argue on another point: to make the real case for levelling up. By that, I mean by universal capitalism, rather than trying to do it by universal income redistribution. Assets and savings in the bank are what every family in the land needs for their security and dignity. Measures to bring about a capital-owning democracy and a much fairer and more widespread form of social capitalism than we have now are what Governments of the last 50 years have shied away from again and again. Now is a much better time to approach this. This is the real levelling up—the capitalism working for everyone everywhere that Theresa May used to speak about. It is time for serious action on that front to make a real difference to people's prosperity, certainty and prospects.

6.33 pm

Lord Shipley (LD): My Lords, two crucial matters relating to growth were missing in the Minister's introductory speech. I was surprised, because she said we must get the economy growing again—I think the whole House would agree with that sentiment—but there was absolutely no admission of, first, the impact of Brexit, which, as a number of noble Lords have pointed out, has damaged the country's growth prospects. Will the Government admit that the forecast by the National Institute of Economic and Social Research that the reduction in GDP as a consequence of Brexit will lie between 4% and 5.5% is correct? It clearly matters in relation to growth.

The second issue, immigration, has been raised by a handful of noble Lords, but in particular my noble friend Lord Fox. Do the Government have an immigration policy? I ask because a major difference of opinion is clearly emerging between the Prime Minister and the Home Secretary. This matter needs to be explained. As the noble Lord, Lord Birt, said, there is a huge need for a bigger labour force in agriculture and a number of other industries, but what is the Government's policy in relation to that, and to the number of students? I understand that we have record numbers of international students in the United Kingdom, which I welcome. This is a good thing, but they clearly count as part of the immigration numbers. Who is in charge of immigration policy? The problem we have is a problem now, while we address the skills deficit and the lack of productivity we have suffered from in recent years.

I look forward to the Minister's reply on both those matters, but I will say this on the growth plan: you do not drive growth by making poor people poorer, by making rich people richer or with huge unfunded tax cuts. You do not drive growth by losing the confidence of the markets through a mini-Budget that was not subject to independent scrutiny, leading to the pound crashing, interest rates rising and a pensions crisis requiring £65 billion of emergency intervention. You do not drive growth by cutting corporation tax when it is investment incentives that drive growth, not the exact level of corporation tax.

The Prime Minister has called for "growth, growth, growth", as though this is something only the libertarian right believes in, but good, clean, green growth is surely central to our future security. Yet achieving net zero seems of no interest or concern to the present Government. That is very worrying, because our country can grow as we deliver net zero.

The mini-Budget has worsened the cost of living crisis, particularly for aspiring home owners. From next year, the average mortgage bill on a new deal will increase by £1,500 a year on a £200,000 mortgage. We face major cuts in public spending. The Government have not said where these might fall—maybe we will find out on 31 October. The Government must drive fairness. We have heard of the number of children who will be pushed into poverty if benefits do not rise with inflation.

The Government have lots of proposals for which the detail is not yet clear. There are investment zones, very similar to enterprise zones, but what is the impact on those areas immediately outside them? Finally, what can the Government do to increase foreign direct investment, bearing in mind that it has increased 72% across the north of England in the last five years whereas in the rest of the country it has dropped?

6.38 pm

Lord Kerr of Kinlochard (CB): It is a great pleasure to see the noble Baroness, Lady Neville-Rolfe, back on the Front Bench. I welcome her. There is a great deal in the growth plan that she introduced that I welcome.

I plead guilty to living in north London, to chairing a think tank and to having been against Brexit, but I honestly do not think that I am part of a coalition against growth. I have not heard many in the Chamber arguing against growth, which, on the whole, seems to be something we should pursue, but I do not think the best way of pursuing it in the present circumstances could possibly be by tax cuts. The big-picture speech from the noble Lord, Lord Bridges of Headley, got this exactly right.

Nor do I think that tax levels explain our productivity problem. Our business tax levels are well below those of the French and the Germans. Brexit is, of course, partly the explanation. The OBR says it meant a 4% fall in long-term productivity as new non-tariff barriers inhibited the exploitation of comparative advantage—a point made by the noble Lord, Lord Inglewood. But our productivity problem long preceded Brexit. Investment is well below the level of our past and of our competitors. Tax cuts will not cure that.

My advice to the beleaguered Chancellor would be to study the first Budget presented by his distinguished predecessor, the noble Lord, Lord Lawson of Blaby. I was present at the creation. Corporation tax rates were reduced in 1984, but allowances—tax breaks—were scrapped, and the tax take went up; and so did investment, because business really liked the simpler system and the Lawson promise, which he wrote into the statute book, of further rate reductions in subsequent years. It was the simplicity, stability and predictability which unlocked the extra spending on plant and machinery, training and research.

That is why the sunset clause in the retained EU law Bill is so damaging for growth. Uncertainty is the real killer of investment. Major investments have long lead times, and what business needs is a clear, stable and preferably simple rulebook. Fifteen years ago, a European company with which I was privileged to work made a £12 billion investment in this country. It told me its main reason for doing so was respect for British regulatory competence and political stability. It prioritised predictability. The returns were, and are, better elsewhere, and taxes are lower elsewhere, but it has continued to invest more than £1 billion a year in this country, even after Brexit, and I really hope the chairman has not read the Birmingham speech. "Setting out to disrupt" sounds fine in a seminar, but wise Governments respect and try to create stability, and respect experience. Our Government have no mandate for moving fast and breaking things. It may be fun, but I am sure it is the wrong recipe for getting the growth we all want, and I join the noble Lord, Lord Inglewood, in his campaign for boring government.

6.42 pm

Lord Wolfson of Aspley Guise (Con): My Lords, I declare my interest as a serving chief executive of a FTSE 100 retail company, a post I have held for 21 years. Understandably, today's debate has focused on recent government events and the mini-Budget, but it is important to stand back a little from that and reflect on the fact that the pound had devalued from \$1.37 in just a year to \$1.15 before the Chancellor spoke. Interest rates were rising and were always going to rise.

Although the Government's recent actions undoubtedly exacerbated the situation, it is important to remember that the cost of living crisis we are experiencing at the moment is rooted in a chronic shortage of goods, fuel and labour. It is essentially a supply-side problem. The pandemic paralysed the world's manufacturing and disrupted global freight routes. The war in Ukraine piled energy price rises on top of what was already a fragile global economy. To get us through the pandemic it was quite right that we had borrow-and-spend remedies. They were not only desirable but essential to prevent economic collapse, and today they are essential to prevent people suffering too much from the energy crisis. However, demand measures can only target the symptoms of supply-side inflation: they cannot deliver a cure and there is always a price to pay.

If we are to solve the cost of living crisis, it will require bold supply-side measures, and while I welcome the Government's rhetoric on supply-side reform, I share the concerns of the noble Lord, Lord Newby, and many other noble Lords about the lack of detail. The noble Lord, Lord Kerr, and many others are right that tax cuts alone—although they are in my view welcome—are not going to stimulate growth. Fortunately, there are a number of very powerful measures that can make an enormous difference. Contrary to what I have heard some noble Lords say today, businesses are not in the habit of sitting back and relaxing and not bothering to invest. Believe it or not, we do not need a lot of encouragement, incentives or tax breaks to invest. What we really need is for Governments to stop preventing us investing.

Here, the measures that the Government can adopt are numerous. There is the radical overhaul of our planning system. Here I share the cynicism of the noble Lord, Lord Macpherson, about government's ability to deliver on this. There is no doubt that the delivery of the homes people want to live in in the places where they want to live and work can do more to stimulate growth in this country than any other measure alone.

The intelligent relaxation of controls on economic migration, as pointed out by the noble Lords, Lord Shipley and Lord Birt, could do an enormous amount to stimulate the economy, perhaps, as I have suggested elsewhere, through a visa tax that would ensure that UK employers employ overseas workers only where there is really no UK alternative.

Stemming the flow of new business regulation and quasi-regulation that wastes so much time and so much money for so little good would do an enormous amount to stimulate growth. Here I stress that I hope that the Government understand that it is stemming the flow of new regulation that will really make the difference; not some imaginary bonfire of existing regulation that we have already learned how to cope with. There is also the liberalisation of trade rules and the repeal of needless tariffs that do nothing to protect British industry.

In addition to these essentially liberating measures, the Government can also save money. The cancellation of HS2 would reduce borrowing and release much-needed materials and skills back into the UK economy. With HS2 costs so much higher than appraised and the benefits so implausible in an online world, surely now it must go.

Supply-side reforms are the key. They will accelerate long-term growth but will also do something else. A determined, reasonable, carefully thought through plan for supply-side reform will do much to restore market confidence in the United Kingdom. The markets will reward this country for the right steps as quickly as they punished us for the wrong measures that we took a few weeks ago.

6.47 pm

Lord Hendy (Lab): My Lords, it is a constant theme of Conservative economic policy that the rich are incentivised to be more productive by increasing their incomes whereas the poor are incentivised by threats to reduce theirs. The growth plan is full of examples, such as, at paragraph 3.22, the removal of the higher rate of tax from those earning more than £150,000, which has now of course been abandoned and, at paragraph 4.9, removing the limit on bankers' bonuses. On the other hand, paragraph 3.24 proposes more conditions on eligibility for universal credit: "intensive conditionality", the Chancellor calls it. It is specifically aimed at

"claimants who are in work and on low earnings".

We know that most claimants are, in fact, in work. Universal credit is, in fact, a subsidy for employers who pay the lowest wages.

Average wages are rising by 5.2% per annum, while the consumer prices index rose by 9.9% in the year to August. The value of earnings from wages is therefore falling by an average of nearly 5% per annum. That is a huge hit to the living standards of working people.

[LORD HENDY]
Consequently, demand in the economy is shrinking. That cannot be redressed by giving a few thousand high earners more money, but, if the incomes of ordinary working people rise, that money will be spent and demand will increase.

The differential between earnings and prices has another impact. Notwithstanding the Government's energy price cap at twice last year's rate, working people are becoming desperate. That is why there is a wave of strikes, with overwhelming ballot mandates. But rather than address the catastrophe facing working-class people this winter, the Government propose further restrictions on the only leverage that working people have to protect their standard of living when persuasion fails—industrial action. Not content with the most restrictive laws on trade unions in the western world, the additional restrictions of the Trade Union Act 2016, raising this year the limit on damages payable by trade unions, and enabling agency strike-breakers, also this year, the Government now propose yet further restrictions on the right to strike in paragraph 3.28 of the *Growth Plan*: minimum service levels for transport services, and every employer's offer to be put to a ballot of employees.

The objection is not just one of principle—these restrictions are in breach of the conventions of the ILO and the European Social Charter, from which the Government undertook not to regress in Article 399 of the trade and co-operation agreement at the end of 2020; there are also problems with practicalities. If the minimum service requirement is, say, 10% of train services, who will select the train services to run and on what basis? How are those who are to staff them to be selected and forced to work? Ten per cent of train services will require near 100% of signallers and most of the station staff. Are they to be denied the right to strike?

In relation to balloted offers, must there be a ballot for an offer of a penny extra an hour when the members have voted unanimously for an extra £5? If they reject the offer, can the employer then further postpone the strike by offering another penny, and so on until the statutory duration of six months for a strike ballot is exhausted? How are the workers to be balloted? Presumably, as for strike ballots—and unlike the ballot for the Prime Minister—by post only, not online. That takes weeks. Who will pay for it?

Instead of attacking workers trying to defend their standards of living, I commend to the Government the restoration of the system of sectoral collective bargaining that was a feature of our economy when it was successful. It is a feature of the successful economies of Europe and is currently the subject of legislation in New Zealand and the fast food industry in California. It gained support only last week—

Baroness Bloomfield of Hinton Waldrist (Con): The noble Lord has exceeded the advisory speaking time by some margin.

Lord Hendy (Lab): —in the *OECD Employment Outlook 2022*. Those are my last words.

6.52 pm

Lord Howard of Rising (Con): My Lords, I find it difficult to understand the fuss over the Chancellor of the Exchequer's plan for growth. With the start of money printing in 2008, inflation and the higher interest rates were built into the system before there was a Conservative Government. The 40% rate of tax was in place up until the last days of the previous Labour Government. Most major currencies have fallen against the dollar, with the yen down 50% and the Japanese authorities intervening. The Government can hardly be blamed for the invasion of Ukraine and the resulting fuel crisis. They can take credit for acting promptly to help people.

Instead of applauding the outstanding plan for growth, which will result in greater prosperity, we hear a cacophony of unjustified abuse from the anti-growth coalition, made up of those who believe that if nothing changes and the handouts are kept going, all will be well. I tell them to face up to reality. You have to create wealth to spend it, and that is what this Budget is about. The other complainers are the metropolitan elites and the bien pensants who believe they can decide better what to do with other people's money than those people can decide for themselves. That just does not work either morally or economically. People should be entitled to the fruits of their labour and to get what they work for, not have it confiscated for fashionable projects.

Economically, high taxation and redistribution by government is inherently inefficient and results in massive waste. Everyone wants better roads, a better health service and other essential services. These cannot be achieved by living in the cloud-cuckoo-land of believing that all you have to do is tax more to be able to spend more. You cannot. It does not work; the tax take shrinks. By lowering taxes and removing stultifying regulations, a framework is created that will allow the genius of the people of Great Britain to deliver growth in the economy. This will permit government debt to be repaid and public services to be enhanced. It will inevitably take time, but the reality is that if the top-class public services we would all like to see are to be delivered, there is no other choice.

Taxes are at their highest level for many years and must be reduced for the economy to grow. Money left in people's hands grows; they do things with it. Governments consume wealth; they do not create it.

6.55 pm

Lord Razzall (LD): My Lords, I can answer the noble Lord's question as to why a number of us are questioning this after 12 years of Tory government. After 12 years of Tory government, the UK economy is currently a basket case. First, our growth is forecast to be the worst in the G20 apart from Russia over the next 12 months. Secondly, we are the only G7 country whose economy has not recovered to pre-pandemic levels. Thirdly, our productivity is significantly worse than that of our major competitors. Fourthly, we have the damaging effects of Brexit.

What are the Government doing about it? We have learned a number of things from their recent announcements and comments from government hangers-on. First, apparently it is all Putin's fault. If that is so, why are we doing worse than all our major competitors? Secondly, it was apparently perfectly satisfactory to make a significant fiscal statement without the usual verification of numbers by the OBR, so why were the Government surprised by the gilt market reaction? What is worse, we now know that the Chancellor had a draft report from the OBR on his desk on his first day in the office. He refused to publish it, presumably because it did not support his numbers, and now he has been forced to bring forward his fiscal statement and the OBR report, noticeably on Halloween day. Thirdly, apparently the Government will generate growth through tax cuts, as the noble Lord, Lord Howard, indicated. But however you describe it—Reaganomics, the Laffer curve or Donald Trump in 2017—there is no evidence that it works. As the noble and learned Lord, Lord Clarke, who is sadly not in his place, memorably said last week, it is the sort of thing tried by South American banana republics and it does not work.

I will not spend my time intruding on the private grief of the Government's incompetence in the handling of the recent announcements—others have and will—but will confine myself to a number of questions to the Minister. First, will he explain why the Government are so set against a windfall tax on oil companies to help fund the extra borrowing necessary to protect householders from energy price rises? These excess profits are entirely a windfall and had no connection with management activity. All that will now happen, presumably, is that huge dividends will be paid to shareholders—mostly institutions resident outside the United Kingdom.

Secondly, do the Government accept that during the period after 1949, when growth averaged 2.5%, 2% of that came from productivity gains and 0.5% from increasing immigration? If the Government want growth, will they confirm that the latter will be acceptable to the Home Secretary?

Thirdly, if, as the Prime Minister says, all government policy should be to generate growth, there are a number of things that the Government could do to alleviate the damaging effects of Brexit. Will they take the advice of the noble Lord, Lord Frost, to negotiate improvements with the EU? For example, will they negotiate to help the shellfish producers who can no longer sell into Europe? Will they help the creative industries by helping the musicians who find it impossible to tour in Europe, therefore depriving us of substantial export revenue? Will they negotiate to help the many SMEs who have stopped selling to Europe because of pointless bureaucracy?

The economy is a disaster. Brexit has proved a disaster. The Government are a shambles. Surely it is time for this Government to go.

7 pm

Lord Bethell (Con): My Lords, I join many others in welcoming the return of my noble friend the Minister to the Front Bench; I thoroughly support her sentiments, which she put very well, about the critical importance of growth. I put on the record that no one in the UK Government has ever talked of trickle-down economics—I checked and it is just not the case.

I want to emphasise the significant contribution that public health improvements can make to the wealth of the nation and to achieving the important 2.5% growth goal referred to by my noble friend the Minister. My noble friend Lord Wolfson said that the growth Statement was slightly short of supply-side suggestions, and I agree with him. I am speaking to persuade noble Lords that investment in public health can not only save millions of lives from preventable disease and epidemics but allows us to live longer, accomplish more and contribute more to the economy. Public health also helps reduce inequalities by ensuring that people are not needlessly prevented from fulfilling their potential or contributing to the economy because of illness, disease or premature death.

However, the public health of the nation is not contributing enough to the wealth of the nation; quite the opposite. There is a great exodus from the workforce due to ill health. In a report published today, the Health Foundation noted that economic inactivity in the UK has increased by 700,000 people since before the pandemic; that includes 300,000 people aged 50 to 69 years who are at greater risk of never returning to work. This increase in poor health and economic inactivity restricts our labour supply and our economic growth. The recent OBR report estimates that this contributes £2.9 billion to welfare bills, and I think it probably undercooks that number.

The country's poor health is also driving up costs for the NHS. Even though it consumes 40% of public expenditure, it is overwhelmed with demand and its costs are growing. Late-stage acute healthcare is the wrong part of the economy to be growing. We should be investing in prevention, not cure. That is the way to grow the economy. If we do not, we are failing to take advantage of the technological revolution that can use genomics, big data, artificial intelligence, modern vaccines and the latest diagnostics to help assess health risks, identify disease and get people on the road to recovery more quickly than ever before.

It was disappointing that the Chancellor did not refer to health in his plan for growth and a shame that my noble friend the Minister did not do so either. I ask the Minister responding to please reflect on the significant link between health and wealth in his comments. In particular, I urge the Treasury to appoint a commission—armed with an economic slide rule rather than a scientist's microscope—to look at the nation's health, much as Nick Stern looked at climate change, as an economic threat rather than a scientific phenomenon, so that we can hammer out a plan to get out of the economic cul-de-sac of an increasingly unhealthy population.

7.03 pm

Lord Carlile of Berriew (CB): My Lords, I start by congratulating my noble friend Lady Gohir on her excellent maiden speech and the noble Baroness the Minister on her new appointment, and wishing the right reverend Prelate well on his retirement from this House in what can only be described by our standards as early middle age.

I wish to pick up two points in this debate: one about poverty and the other about mortgages. In relation to poverty, as the distinguished and respected Conservative

[LORD CARLILE OF BERRIEW]

the noble Baroness, Lady Stroud, said on Radio 4's "Today" programme this morning, one of the consequences of the Chancellor's Statement will be to send 450,000 people into poverty, including many children. Apparently, the Prime Minister and the Chancellor call that levelling up. Really? Of course, they may well abandon that policy, but it will demonstrate the muddle-headedness of their thinking.

I turn to mortgages and echo something that was said earlier by the noble Lord, Lord Shipley. To quote last week's *Financial Times* Lex column:

> "Homeowners are watching UK mortgage rates head skywards, as their hearts descend to their boots. Some fixed-rate mortgagees will lose their homes when refinancings land them with month-to-month payments they can't afford."

Most of the 9.5 million households in this country with mortgages have fixed-rate loans. They face average increases of £500 per month. That seems to me to be no prescription for levelling up either. Indeed, I would suggest that it is dangerous and foolish to undermine the morale and ethics of those employed in national and local government, public health, education and the arts—all parts of our society that we commend.

If your Lordships feel tired after the long debate today, I recommend that when going to bed they read a few pages of the gardening writer Mirabel Osler's excellent book, *A Gentle Plea for Chaos*. Mirabel Osler believed that strong growth depends on not destroying the best plants on the plot but adding flowers and seeds around them. What we are seeing here is a not so gentle, accidental plea for chaos, which will undermine many of the assumptions that our fellow citizens are entitled to make.

We in this House do not have constituents but we do have children and grandchildren—many of us have family members of the sort of age most hard hit by the policies announced by this Government. I do not think that we should tolerate that without fighting, still for growth of course, but growth that supports all our citizens.

7.07 pm

Lord Carrington of Fulham (Con): My Lords, I start by congratulating my noble friend the Minister on her appointment. I add a note of sadness as well, because we will miss her excellent leadership on the Built Environment Select Committee, but I am sure that we will get great things from her going forward.

There are many lessons to come out of the mini-Budget, perhaps the most important one well understood by people who have worked in the financial markets, is "No surprises". All markets get spooked when the unexpected happens. Global financial markets lurch into panic when they see and hear the unexpected, as traders need to react very fast to protect their financial positions.

The other lesson is that everyone—or at any rate nearly everyone—agrees that growing our economy is the way out of our economic problems. The debate is about the best way of bringing about that growth. It is a debate that has been going on for as long as I have been aware of politics and economics. Indeed, it goes back to well before the Second World War, or possibly even before that, as it underlay the economic debates before the First World War in the famous tariff reform campaign.

Sadly, there is no simple formula to kick-start economic growth. In the past we have tried many different ways; they have all failed. We have tried laissez faire. We have tried central government planning. We have had direct investment in struggling companies. We have tried saying, "Let's get rid of our companies and bring in the foreign companies because they know how to do it better". We even tried that with the Bank of England, to no notable success. Each time we try something different, it has ended up the same way: our GDP growth rises briefly but then, after a short time, drops back down.

So what can we do? First, let us agree that there is no simple answer, because there is not. I have no doubt that businesses in the UK are just as capable of achieving success as any companies in our competitor countries that have higher growth rates, but we have to create a business environment where they can compete domestically and internationally. That means getting our tax framework right. It is far too complex. When I first started working in finance, our corporate tax laws were one volume of the yellow tax handbook. There are now five stout volumes. Instead of adding to them, we must simplify drastically. The same goes for the regulations and controls that we put on businesses of all types, including banks and other financial services companies.

As for employees, there seems to be a belief that people work in business for the fun of it. There is very little fun in hard-driving successful companies. Successful companies are run by people who do it for the money. To misquote Dr Johnson, no man but a blockhead ever worked in business except for money. If the UK tax and regulatory systems penalise employees and they find that they can keep more of their money by working in the USA or Singapore, they will do so. Having uncompetitive rates of tax and silly caps on bonuses are a UK own goal, encouraging successful businesses to relocate to friendlier climes and running the risk of severely damaging one of the few successful internationally competitive industries that we have: financial services.

In short, I think the mini-Budget was on the right lines and I encourage my noble friend the Minister to persevere with the ideas in it but, in future, to take a little more time to avoid spooking the markets.

7.11 pm

Lord Vaux of Harrowden (CB): My Lords, I will concentrate on the energy support package. But I will say first that while I—like everyone, I think—support the focus on growth, I am not at all convinced that the top tax rate of 45% really acts as any drag on growth. I suggest that when the economy is able to support tax cuts, the Government might want to prioritise those anomalies in our tax system that do act as a disincentive. Two jump to mind immediately: the 60% marginal rate that kicks in as personal allowances are withdrawn, and the absurd way that the lifetime cap on pensions works.

As I said, my main concern is the way that the Government intend to support people through the energy price crisis. We all agree, obviously, that something had to be done, and this was something, but the

Government are treating the symptom, not the cause, and are dangerously loading the economy and future taxpayers with debt as a result. The world gas price has increased substantially because of Mr Putin's actions, but the cost of the generation of around 60% of our electricity has actually fallen. Most renewables in recent contracts for difference auctions have been set at below 5p per kilowatt hour—even nuclear comes in at around 10p per kilowatt hour—but electricity pricing is based on the highest marginal unit, which is now gas. That electricity is now being sold to the consumer for up to 34p per kilowatt hour, plus an additional 17.8p per kilowatt hour paid by the Government. That is a total of 52p per kilowatt hour, 10 times the typical cost of generating much of our electricity—a 900% markup. So clearly somewhere in this chain an outrageous profit is being made, now subsidised and guaranteed by the Government.

The same is true for gas. The cost of production has not changed, yet the gas companies are exploiting the situation and making profits, to the point where even they are embarrassed. British Gas is already giving 10% back, while Shell says, "Give us a windfall tax." Mr Putin must be delighted.

We cannot do much about the gas that we import but we produce about 50% of our own gas. I asked the Minister at Oral Questions in September whether it is right that the taxpayer should subsidise these excessive profits. He was kind enough to say that I had a powerful point but did not give an answer. Perhaps he might answer it today. How much of the £60 billion or whatever cost of the support scheme is actually supporting these excessive profits?

Where I part with Labour is that instinctively I do not like windfall taxes. They introduce unwelcome uncertainty into the tax system. It is much better to address the underlying market failure. In the long term, that means addressing how electricity prices and so on are calculated, but in the short term we should cap the level of profits being made and stop those companies exploiting the crisis that Mr Putin has caused. I read over the weekend that the Government may actually now be considering that. Perhaps the Minister might like to comment on that.

I realise that the situation is more complicated, with contracts for difference and forward sales, and we really do not have time today to go into all that, so would the Minister be willing to arrange a meeting for interested Peers in which the electricity market could be explained in more detail, including whether and where excess profits are actually being made?

The Minister has previously told us that a review of the electricity market is under way and will report in mid-2023. That is way too late; we must act now to prevent companies exploiting the situation to make excessive profits at the cost of both the consumer and the taxpayer. The later we leave it, the more we weaken our economy in the long term and the more difficult we make it to fix. The debt levels will pile up.

There are good reasons to borrow. Subsidising excess profits is not one of them.

7.15 pm

Baroness Tyler of Enfield (LD): My Lords, the last couple of weeks have left me bewildered but also angry. Frankly, the Chancellor's "fiscal event"—the most significant Budget, in terms of size of new commitments, in 50 years—demonstrated a staggering lack of understanding of how markets work. By contrast, the energy crisis relief package had been trailed and, rightly, broadly welcomed, but—and it is a big but—failing to get the energy companies to carry a fair share of this through a windfall tax contribution was a major missed opportunity.

As we have heard today, the totally untrailed and completely unfunded £45 billion package of tax cuts—including for the highest earners, the banks and large corporations—spooked the markets and angered voters across the country. It also created the clear impression that the Government were not interested in wealth and income inequalities and that tax cuts for the well off were being privileged over support for those on low and modest incomes. I also find it odd that there has been very little focus so far today on how the freeze on income tax thresholds means that many households will not see any savings from the 1p cut to income tax. None of this remotely passes the "Does it feel fair?" test that I think is so important to the British people.

In short, as we have heard, this extraordinary package caused sterling to plunge to an all-time low, caused gilt yields to rocket and caused mortgage rates to rise by more than two percentage points. The Bank of England had to make a £65 billion emergency intervention to prevent major pension providers becoming insolvent. To calm markets further, the Bank of England was also forced to indicate that it would be making a major rise in interest rates in the short term. The housing market was badly hit. The severity of the markets' reaction demonstrated also that they were, to say the least, unimpressed with the Chancellor sacking his Permanent Secretary and sidelining the OBR, thereby evading appropriate challenge, transparency and accountability.

In the middle of a devastating cost of living crisis, voters were left with severely increased levels of anxiety and uncertainty. Would they be able to make their new mortgage payments? Would they be able to buy the new house they had been dreaming of? The IMF issued a rare and brutal criticism of the Chancellor's measures. The world's Governments and media speculated that the UK was fast becoming a failing economy.

The Government's response was, again, extraordinary. It sought to lay the blame for the entire meltdown on Putin. It claimed there was no meltdown. The PM finally admitted "communications issues". This was not a case of communications weaknesses; this was a case of the Prime Minister and the Chancellor demonstrating their complete lack of understanding of how markets work and their total lack of empathy with the major concerns and anxieties of voters.

Following the welcome but humiliating U-turn on the scrapping of the top rate of income tax, the Government now have to decide whether working-age benefits stay in line with inflation. This will be another major test of their sense of fairness and what sort of society we are. Anything less than uprating these benefits

[Baroness Tyler of Enfield]

in line with inflation will lead to untold anxiety and suffering among the most vulnerable, particularly those caught by the poverty premium, whereby those on low incomes pay more for essential products and services, such as energy. At the same time as the Prime Minister seeks to blame all her problems on her newly invented anti-growth coalition, NHS nurses are skipping meals in order to feed and clothe their children, with many hospital trusts now having to offer food banks to their staff.

I am pro growth and in favour of improving productivity—frankly, most people are, whether or not they live in north London—but it does depend on how the fruits of growth are used, who benefits, and how sustainable that growth is. I believe that the ultimate goal of public policy should be how GDP contributes to individual and societal well-being and becoming a better, greener and fairer society. Sadly, I hear precious little talk of such things coming from the Government.

7.20 pm

Lord Sikka (Lab): My Lords, the growth plan is based on the "horse and sparrow" economic theory. Its basic idea is that, if you feed the already well-fed horses additional oats, something will pass to the roadside to feed the sparrows, which will then magically lay some golden eggs and solve all our problems. Such economics were thoroughly debunked by the writings of people such as JK Galbraith, and there is absolutely no empirical evidence to support the basis of the Government's economic plan. Handing tax cuts to the richest might enable them to speculate on the stock market, buy a few yachts, Lamborghinis, artworks, foreign holidays and second homes, but it has never enabled any country to build a sustainable economy.

The promised cut in the basic rate of income tax is illusory; the tiny gain will be wiped out by the stealth taxes, as the Government have already frozen personal allowances and income tax thresholds. In any case, the cut in basic rate of income tax will do absolutely nothing for 21 million adults whose annual income is less than £12,570. They will benefit zero; they are at the bottom of the pile, and they cannot contribute to a sustained economic growth. The Government by default appear to be relying on 30% of the population to fuel the economic growth; that has not worked anywhere on this planet, not even in South America, so I do not know how the Government are going to do this.

Since 2010, the UK has had low interest rates, inflation, corporation tax rates and a whole variety of tax reliefs to persuade companies to increase their investment. Throughout the 2010s, the UK put 16.9% of its GDP into productive assets and was ranked third from bottom in the EU productive investment league; only Greece and Portugal were below it. Could the Minister explain why the low corporation tax rates did not secure greater investment before, and how on earth they are going to do it the next time? Previous corporation tax cuts actually fuelled dividends, most of which were paid untaxed to foreign investors. Major UK companies are currently paying up to 80% of their earnings in dividends and share buy-backs. The Government's growth plan makes no mention of any reform of short-termism or corporate governance, or any other pressures on corporations.

Good purchasing power in the hands of the masses is a necessary condition for corporate investment but is utterly neglected by the Government. In 1976, workers' share of GDP in the form of wages and salaries was 65.1%; it is now less than 50%, the biggest decline in any western economy. If people have not got the money, they cannot buy—why would any company want to invest in productive assets? The Government have done absolutely nothing about that. Regressive taxation has been continuously championed by the Government and has further depleted the purchasing power of the low and middle-income households. The poorest 10% of households pay 47.6% of their gross income in direct and indirect taxes, compared to the richest 10%, who pay only 33.5%. The mini-Budget could have reduced VAT, but it did not actually do that—it did not really want to improve the purchasing power of the people at the bottom.

To sum up, the mini-Budget hoovers wealth upwards. It does not increase the people's purchasing power, pays no attention to corporate governance or to short-termism or reasons for low investment, and it does not really provide any basis whatever for building a sound economy.

7.24 pm

Baroness Jones of Moulsecoomb (GP): My Lords, it is a pleasure to follow the noble Lord, Lord Sikka. When the Tories took over in May 2010, the national debt was at £845 billion, which sounds quite a lot—but now, in 2022, the UK has a £2.5 trillion national debt and, obviously, no national assets. So what has happened in the past few weeks? In a few short days, our Chancellor and Prime Minister enabled the following: our economy tanked, and we went billions of pounds further into debt—and many of those billions went into the pockets of the Conservative Government's sickeningly rich friends and donors. The Government promised the massively unpopular measure of fracking, and they have managed to show the nation that they are morally empty, by coming up with increasingly inane and very damaging ideas—and, of course, we did not vote for a cut to benefits. In fact, most of us did not get any sort of chance to vote for any of the policies coming out of the Government at the moment. Certainly, no one wants to trash nature. As the Government are finding out, they have lost middle Britain over that.

It has also been demonstrated that a Conservative Government cannot be trusted with our money and have no fiscal nor monetary talent. In fact, this Government have used their power to make the country worse—poorer, more divided and more corrupt. Then they have made up a spectre of anyone who opposes them being an enemy, labelling that spectre the anti-growth coalition. I am going to out myself: I am part of that anti-growth coalition. That does not mean that I do not support any sort of growth, but it means that I am pro the right growth in the right place.

I want change—I absolutely want change—and I want a greener and more sustainable economy. I know that the Government do not understand what a green economy does; they think that it is all hardship and about being stuck in the middle ages. That is absolutely not what it is about. In fact, I would call this Government, and quite a lot of noble Lords on that side of the Chamber who have spoken today, the anti-renewables coalition, and possibly the anti-science coalition.

What we should see is growth in all sorts of ways—in renewable energy projects, building healthy zero-carbon homes, local sustainable economies and increased support for education, clean transport and the NHS. Economic growth on its own tells us very little of value: cutting down a forest would give us economic growth, yet we would lose absolutely everything that the forest does in providing oxygen, water, flood management, recreation and habitat. The Government should look to an emergency universal basic income to tide us through this winter; it would have a much greater impact than any tax cuts and would improve people's lives much more effectively than handing hundreds of billions of pounds straight to the energy companies. We need a wealth tax to fund insulation, which is just one method of transferring wealth from rich to poor, rather than pretending that you can grow the pie at the expense of the planet. We must develop green sectors urgently. We would already need so much less energy if David Cameron as Prime Minister had not said to cut the green stuff. We must put a windfall tax on the fossil fuel industry and not on renewables. Probably most of all, we need a responsible and caring Government who are actually capable of spending our money properly and wisely and planning for a safe, sustainable future—and you are not it.

7.28 pm

Lord Horam (Con): My Lords, I first congratulate my noble friend Lady Neville-Rolfe on her elevation to the Government. We have fought many battles together in the past and I know how effective she will be.

The Chancellor has said that he wants to focus on growth and believes that cutting taxes is the way to achieve this. In support of this assertion, he points out that taxes in the UK are at their highest level for 70 years. That is indeed the case—but if one takes a wider view, the picture changes. In the UK, tax is 35% of GDP; in the eurozone, it is not 35% but 41%—significantly higher. Logically, therefore, if the Chancellor is right, Britain ought to have been growing faster than the eurozone countries for the last decade or so. It has not; we have grown at roughly the same rate as the eurozone countries. Also, speaking personally as an economist who has founded a very successful business, it is not my experience that the sort of tax change that he is proposing makes much difference to the level of entrepreneurship and growth. What businessmen want more than anything else is steadfastness and certainty.

There is also a big downside to cutting taxes. If you do it the wrong way—as the Government clearly did on this occasion—you get a reaction from the market that increases interest rates and mortgage rates and you take away far more than you have given in the income tax cuts. Moreover, once you get talking about tax cuts, you inevitably eventually talk about spending cuts. Now we are talking about possibly no indexation of benefits. That is absolutely wrong. There is a problem of absolute poverty in this country—as the right reverend Prelate the Bishop of Durham pointed out very eloquently—and we simply cannot make the people who are already poor even poorer. That is totally morally wrong. Also, if you cut taxes, the Government have less revenue, so how do we finance the extra spending on the NHS, social care, defence and security, the skills agenda, public expenditure, public infrastructure and all the rest?

Given the very excellent government proposals on the energy price guarantee, there was actually no need to have a Budget. If the Chancellor had been wiser, he would have postponed it until he could see what ensued and how clear the picture was. But he went rushing in and came a cropper. That is the situation that we are now in and the only way out of it is for the Government and the Chancellor to listen, learn and show some political common sense. I am glad to say that has begun. I entirely welcome the decision to bring forward the review by the Office for Budget Responsibility to 31 October; we will need more measures of that kind, and the sooner the better.

Health and Social Care Update
Statement

The following Statement was made in the House of Commons on Thursday 22 September.

"I am pleased today to set out to Parliament our plan for patients. As the Prime Minister said on the doorstep of Downing Street, she had three clear priorities: growing the economy; tackling energy security and support for households and businesses; and the NHS, with patients being able to get a GP appointment.

Patients are my top priority and I will be their champion, focusing on the issues that most affect them or their loved ones. Most of the time, patients have a great experience, but we must not paper over the problems that we face. We expect backlogs to rise before they fall as more patients come forward for diagnosis and treatment after the pandemic, and the data shows, sadly, that there is too much variation in the access to care that people receive across the country.

The scale of the challenge necessitates a national endeavour. As we work together to tackle these immense challenges, I will be proactive, not prescriptive, in our approach as we apply a relentless focus on measures that affect most people's experience of the NHS and social care.

Today, we are taking the first step in this important journey by publishing *Our Plan for Patients*, which I will lay in the Libraries of both Houses. It sets out a range of measures to help the NHS and social care perform at their best for patients. The plan will inform patients and empower them to live healthier lives; place an intensive focus on primary care, the gateway to the NHS for most people; use prevention to strengthen resilience and the health of the nation; and improve performance and productivity.

To succeed, we will need a true national endeavour, supported by our making it easier for clinical professionals to return to help the NHS, as well as drawing on the energy and enthusiasm of the million people who volunteered to help during the pandemic by opening

[LORD HORAM]
up opportunities for them to help in different ways. That could be by becoming a community first responder or by, for example, strengthening good neighbour schemes across the country. We will also explore the creation of an ambulance auxiliary service.

The plan sets out our work on the ABCD of priorities that affect most people's experience of the NHS and social care. First, on ambulances, I want to reduce waiting times for patients and apply a laser-like focus on handover delays, so that ambulances get back on the road and to patients, where they are needed most.

Our analysis shows that 45% of the delays are occurring in just 15 hospital trusts. That is why the local NHS will be doing intensive work with those trusts to create more capacity in hospitals—the equivalent of 7,000 more beds—by this winter through a combination of freeing up beds, with a focus on discharge, and people staying at home and being monitored remotely through the sort of technology that played such an important role during the pandemic. In addition, when patients call 999, the speed of answering is critical, so we will increase the number of call handlers for both 999 and 111 calls.

Next is the backlog, where the waiting list for planned care currently stands at about 7 million, exacerbated by the pandemic. This summer, we announced that we have virtually eliminated waits of over two years, and we remain on track to reach the next milestones in our plan. To boost capacity, we are accelerating our plans to roll out community diagnostic centres as well as new hospitals, and we will maximise the use of the independent sector to provide even more treatment for patients.

As well as capacity, we are also getting more people on the front line, making it easier for people to work in and help the NHS. We know that people are leaving the workforce for a variety of reasons. We have listened, and we are responding and addressing a number of those reasons. For instance, pension rules can currently be a disincentive for clinicians who want to stay in the profession or to return from retirement and help our national endeavour. We will correct pension rules relating to inflation; we will expect NHS trusts to offer pension recycling; and we will extend until 2024 measures that will allow people to stay or return to the NHS.

I can announce today that we will extend the operation of the emergency registers for health professionals for two more years. That is, of course, on top of commitments to boost the health and care workforce, such as our manifesto pledge to recruit 50,000 more nurses by 2024. That will sit alongside the design and delivery of our forthcoming workforce plan.

C is for social care. At the moment, one of the key challenges is discharging patients from hospital into more appropriate care settings to free up beds and help improve ambulance response times. To tackle that, I can announce today that we are launching a £500 million adult social care discharge fund for this winter. The local NHS will be working with councils with targeted plans on specific care packages to support people being either in their own home or in the wider community. That £500 million acts as the down-payment in the rebalancing of funding across health and social care as we develop our longer-term plans.

I know that there is a shortage of carers across the country. We will continue to work with the Department for Work and Pensions on a national recruitment campaign. In addition, since last winter, we have opened up international recruitment routes for carers. We will support the sector with £15 million this year to help to employ more care workers from abroad. We are also accelerating the rollout of technologies such as digitised social care records, which can save care workers about 20 minutes a shift, freeing up time for carers to care.

Finally, D is for doctors and dentists. I am determined to address one of the most frustrating problems faced by many patients: getting an appointment to see their doctor, or getting to see a dentist at all.

Starting with doctors, we are taking five steps to help make that happen: first, setting the expectation that everyone who needs a GP appointment can get one within two weeks; secondly, opening up time for more than 1 million extra appointments, so that patients with urgent needs can be seen on the same day; thirdly, making it easier to book an appointment; fourthly, publishing performance by practice to help to inform patients; and fifthly, requiring the local NHS to hold practices to account, providing support to those practices with the most acute access challenges to improve performance.

Clearly, clinicians are best placed to prioritise according to the clinical need of their patients. In July, 44% of appointments were same-day appointments, but too few practices were consistently offering appointments within a fortnight.

To help free up appointments, we will ease pressures on GP practices by expanding the role of community pharmacies. I am pleased to announce that we have agreed a deal for an expanded offer over the next 18 months. Pharmacists will be able to prescribe certain medications rather than requiring a GP prescription. As well as other measures involving community pharmacists, we estimate that that will free up 2 million appointments. We are also changing funding rules to give freedoms to GPs to boost the number of staff to support their practice. We estimate that that measure could free up 1 million GP appointments.

For patients, we will make it easier for them to contact their practice, both on the phone—we are making an extra 31,000 phone lines available this winter, followed by further deployment of cloud-based telephony—and online, particularly through the NHS app. As I set out, we will also correct pension rules so that our most experienced GPs can stay in practice. By extending the emergency register, we are creating opportunities for people other than GPs to undertake tasks such as vaccinations.

On dentists, there are too many dental deserts. That is why we are setting out an ambition that everyone seeking NHS dental care can receive it when they need it. We have already started changing the dental contract to incentivise dentists to do more NHS work and take on more difficult cases. I pay tribute to my predecessors in this role for their success in beginning to tackle this long-standing issue.

We will also streamline routes into NHS dentistry for those trained overseas so that they can start treating patients more quickly. We will make it a contractual requirement for dentists to publish online whether they are taking on new NHS patients.

These measures, across a number of important areas, are the start, not the end, of our ambitions for health and care. They will help us to manage the pressure that health and social care will face this winter and next, and they will improve these vital services for the long term. My priorities are patients' priorities, and I will endeavour, through a powerful partnership with the NHS and local authorities, to level up care and match the expectations that the public rightly have. Whether you live in a city or a town, in the countryside or on the coast, this Government will be on your side when you need care the most. I commend this Statement to the House."

7.33 pm

Baroness Merron (Lab): My Lords, it may have been some weeks since this Statement was made in the other place, but its subject matter is as relevant today as it was when it first saw the light of day. The big questions remain: among them, where are the costings and how will it be funded?

The NHS is facing the worst crisis it has ever seen, with patients waiting longer than ever in A&E, stroke and heart attack victims waiting an hour for an ambulance and some 378,000 patients waiting more than a year for an operation. Those figures date back to the summer—before we even get to the winter and the challenges winter always brings.

At the time of the Statement, the NHS Confederation's verdict was that

"these measures will not come close to ensuring patients who need to be seen can be within the timescales set out … they will have minimal impact on fixing the current problems that general practice is facing over the winter".

But has not the situation got even worse since this Statement was first heard? The scale of the challenge faced by our health and social care services, the people who work in them and the public who rely on them has worsened as the state of the economy worsens. The country is now experiencing spiralling inflation which far exceeds the assumptions on which budgets were set, while those who work in the health and care services are struggling with the cost of living. What will be the response to this? How and where will the so-called efficiency savings demanded by the Treasury be found?

What we do know is that the impact will not be equal. As the right reverend Prelate the Bishop of London addressed at the weekend, it has been reported that the Government's long-promised White Paper on health disparities has been dropped. Can the Minister confirm this? If that is not the case, can he advise on when can we expect this crucial plan to narrow the widening inequalities in health outcomes between the poorest and the wealthiest, between white and black, Asian and minority-ethnic people and between those in the north and south?

The Statement says that patients will be able to get a GP appointment within two weeks, but let us remind ourselves that, prior to 2010, the guarantee of an appointment was within two days, not merely an expectation of two weeks. Can the Minister provide more detail as to how the two-week expectation will be met? I ask this in the context of the record numbers of GPs indicating that they will be retiring or leaving the profession, where burnout and low morale are at an all-time high. How will the numbers stack up when 4,700 GPs have been cut over the past decade, and the long-promised 6,000 GPs are not on course to be delivered? With 330 practices having closed in just the last three years, where will these appointments take place? Are there plans to open new practices?

The gaping hole at the heart of the Statement is, as we know, the lack of a workforce strategy. In the ABCD plan presented by the Health Secretary, the only reference is under D, which refers to doctors and dentists. They are important—there is no doubt about that—but what about the nurses, paramedics, technicians, care workers, cleaners and caterers? Without a plan to tackle the whole staffing crisis, there is not a plan for the NHS.

What are the Government going to do about the staff shortages of 132,000 in the NHS today? This cannot be overlooked. Earlier today, the Minister told your Lordships' House that there were 200,000 more staff in the NHS than 12 years ago. Perhaps he could elaborate further. Are these full-time equivalents? Where are they and what roles do they perform? Crucially, does the Minister accept that there still needs to be a fully costed plan to deliver the workforce that we so desperately need?

The Statement refers to some £500 million to speed up delayed discharges. Can the Minister help with some more detail on this? Is it a new investment or a re-announcement? How will it be funded? It is indeed right to say that if patients cannot get out through the back door of the hospital because care is not there in the community, we get more patients at the front door and more ambulances queuing at the front. That is exactly the situation we see today. The crucial point is that unless the Government act on care workers' pay and conditions, employers will not be able to recruit and retain the staff they need. What is the plan to address this?

Finally, can the Minister reassure the House and patients across the country that the response to the crisis in the NHS will not be to lower standards for patients but to raise performance instead? I am sorry to say that this Statement misses the target. I hope the Minister will reflect on the points that I have raised, and other noble Lords will undoubtedly raise, and take the opportunity to use his new and important position to make proper change and improvement.

Baroness Brinton (LD): My Lords, I echo the comments of the noble Baroness, Lady Merron, about the nature of the plan. It is full of warm words and aspiration, light on detail, especially on funding, and seems to disregard the reality on the ground at the moment. I also echo her concern about the rumours of the White Paper on inequalities being shelved. That is really important. Many of us spent a lot of time in your Lordships' House during Covid hearing about the problems of people with Covid, particularly those from ethnic minorities and deprived backgrounds. There is a lot of data to say that those people have really struggled.

The workforce plan is something else that from these Benches we asked for consistently long before work started on the Health and Care Act, but absolutely consistently since then. Turning to the plan itself,

[BARONESS BRINTON]

on ambulances, the announcement in July was welcome but three months on—and this was an emergency announcement—it feels as if nothing has changed. The number of delayed discharges remains stubbornly high, and we know that there is a new wave of Covid rising: the ZOE study figures today suggest around 230,000 new daily cases and 2.2 million active cases. That is going to continue to rise: all the medical experts in this area say we are now definitely at the beginning of this wave.

B stands for backlogs, and I am afraid that that is not really improving either. Although it is good to see that the two-year waiting list is reducing, the under-two year list continues to grow: 6.8 million at the end of last month. The plan talks about patients being redirected from hospitals, but our primary care system—GPs, community nurses, physios, speech and language therapists in the community, and especially social care—is already at breaking point. It is good to be offering Covid boosters, but why are under-12s excluded unless they are immunocompromised? Children at schools without proper ventilation were drivers of the last two waves of Covid, and it just seems ridiculous that they have not been included, because that would be an easy win.

In my question earlier today, I asked the Minister about care and particularly about virtual hospitals. It is good that the plan is picking up on some excellence in the NHS, and I am very proud of my local hospital for doing it, but the Minister did not actually answer my question, which was: given that this work of virtual hospitals creates more work for GPs, community nurses, physiotherapists in the community that in the past would have been done in hospitals, will there be extra resources for primary care? Without it, primary care is already at breaking point; they cannot just magic extra time and energy to do it.

The section about GPs is admirable in spirit, but doctors have repeatedly said that their main problem is a lack of doctors. We also know from the BMA survey back in the spring that GPs' workload has increased by 30% on clinical administration alone. It is not Covid; it is mainly to do with digitisation and complex systems. It is all very well talking about getting administrators in to do it, but these are administrative tasks that doctors have to do themselves. Unfortunately, it is causing a problem, and I do not see any solution in the plan.

Whenever Ministers talk about doctors, they talk about the highest number ever—indeed, the Minister did so earlier—but there are two problems with that. There are more patients than ever, and that is never reflected in any comments by Ministers. Government funding for doctor training has not been sustained. This year, far too many—hundreds, just under 1,000—newly qualified doctors, fresh out of university, could not get training places because there was no funding for hospitals to be able to do it. The exodus of NHS staff was reported in the *Times* just last Saturday. The net change is not positive now; it is negative.

On dentists, it is very good news about the simplification of government rules regarding overseas dentists qualifying to work, and we look forward to seeing the regulation shortly, but the main problem is the drastic need to overhaul the government contract. While the Statement says first steps are being taken, I ask the Minister when the major work funding for it will be concluded. Will he also tell your Lordships' House what provision there will be for the 3 million people who are either immunosuppressed or immunocompromised—for example, because of blood cancer or because of strong medication which has to suppress their immune systems? The government advice on the web page still says that people in this group should not mix with people who are not fully vaccinated or may possibly be brewing Covid, but a year ago all support to this group was ended. Along with other people in this group, because I am one of them, I am about to have my sixth Covid jab, but I have no idea how long I am going to be protected for—that is why I wear a mask a lot of the time in the Chamber. Half a million of the most severely immunocompromised people cannot make any antibodies in response to the vaccine. They were promised antiviral medication or Evusheld. Five million doses of antivirals were ordered, but only 50,000 were handed out, and the Government have just refused to allow Evusheld to be used. What will the Minister do to ensure that this group of people will be protected?

Finally, the *Health Service Journal* has said that two out of three integrated care systems have fallen off track on their financial plans because of the impact of inflation, Covid cases not being funded this financial year and higher spending on agency staff. This plan will not work if the new integrated care systems cannot work. It is vital that the Minister tells us what plans there are to make sure that ICSs will be supported properly.

The plan for patients has many warm words for delivery. I know this is something the Minister cares greatly for, and we will support him, but the words on their own will not do it. Our NHS and care sector are on their knees already. The Nuffield Trust report says that data shows that even without the pandemic, the backlog would have been well over 5 million. It says the NHS was already stretched. I look forward to hearing the Minister explain how the NHS and care sector will be able to deliver on this plan in their current state.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Lord Markham) (Con): I thank noble Lords again for the warm welcome they have all given me today. I feel like an old hand already—I wish. Before I begin, I draw attention to my declaration of interests in the register as a new boy here, so to speak.

I am grateful to noble Lords for the interest they have shown in our plan for patients and will try to address the questions raised. As my right honourable friend the Secretary of State said in the other place, these measures across a number of important areas are the start, not the end, of our ambitions for health and care. They will help us to manage the pressures that health and care will face this winter and next, and they will improve these vital services for the long term.

First, I want to set down that there is record investment going into this area. In fact, we are spending about 12% of our GDP, which is the highest level ever. To answer the noble Baroness's question directly, the 200,000 figure I gave was for FTEs since 2010. That means 200,000 more full-time equivalent employees in the health services than in 2010, so the investment is there, and we have a plan, set out in the plan for patients, to increase supply by 30% in terms of electives. I have seen some excellent examples of that already in Chase Farm Hospital, one of the new hospitals.

As I think I mentioned earlier, the new hospital build programme is one of the areas for which I am responsible; a £10 billion investment per year will go into capital programmes such as this and other initiatives. It is all about increasing supply by 30%, because we will be able to get on top of these issues only if we increase supply.

At the same time, as has been drawn out, I appreciate that we face an unprecedented challenge in the levels of Covid we are seeing and in flu respiratory issues; we have had less warning about that than ever before, because normally we can see what happens in Australia and use that as a warning. I am aware that we are likely to face more challenges there than ever. At the same time, we are putting forward the beginnings of a long-term plan to tackle this. I will talk about that and, I hope, answer the questions raised—my own ABCD, if I may.

I will start with care, because not only is it important in its own right to make sure that people are cared for in the correct place—it is much better and more cost effective for people to be in a care home than in a hospital—but freeing that up will free up the whole system. We all know the problem is often that A&E is full because it cannot put patients into hospital beds and therefore the ambulances cannot release their patients into A&E, backing up all the way through the system. That is why one of my priorities is the care side.

I will need to get back to the noble Baroness, Lady Brinton, on virtual wards in terms of support for GPs. I have seen the excellence at first hand, and the incredible reduction in figures that it can make, so to my mind we should focus on that and make sure that GPs and their surgeries have the right focus and support to help them. I will follow up with the noble Baroness with more detail on that, if I may.

I see this as key to care and the £500 million spend—again, I will give the noble Baroness, Lady Merron, details of how that is being used, because we want to make sure that we work with the integrated care boards, as she said, to ensure that it works to best effect. With that, I think we will start to see improvements come in for A&E and ambulances. As I mentioned before, we have seen a 10% increase in staff there versus 2019-20; that is what the 7,000 new beds are all about.

However, in terms of performance, we have seen great disparities. I am sure noble Lords have heard before the statistic that 15 of the hospital trusts account for 45% of all waits. I want to understand why that is. It is fair enough to trot out that statistic—I expect noble Lords to challenge me in a couple of months' time to ask what was happening in those 15 trusts and what I have done to put it right and make sure they are performing well. My task is very much to put them under the spotlight and try to understand how we can perform much better in some areas and take those learnings to help them in others. I am under no illusions that it is tough out there. My wife is a dentist, so I have some knowledge of this; also, my mother was a practice nurse, so I understand how important and tough the role is.

Working through the backlogs and getting on top of the waiting lists will be key. There is an £8 billion programme, as we are all aware, to increase supply by 30%. I have seen fantastic examples at Chase Farm, as I have mentioned, and Watford of robotic surgery—I had the pleasure of playing with it myself, though not on a real patient—that I am sure will be revolutionary and transformative. It is about doctors, dentists and all care workers—all of them. As I say, I have a particular interest in the nursing profession.

It is all about releasing the 50 million more appointments, which I am glad to say we are making progress on. A lot of that is about making sure that you see the person best suited to meet your needs. We must make sure that we use GPs where they will best meet those needs. They are our most skilled specialist resource, so I want to make sure that they are focused on the cases that are best for them. As I say, I have experience through my mother's role as a practice nurse of how much she could do and how much we can use them to meet a lot of the appointments targets—and make it a better job for them, because they have the skills and can be very valuable. The same is true of community pharmacies. Funnily enough, I worked at one in my first job—many years ago—so I have a little experience of that. It is all about trying to expand capacity.

I apologise, I cannot answer the noble Baroness, Lady Brinton, right now on the 3 million immunosuppressed so I will need to get back to her on that.

As the noble Baroness, Lady Merron, said, it is about trying to raise performance across all areas. The brilliant thing is that we have seen very good areas—I am sure we have all seen them when we visit hospitals—which have excellent performance, but my feeling, coming in as a bit of an outsider from business, is that it is patchy. There is an opportunity to spread that performance, really understand what good looks like and do more work to make sure that it is spread across the system. Part of my remit will very much be the performance agenda and working with the NHS executive team to make sure we see those improvements across the board.

I hope that gives noble Lords a flavour of how I hope to address what we see as our plan for patients. It is our commitment to what our patients can expect. I hope we can see that it is proactive, not prescriptive; ambitious but also achievable. We hope that, by empowering patients, they can start to challenge and drive performance as part of that, as a first step. Through that, we will be able to help, as part of the long-term plan, both the NHS and health and social care deliver for them. As such, I commend this Statement to your Lordships' House.

7.57 pm

Baroness Watkins of Tavistock (CB): My Lords, I welcome the new Minister and declare my interests, in particular that I share his interest in the nursing profession. I have two questions. One is about the 15 units where particular problems have been identified. Does he think that is to do with demography, particularly older populations, and that we have got the funding calculation right in those areas? Secondly, is he prepared to meet me to talk about retaining people who are currently qualifying who, if they do overtime, are being hit with the 9% repayment for their student loans? This means there is very little incentive for the younger generation to do overtime, despite their being the fittest and probably most able to do so.

Lord Markham (Con): On the 15 trust areas, I will need to get back to the noble Baroness on whether it is down to demographic factors. I wish to dig into it more and will look at a number of things. I have been told anecdotally that the day of the week makes a big difference to performance and wait time, so that is another area I want to get underneath. In terms of retaining people, as an entrepreneur who has started up many businesses, I know the importance of motivating a workforce. Clearly, if work does not pay—for want of a better word—there is not much motivation to put in the extra hours we require. I will come back to the noble Baroness with more information on that.

Baroness Tyler of Enfield (LD): My Lords, I welcome the Minister to his new role and declare an interest as a non-executive director of the Royal Free London group of hospitals, which includes Chase Farm. I would like to pursue the points made by both the noble Baroness, Lady Merron, and my noble friend Lady Brinton about health inequalities. With an almost 20-year gap in healthy life expectancy between the most and least deprived areas in London, could the Minister say if and when the Government are planning to publish the health disparities White Paper?

Lord Markham (Con): I thank the noble Baroness for reminding me that I failed to reply to that point earlier and for giving me the opportunity to do so, but I will need to investigate further. As I say, I do not have immediate knowledge of this issue, but I undertake to come back to the noble Baroness with a reply.

Viscount Stansgate (Lab): My Lords, I welcome the Minister to the Dispatch Box. I am sorry I missed his first outing earlier today; in fact, I had a medical appointment. Whatever the definition of "challenge", it must include the position of a Minister representing the Department of Health on the Front Bench of this House—so good luck. The Statement makes the bold claim that up to a million GP appointments can be freed by

"changing funding rules to give freedoms to GPs to boost the number of staff to support their practice."—[*Official Report*, Commons, 22/9/22; col. 832.]

Can the Minister explain exactly what that means?

Lord Markham (Con): I thank the noble Viscount for his good luck wishes. I do not understand completely the economics of the doctor's surgery yet. I want to get my head around that, because I understand that a surgery needs to be set up so that it can be a successful business for them and can have the proper infrastructure. I am very interested in the dentistry field as well; as I said, I have an interest in terms of my wife. But I realise that in a lot of these situations, you are asking doctors and dentists, who are trained to be excellent medics, to effectively set up their own business. That is a quite different thing and demands quite different skill sets. I believe that we need to have a package of support to help them in this respect. As part of that, we need to understand exactly what funding can be used and whether it gives them the headroom—for want of a better word—to allow them to do those elements and have the support staff in the numbers they need. Understanding further this area is on my to-do list, and I would like to get back to the noble Viscount as soon as I can.

Baroness Finlay of Llandaff (CB): I also welcome the Minister to his post, which I think is probably one of the trickiest ministerial posts in government. I declare that I am a registered medical practitioner and remain on the clinical register. I would like to briefly return to the question of workforce. We have spoken about doctors, dentists and nurses; in addition, there are allied health professionals. I should state here that I am president of the Chartered Society of Physiotherapy.

I have come across a lot of professionals who have had time working abroad, for one reason or another, and who have remained clinically up to date but find it extremely difficult to get back on to the register. I have also had conversations with retired professionals who have been allowed to be reregistered under the Covid regulations but find that, because they do not have a responsible officer, it is extremely expensive for them to undertake the processes to come back on the register.

In addition, I have also had conversations with refugees. We have a lot of refugee doctors, dentists, nurses and allied health professionals who currently are completely unable to work because they have not gone through the different exam processes—yet all the time they are not working, they are losing some of their clinical skills. Will the Minister meet with me, because I think there are some ways, in conjunction with the registration bodies, that we could possibly create a provisional registration category to allow these people's skills to be used rapidly for the good of the NHS, rather than waiting the several years it would take them to get through the different hurdles laid before them?

As part of that, these clinicians—particularly doctors and nurses—could then have input into 111, where we know that currently only 40% of calls have a clinical input. The Royal College of Emergency Medicine has calculated that this figure needs to be 65% of all calls in order to decrease the demand on A&E departments from calls to 111. Will the Minister meet with me fairly urgently? It seems a waste to have people who want to get back on the register but, for many reasons, cannot.

Lord Markham (Con): I thank the noble Baroness, Lady Finlay, for those excellent points. I have to declare a further interest: my wife is not only a dentist, she is a dentist originally from the Dominican Republic who practised in Spain for 20 years before coming here. So many of the excellent points the noble Baroness made are well recognised here. I am in the market for good ideas, so I will meet with the noble Baroness with pleasure to understand and discuss some of the ideas she spoke about.

Baroness Walmsley (LD): My Lords, the health service is suffering from inflation in the same way as the rest of us. Julian Kelly, NHS England's chief finance officer, told the board recently that it will have to find £20 billion in efficiency savings over the next three years because of the increased cost of goods and services that it buys. He said that

"clearly you have to completely revisit investment in cancer and mental health, primary care … diagnostic capacity and you would have to look at what it meant in total for what the NHS could deliver."

With that situation, could the Minister say how on earth we are going to deliver the plan for patients?

Lord Markham (Con): As I mentioned earlier, yes, there are inflationary pressures, but as a percentage of our national wealth—our GDP—we are investing more than ever before, at around 12%. That level is very high compared with most other OECD countries. So, the investment and the staffing are there. I think the correct challenge, which I have heard from a number of Members today, is whether we are getting the best performance out of that money and investment. Again, that is very much where I have been brought in—to make sure that we are taking those areas that are performing well and disseminating that good practice. That is where I would like to focus my attention, to make sure that we really are getting the maximum output possible from this record level of investment.

Lord Walney (CB): I add my welcome to the Minister, and I ask him about the issue of unmet need in the care sector from local authorities. His predecessor gave a Written Answer to my noble friend Lord Stevens earlier this year which made it clear that the Government do not currently record the scale of the unmet need from care packages that cannot be offered by local authorities. The Minister brings a considerable amount of expertise to this; does he recognise that that is a shortcoming, an issue, and is it something he would like to see his department address?

Lord Markham (Con): I thank the noble Lord, Lord Walney. Another part of my many and varied background is as a previous deputy leader of Westminster Council, so I realise the importance of local authorities in this role. I will not confess to being familiar with that scale of unmet need at the moment, but I thank the noble Lord for raising that issue. I will make sure I go and find out more on it and, if I may, come back with a written response.

Lord Scriven (LD): My Lords, I also welcome the Minister to his role and wish him well, because of the crisis that the NHS and social care face. In asking my question, I also declare my interest as a non-executive director of Chesterfield Royal Hospital's NHS trust and as a vice-president of the Local Government Association. The Conservative cabinet member for adult social care in Devon said in the last couple of weeks:

"We are … in crisis mode … It is very difficult because you can stack shelves in supermarkets and earn more money than you can in social care. We need to see national government"

respond to this urgently. If all the £500 million given to social care—assuming that this money, because it is short term, is to last for six months—was to be equally distributed between the salaries of the 1.5 million people in social care, it equates to just 31p per hour more, which would still be below the market rate for some supermarket shelf stackers. So what is going to happen to make sure that enough resources go towards dealing with the crisis in social care, so that need can be met and staff can be retained?

Lord Markham (Con): We live in a time of a very competitive jobs market and such a competitive market brings challenges with it, as the noble Lord says. We need to make sure that people feel that these jobs not only are recognised as important but make sense economically for them as well. We are investing £15 million in expanding our recruitment and resourcing to attract more people into the industry. We also need to look overseas and I think many are aware of our plans to do that. It is not lost on the team over here that we need to make sure that this is an attractive job and career for people to move into.

Baroness Bennett of Manor Castle (GP): My Lords, I join others in welcoming the Minister to his new place. I acknowledge that he has stepped in very late in the piece to pick up this Statement, but we are right to ask questions on it. Like the noble Baronesses on the Front Benches, I want to address the issue of the number and supply of doctors, particularly GPs. There are some strong statements here about "setting the expectation" of getting an appointment within two weeks, "opening up time" for 1 million more appointments and helping practices "improve performance". Think about what GP practices have done in improving performance: there were 4.9 million more appointments in December 2021 than there had been two years previously—a 20% rise. A BMA survey found that nine out of 10 doctors reported that their workload was excessive and dangerous. This Statement says that there will be more and more GP appointments, but where will the doctors needed to provide this service in a healthy and safe manner come from?

Lord Markham (Con): As I mentioned, we have 3,500 more doctors, but the 50 million more appointments target, which we are well on the way to delivering, is from not just GPs but across the piece. It is also from nurses and community pharmacies. I think we would all agree that doctors are our most precious resource. Given the comments on not wishing to overburden them and the stresses of that, we need to make sure that their limited time is focused on the patients that most essentially need that time. We are expanding supply and spreading it among nurses—as I mentioned, from my experience with my mother, they are very capable and willing to pick up a lot—and among pharmacies as well.

Baroness Merron (Lab): My Lords, I appreciate the answers that the Minister has given your Lordships' House, but would he be good enough to write to address a number of the more detailed questions raised and give the information requested?

Lord Markham (Con): I thank the noble Baroness for giving me that opportunity. I wish to be part of this House as someone who is open and collaborative, so I will take the opportunity and fulfil it to the best of my ability, to make sure I can give complete and thorough answers. I will also aim to make myself available, because these things are often best carried out through a conversation. I have tried to answer as well as I can today, but I will gladly follow up with more detail.

8.14 pm

Sitting suspended.

Economy: The Growth Plan 2022

Motion to Take Note (Continued)

8.17 pm

Lord Walney (CB): My Lords, I want to focus on the parts of the growth plan targeted at regional disparities—the drive to level up the country. I draw your Lordships' attention to my role as chair of the Purpose Business Coalition, which encompasses the levelling-up goals architecture.

The new Administration have not yet set out in detail how significantly their approach to levelling up will differ from the last. However, the signalling—including the briefing about de-Goveing Whitehall and wanting to dismantle the former Levelling Up Secretary's strategy—suggests that the focus on delivering growth through taxation and deregulatory measures in the new investment zones will replace the activist approach to tackling regional disparities set out in the levelling-up White Paper of February this year rather than supplementing it. I very much hope that is not the case.

While the policy programme remained underdeveloped, the White Paper showed that the Government understood a fundamentally important point that had eluded Governments of both colours for decades: the importance of successful capacity building in areas being left behind. That lack of local agency is a key factor holding back many areas, and national government has a role to play there to help build up local institutions, governance capacity, its skills base and of course its physical infrastructure. It was really important that that was stated front and centre in the levelling-up White Paper. Without that, the geographical disparities that exist within regions, as well as between regions, may well widen further—an acceleration of the decades-long trend that has seen, in the main, large cities, including in the north, making significant and commendable progress but with provincial towns, such as the area that I used to represent in the other place, without the tools to keep up.

It is not too late for the new Administration to embrace a twin-track approach: supply-side change without dismissing the idea of active, joined-up government as some kind of quasi-socialist meddling, as some of the more wayward of the off-the-record briefings in the last couple of weeks seemed to suggest it is. I hope they will, and, I humbly suggest, that so will many of their new MPs in those northern constituencies.

The existing programme of infrastructure investment earmarked from the levelling-up and towns funds need not be sacrosanct in full. Much of it was targeted in town centres that have since been further ravaged by the Covid lockdowns. Reassessing whether those commitments remain the best way to target scarce resources would be understandable, although probably unwelcome for many of those new MPs, particularly in the north of England.

Finally, there must be a question mark over the extent to which companies would take advantage of relaxation of regulatory standards in investment zones, aside from the fierce debate that change in particular areas, such as environmental or employment legislation, would entail. As they decide what options to give the new zones, I hope Ministers will keep in mind the scale of change in boardrooms in recent years: how important it is now for companies to be, and be seen to be, good citizens making a positive impact in the communities in which they are based. Driven by genuine leadership and the market forces of ethical investors, discerning consumers, and the young graduates and school leavers they are in a race to attract, this is now mainstream within boardrooms. That means that if loosening standards happened in investment zones, it would not necessarily drive the change in business behaviour which would be needed if it was to successfully drive up productivity.

8.22 pm

Baroness Stroud (Con): My Lords, I refer to the Register of Lords' Interests and my role as chair of the Social Metrics Commission and CEO of the Legatum Institute.

It goes without saying that the UK is facing an uncertain economic future. That is why it is absolutely right that the Government's focus is on growth, boosting productivity, delivering more jobs and attracting more businesses, investment and trade to the UK. But we need to go beyond this to ensure that growth benefits all people, families and communities right across the UK. Doing this will require an understanding of people's living standards, and this in turn requires two things. First, the Government need to have an effective, official UK measure of poverty, which the Government currently refuse to implement. Secondly, it requires us to protect those with the lowest incomes by ensuring that benefits are not eroded in real terms—which we hear the Government are currently considering backing away from.

Over the last three years, we have seen the economic, social and personal impacts of the pandemic fall hardest on those who are least able to shoulder the burden. Now, with the rising cost of living, it is those very same people, families and communities who face a perilous winter.

But it could have been even worse. The Government's action on energy bills and emergency cost of living support has protected more than 1.5 million people from poverty. If the Government had a measure of poverty, they could be demonstrating how their policies were protecting the most vulnerable. With such positive action taken so far, it is remarkable that we hear rumours of limiting the uprating of benefits next year.

To do so would be to provide a significant real-terms reduction in incomes for families right across the UK who are struggling to make ends meet.

Our estimate at the Legatum Institute suggests that uprating benefits by earnings, rather than CPI inflation, would increase poverty in the UK by a further 450,000 people. If the Government had a measure of poverty, they would know this and take steps to avoid it. Uprating benefits only by earnings would increase poverty among working families by 350,000 people. It would increase poverty among families that include a disabled person by 250,000 people. These are the very people and families that society should be protecting from the impacts of the cost of living crisis, not consigning to a winter of precarity.

Perhaps this is the problem: that policy-making and political debate about poverty and the lives of those on low incomes are conducted in a vacuum of effective measures. This need not be the case.

For the past five years, I have been leading the Social Metrics Commission. Our goal has been to create a measure of poverty which both accurately reflects the lives and experiences of people on low incomes and has a broad consensus of cross-party support behind it. In 2018, we published our findings and in 2019, with the support of statistics experts, charities and the Office for National Statistics, the Conservative Government committed to developing experimental statistics based on our measure. This work has now been stopped without explanation or reason. As a result, policy decisions are being taken blind to the impact they could have on poverty.

What does all this mean? First, uprating benefits by inflation next year is the right thing to do. Even if the Government are successful in boosting trade, driving strong economic growth and increasing employment, failing to do so would increase poverty among working families and disabled people and fail to protect many of the most vulnerable in society.

Secondly, it means that the adoption of the Social Metrics Commission measure as an official statistic would allow the Government to show the positive impact they are having on people's lives right now and take the necessary steps to protect vulnerable people at a moment of global crisis. Looking forward, it could be the foundation for the Government driving an economic and growth strategy which ensures that, for the first time in a generation, as a society we can see a meaningfully lower level of poverty.

8.27 pm

Baroness Sheehan (LD): My Lords, it is a pleasure to follow the noble Baroness, Lady Stroud. I start by congratulating the noble Baroness, Lady Gohir, on an excellent maiden speech—I am sorry she is not in her place. Whoever would have thought that there would be two Shaistas in the House of Lords?—make of that what you will.

It seems that in her youth, the Prime Minister confused the great tradition of liberalism with libertarianism when she joined my party. Perhaps, despite her education, she had missed the central tenet of liberalism: do no harm. Untrammelled freedom, free from responsibility, is far from what it means to be a Liberal Democrat. If I may indulge myself a little, I shall read the first sentence from our constitution:

"The Liberal Democrats exist to build and safeguard a fair, free and open society, in which we seek to balance the fundamental values of liberty, equality and community."

The key word here is "balance". Our ambitions are diametrically opposed to hers, and I am proud she decided that the Liberal Democrats were not the party for her.

Instead, the Prime Minister identified ideological soulmates within elements of the Conservative party, and the so-called mini-Budget is ideologically driven. It is a Budget that unashamedly signals that this Government want to install an economy in which growth is driven by a "me, me, me" culture, one in which the law of the jungle will reign supreme. The "Do no harm" principle is ignored. The poor and vulnerable are asked to bear more of the tax burden, to shoulder more of the pain of inflation, while incomes and benefits for some stay the same. At the same time, the rich receive tax cuts, oil and gas giants bank eye-watering increases in profits, other big businesses make even greater profits and bankers take home even bigger bonuses.

My message to the Government is: stop the harm. Ditch the high ideology and grapple with the imperatives of the day. Help the most needy in our society. They cannot afford to pay double the energy costs of last year and cover the economic ineptitude which led to higher borrowing costs. Invest in education and R&D, without which the holy grail of growth will ever remain a pipe dream.

It is meaningful, long-term investment in R&D, skills and training that will drive the innovation and technology needed to meet the challenge of climate change. Without this investment, we will see the rest of the world forge ahead and grow without us.

In concluding, I associate myself with all previous remarks condemning the Government's actions on obstructing green growth and loosening protection of the environment. I want to stress two points. First, the issuing of new licences for the exploration and production of oil and gas is reprehensible, as is removing the ban on fracking. Can the Minister assure your Lordships' House that taxpayers will not be left to pick up the cost of dismantling the inevitable future stranded assets? Secondly, can the Government just get on with launching an information campaign on what people can do to reduce energy use? If, for ideological reasons, they cannot bring themselves to do this, they should get out of the way of others who can.

8.31 pm

Viscount Trenchard (Con): My Lords, it is a pleasure to follow the noble Baroness, Lady Sheehan, although I regret to say that I find it difficult to agree with anything she said.

I congratulate my noble friend Lady Neville-Rolfe on her well-deserved reappointment to government. At difficult times such as those we face today, it is encouraging that your Lordships' House has her experience and wisdom at the centre of the spider's web in the Cabinet Office, so to speak. She made a

[VISCOUNT TRENCHARD]

good fist of a difficult hand. I am a strong supporter of the political philosophy of the Prime Minister and her Government, and agree with her instinct that it was necessary to move fast and far in order to achieve the growth in the economy that we all desperately need.

I also congratulate the right reverend Prelate the Bishop of Birmingham on his thought-provoking valedictory speech and the noble Baroness, Lady Gohir, on her passionate maiden speech.

I welcome in particular the Government's decision to reverse the planned rise in corporation tax. The proposed increase from 19% to 25% amounted to an increase of more than 31%—nearly one-third—which would have acted as a deterrent to those thinking of setting up new companies here. The evidence of how effective low corporation tax is for economic activity is particularly strong if one looks at the example of Ireland, whose economy has thrived beyond best expectations.

The accelerated reduction in the rate of basic income tax is welcome. However, does my noble friend the Minister not agree that, to compensate for the unexpectedly rapid and large increase in mortgage rates, there is a strong case for the reintroduction of interest tax relief on principal private residences?

Does my noble friend agree that, to deal with energy costs and energy security, there is a need to adopt without further delay a new and much more ambitious strategy with regard to nuclear power? I mean not only the nuclear generation of electricity but—this is often overlooked—the use of nuclear power to generate industrial heat for our manufacturing and transport industries. Dr Tim Stone, the chairman of the Nuclear Industry Association, recently lamented the fact that we have thrown away our leading position in nuclear power.

In the 11 years from 1956 to 1967 we built 27 new nuclear reactors. In 1978, both France and the UK had 6.4 gigawatts of nuclear power. Today, France has 61 gigawatts and we have less than one-tenth of that, 6 gigawatts, and much of that is to be decommissioned over the next few years. The Government's plan, set out in their vision for Great British Nuclear, must be fulfilled, expanded and delivered at speed and at scale.

The most important supply-side reforms to which the Government have committed involve the removal of unnecessary costs for businesses. It will come as a relief to companies up and down the country that departments will be required to review, replace or repeal retained EU law, which will otherwise disappear through sunset regulations by the end of next year. That is an enormous task which can be achieved only with full support and co-operation by all departments and regulators. Wholesale regulatory reform is essential to overcome our perennial problem of low productivity, which is essential for the Prime Minister's growth plan to be achieved and sustainable. Financial services rules such as MiFID II have severely restricted the development of innovative challenger asset-management companies. The Government have already made some moves with regard to solvency too, but the proposed reduction in risk margins still falls short of what the industry believes to be appropriate. The financial regulators should be re-merged into a single body. If this is a step too far at present, at least they should both be given competitiveness objectives ranking equally with their primary objectives.

I look forward to other noble Lords' contributions.

8.36 pm

Baroness Wheatcroft (CB): My Lords, first I welcome my friend, the noble Baroness, Lady Neville-Rolfe, back to the Front Bench.

The Chancellor was absolutely right when he said that the only way to sustainably raise the living standards of our nation is to confront the challenge of our lifetime: to raise productivity. He was right when he talked of the need to lift skills, improve infrastructure and speed up the planning process. However, that was Chancellor George Osborne in 2015. The Prime Minister and her Chancellor talk about their decision to go for growth as if they have had a unique revelation. On the contrary, successive Governments have talked this talk. The problem has been delivery.

There have been numerous initiatives. George Osborne cut corporation tax and raised the investment allowance, just as Kwasi Kwarteng has done. It did not increase investment levels. He announced the creation of 26 new or extended enterprise zones. The productivity gap remained. Nevertheless, we are now promised dozens of investment areas. Business was not crying out for tax cuts or gimmicky zones. Even the president of the CBI has said that cancelling the planned increase in corporation tax was not a particular demand of his members—albeit that the noble Viscount, Lord Trenchard, was keen on it.

Business needs a skilled workforce and efficient infrastructure; that is the key to bridging the UK's productivity gap and growing the pie. But our education system ranks only 15th in the OECD's league table, behind countries such as China and Japan, but also behind Estonia and the Netherlands. Our best schools are brilliant but, through the Peers in Schools initiative, I have been into secondary schools which in the staff room the staff refer to as "secondary moderns". I have been into a secondary school where the headmaster told me that his first task was not so much educating his pupils as providing them with some stability in their lives. The skilled workforce, on which bridging the productivity gap depends, needs a better education system than the one that we have.

The need for serious infrastructure investment remains. This country has a national productivity investment fund. Its contributions to improving infrastructure include extending passenger waiting areas within Derby bus station and a new pedestrian cycle crossing in Middlesbrough. Competing with modern China or Korea will need a little more than that. Perhaps the Minister could tell me what the national productivity investment fund is doing now.

Business also craves stability. That has certainly not been enhanced in recent weeks. Incentives for long-term investment might help. Some countries enable companies to reward long-term investors with enhanced voting rights. The UK will not countenance that. Business also needs a stable community if it is to flourish. The inequity now evident in our society is threatening that stability.

The mini-Budget fiscal event was crazy. The withdrawal of the 45% tax rate was simply crass, from every point of view. The noble Lord, Lord Frost, in welcoming the growth strategy, invoked the name of the late Lady Thatcher, but that devotee of good housekeeping would never have countenanced the idea of borrowing to fund tax cuts. It took her nine years to reduce the top rate to 40%. Even if this Government have the right recipe to grow the pie, it will take years to bake it.

In the meantime, to get anywhere near that promised plan to bring down debt in the medium term, there will have to be vicious cuts to public spending; or does everything depend on what is written on page 17 of the growth plan:

"The financial services sector will be at the heart of the government's programme for driving growth across the whole economy"?

A "deregulatory package" will

"unleash the potential of the UK financial services sector."

Can they have forgotten 2008?

8.41 pm

Lord Lupton (Non-Afl): My Lords, it is always a pleasure and a challenge to follow the noble Baroness, Lady Wheatcroft. Two years ago, I watched the then Prime Minister take a pickaxe to one of the granite foundations of our country's reputation: respect for the rule of law. Now I feel that I may have watched this Administration if not tear up then at least damage the Conservatives' hard-won and hitherto well-deserved reputation for fiscal prudence.

Much of the commentary over the last two weeks has been sensationalist, too general and insufficiently nuanced. There are quite a few cooks stirring today's toxic broth of geopolitical and economic stresses—Covid, Putin, energy costs, inflation, to name a few—but I will restrict my comments to just three observations.

First, the collateral crisis was one of those foreseeable unforeseens except by a few wise people, such as my noble friend Lord Wolfson of Aspley Guise. Its genesis, perhaps, was far too many years of unwisely loose monetary policy, through both quantitative easing and artificially low interest rates. Those influences encouraged long-term investment funds to pep up their returns through the derivatives market, which became a problem when interest rates rose both hugely and suddenly two weeks ago, requiring those funds to post collateral they did not have. Braver and earlier action on both rates and QE, as many advocated, would have softened this blow. In any event, as many noble Lords have said today, the return to higher interest rates is the new norm. In the long term, that will be good for our economy. Artificially cheap money distorts behaviour.

Secondly, many of the big policy changes in the Chancellor's mini-Budget had been well flagged in advance without causing market disruption, so what caused the markets to take fright in the Far East overnight on Sunday/Monday of last week? I am supportive of much of the political philosophy underlying the Chancellor's Statement. Britain is overregulated and over-nannied. The individual has been lured into thinking that it is the duty of the state to solve any problem, when it is not and cannot be. We are overtaxed and underproductive. We lack sufficient investment and we are trapped in a low growth cycle, but there is a time for fiscal loosening on a massive scale and it is not when unemployment is low, inflation is high and markets are already expecting a ballooning of the budget deficit to near 8% of GDP.

It is the timing and execution, as much as the substance, of the Chancellor's Statement that has been catastrophic. The numbers were unverified by the OBR and there was no clear plan. A rushed Statement on the Friday was compounded by unscripted, boastful words over that weekend. It displayed a mixture of naivety, lack of experience and overconfidence, which asked to be punished by international capital markets and duly was. The international capital markets were the first to hold the Government to account.

Thirdly, why does a market reaction of such severity matter? The answer is that, at the end of June this year, overseas investors held about 31% of the Government's total debt of £2.2 trillion. Their views matter; they do not have to buy our debt. As the previous Bank of England governor said, we rely on the kindness of strangers, and two weeks ago those strangers were not feeling kind. Commentators understandably focused on the rise in rates at the long end of the yield curve and, at one point, a near 10% fall in sterling against the dollar. However, the yield increase at the short end has been even bigger, which has raised interest rates, including mortgage rates, and put greater pressure on households. This plays into my argument that it is financially illiterate to loosen financial policy when there is an inflation problem. It just forces the Bank to hike short rates more—the "accelerator and brake" syndrome.

Markets are a drama. They are built on confidence. They are an amalgam of analysis, courage, fear, confidence and scale. This makes them so human. What might prove to be relatively small misjudgments, either political or economic, can have and have had huge negative impacts, which a more measured, informed, well-explained and mature approach might have avoided. I very much hope that our political leaders, like the best business leaders, have the humility to take learnings from the errors of judgment and mistakes made.

8.45 pm

Lord Hannan of Kingsclere (Con): My Lords, I am not sure we have fully grasped the magnitude of our predicament. You cannot place a complex modern economy into a cryogenic state and then just bring it out without damage. We spent maybe £400 billion—more, according to some estimates—on the pandemic and the associated lockdowns. We paid people for the better part of two years to stay home and we covered the difference by printing money. That creates a debt that has to be settled. There is no escaping the reckoning.

When I say that I do not think we have grasped it, I do not make this point in any partisan sense. I blame the then Prime Minister, who came to the Dispatch Box in another place and boasted of our massive fiscal firepower and preened himself on the fact that our furlough scheme was more generous than that of France, Germany or Ireland, just as much as I blame

[LORD HANNAN OF KINGSCLERE]

the leader of the Opposition, who opposed every loosening of the lockdown and now complains about inflation as though it was some act of God.

At the very beginning of this debate I think the noble Lord, Lord Newby, said that there was no need to act precipitately, but when we find ourselves in a hole this deep we have to act with urgency. Every aspect of the financial Statement, with the exception of the energy subsidy, was an attempt to stimulate growth. In the position we are in, we have to stab at every button and tug at every lever. The IR35 reforms, easier fracking, easier housebuilding, reform of financial services and of childcare—anything that brings prices down and stimulates economic growth.

Of course all these things are unpopular, at least in the short term. Human beings are change-averse. All the easy stuff has already been done—actually, quite a lot of the hard stuff has already been done—but we need to judge policies not by their popularity when polled in isolation but by the popularity of the outcome. Every privatisation was unpopular when it happened and most remained unpopular afterwards, yet people approved of the overall package because it led to rising living standards.

I have to say that this applies also to tax. I was very disappointed that, with a majority of 71 in another place, the Government were unable to push through a small simplification of our tax rates that would probably have been at worst fiscally neutral and more likely beneficial in a quite short period of time. As an aside, a number of people, starting with the noble Baroness, Lady Smith, and ending with the noble Lord, Lord Sikka, have spoken about trickle-down economics. To my knowledge, no one has ever advocated the idea that you enrich the poor by giving the rich more money to spend on their Lamborghinis or their art collections. The phrase "trickle down" was invented in the United States in the 1930s as a caricature of the policies supposedly pursued by the Coolidge Administration. If you type "trickle down" into Google, it will prompt you with "debunked", "false" and "Reagan", but you will not find a single person ever advocating it. It is an absolute fantasy, a leftist parody of how conservatives are supposed to think.

What we were trying to do in the Budget—it is very disappointing that we backed off at the first crackle of musket fire—was to set the incentives so that the whole economy would grow and we would get more revenue in with lower rates, something that even the IFS thought was feasible at that level. This is not a new idea.

I want to finish by agreeing with the fiscal analysis of my noble friend Lord Bridges of Headley. The idea that bringing tax back to the pre-pandemic level is creating some kind of skeletal, Randian state—a sort of libertarian attempt to end all government spending—is utter fantasy. We would gladly settle for the tax breaks that pertained in the Blair and Brown years; they would be a huge improvement on where we are now. However, we have only two ways out of this mess: we can either try to grow our economy so that the share taken by the state shrinks in proportionate terms or we can wait for an external correction by either the IMF or the market. There is no third option.

8.50 pm

Lord O'Neill of Gatley (CB): I too add my congratulations and best wishes to my noble friend Lady Gohir, the right reverend Prelate the Bishop of Birmingham and the noble Baroness, Lady Neville-Rolfe—perhaps best wishes especially to the noble Baroness, Lady Neville-Rolfe, for serving a second stint.

Long-term economic growth is driven by two things: the growth of a country's labour force and its productivity performance. In the decade up to the Covid shock, the UK grew by just less than 2%. Contrary to expectations prevailing immediately at the end of the financial crisis, it was mainly driven by extremely strong employment growth. Unfortunately, along with it, and maybe because of it, there was extremely weak productivity, even by our poor standards—about one-quarter of that which had prevailed. So in addition to it being rather risky in general to have a precise growth target, one would have thought that to have a notably higher one would mean you would have to generate significant belief that either or both of those two legs would be stronger. It is extremely difficult to believe that the long-term labour force growth trend will be even stronger than it was before, so the Government should have, in advance of a rather cavalier and naive tax-cutting Budget, at least tried to show that they would maintain labour force growth and evidence of dramatically improving productivity. They now somewhat desperately need to do that.

Here are four specific ideas that should be included. First, the Government should intensify their brief mention of efforts to reform pension and insurance company investment behaviour. As the chaotic gilt market sell-off highlighted, for far too long our supposed long-term investment institutions have in fact been investing far too much in supposedly lower risk investments. We need genuine long-term risk-taking and patient capital to be successful and to help a true growth investing culture.

Secondly, along with this, incentives for true risk-taking must be improved, not ill-thought-out, obsessive ideas about broad corporate taxation, which simply allow even more accountancy-style management of balance sheets and have for 20 years typically resulted in more share buy-backs and little investment.

Thirdly, the devolution process started by this Government in 2014 should be accelerated, and they must be serious about it, devolving more powers, especially on skills but also much, much more. Recent geographic ONS data—the first it has ever produced in such detail—shows that within the dreadful overall trend Greater Manchester experienced stronger productivity improvements in 2002-18 than London. It could be a fluke, but it is probably not, and is a sign of something that can work. Devolving powers should be at the heart of what this Government are trying to do to be serious.

Lastly, if I were in their shoes I would encourage the OBR to choose for itself to reduce the importance of its short-term GDP forecast changes. As talented as the OBR team is, its own cyclical forecasts jump around just like anybody else's. The only thing guaranteed is that, like everybody else's, they will be different the next time. This should not be confused with having a credible independent organisation, such as the OBR, that gives its best forecast of the country's growth trend and the long-term trend of the nation's finances.

8.55 pm

Lord Naseby (Con): My Lords, what joy it brings me to see my noble friend on the Front Bench and what a speech she gave to the House this afternoon.

I am very happy with the new Prime Minister and Chancellor. I joined the Conservative Party in 1964, and the basic tenets of the party at that time were almost identical to what we are being offered today. I fought my seat in Northampton South in February 1974. I was told that I would not win, that it had been a Labour seat all its life and that there had never been a Conservative in Northampton. I fought that seat on the basis of what I have just described, with energy, determination and enthusiasm. What the Prime Minister is bringing to our nation is energy, huge effort, enthusiasm and commitment to the basic philosophy of the party I joined so long ago and continue to support wholeheartedly.

My goodness, what challenges she faced on the day she became Prime Minister: the world facing its fifth wave of debt, inflation rising far too fast, energy supply and pricing a huge challenge, and, on top of all that, Ukraine and Russia. There was no time to really prepare for any of that, yet somehow she and her team, in a very limited time, did a huge amount of work that is manifesting itself now. My friend the noble Lord, Lord Lupton, may well be right that some of the elements could have been better put together, but you have to look at the time span. Does nobody understand the sheer pressure of having fought to be leader of our party for a whole month and then being thrown in? She and her team have succeeded. It is a truly great achievement.

My noble friends need to understand that one element is missing. There is one word missing: communication. I spent my economic career in the marketing world, and part of that time as the director responsible to the Central Office of Information for whatever campaign the Government of the day decided needed to be communicated. I say to my noble friends on the Front Bench that it is no good relying just on TV. There is press, billboards, radio—all sorts of media. Remember that, and please do not forget that it is not unusual to communicate directly to every single household in this country if the need is there. At this point in time, I believe that need is there. It has been done before and ought to be considered again. If that happens and we really communicate well, I am quite sure that this will be a highly successful Government. I look forward to continuing to support them.

8.59 pm

Lord Skidelsky (CB): My Lords, the twin problems to which the mini-Budget was addressed were near-zero growth and a relentless rise in prices. I doubt whether it will do very much for the first—certainly not in time to offset the second. In the short run, what we face is not a growth crisis but an inflationary crisis and that, of course, also means a currency crisis.

What was the growth strategy? I think it was based on Reaganomics—the idea that unfunded tax cuts, by incentivising the wealthy to work hard and invest more, would pay for themselves. That was a sort of Laffer curve idea, which was very popular in the 1980s. The British Treasury never bought it; it always thought that tax cuts to encourage the wealthy would need to be complemented by welfare cuts to incentivise the poor to "get on their bikes", in the famous phrase.

Well, that is the basis of growth orthodoxy but it is very insecure. There is no evidence that tax cuts for the rich speed up the real rate of economic growth. What they do encourage is speculation in financial assets and real estate. Also, there is no correlation between the rate of growth and the size of the public sector. So the growth strategy is very insecurely based. As the noble Lord, Lord Eatwell, pointed out earlier, public investment, not public ownership, has been the main growth engine since the war.

Apart from its intellectual incoherence, the Chancellor's mini-Budget sets out to tackle the wrong problem. The problem, as Keynes wrote in 1939, is not how to get growth but

"how to pay for the war".

We have blundered inadvertently into a war situation, and that creates war problems. A war economy is inherently inflationary: too much consumer demand, too little supply. This is our situation. Excess demand is easy enough to explain. For over a year, from 2020 to 2021, the Government paid a large chunk of the workforce to not work. Pent-up demand exploded before supply could catch up.

That is one part of it but, in addition, Russia's invasion of Ukraine has produced big supply shortages, reflected in the near doubling of wholesale energy prices. They would have trebled had it not been for the energy price cap. How long can the Government go on capping prices without raising taxes? Is the Minister expecting energy supply in Europe to increase over the next few years? Is he expecting Saudi Arabia to increase rather than reduce supply? The important point in these questions is that, when debt costs are rising, the Government should be reducing and not increasing their borrowing.

Today, we are significantly less able to run a war economy than we were in 1940. We make fewer things, grow less food and are more dependent on foreign supplies. Extensive deindustrialisation since the 1980s has made our standard of living dependent on the City of London's ability to finance our twin deficits—budget and current account—which are rising towards 10% of GDP. The City attracts capital into London to engage in financial investment. The energy crisis has blown a hole in the current account. Banks have indicated that a 10% current account deficit will be very difficult for the City to finance. The second factor depressing sterling is, of course, the very high rate of inflation.

We need a credible currency to maintain our standard of living and there is nothing in the strategy of the mini-Budget that guarantees that. What we need is a co-ordinated policy that can communicate a clear path forward.

9.04 pm

Lord Northbrook (Con): My Lords, the Chancellor said his recent fiscal Statement represented

"a new approach for a new era".

He continued by saying:

"For too long in this country we have indulged in a fight over redistribution",

adding that the Government would focus on growth built around several priorities, including reforming the supply side of the economy and cutting taxes to boost growth. He argued that the growth plan would

"unleash the power of the private sector",

with the aim over the medium term of reaching

"a trend rate of growth of 2.5%".

We await his supply-side reforms, due to be announced in his medium-term fiscal plan on 31 October. He said these would cover

"the planning system, business regulations, childcare, immigration, agricultural productivity and digital infrastructure."

I welcome his decision to reverse the national insurance increase proposed by Rishi Sunak. I also very much approve, as other noble Lords have said, of the repeal of the IR35 off-payroll changes of 2017 and 2021, the cancellation of the proposed corporation tax increase, the advancement of the basic rate tax cut by a year, the changes to the stamp duty threshold and the cutting of the additional tax rate from 45% to 40%, believing that, within reason, lower tax rates yield higher revenues and make the UK more attractive to international business. The huge energy support package also had my support.

So how could this Financial Statement have had such a bad reception? The first problem was timing. There was a perfectly respectable argument for reducing the 45% rate—after all, that is what it was during Tony Blair's term in office and after—but the Government had to prepare the ground first. It is not immediately obvious that it could pay for itself, but it could easily do so if more big earners decided to declare their income in the UK. That takes time and patience to explain, especially at a time of such hardship when people are struggling with electricity bills, mortgages and cost-of-living expenses. People are also worried about the increasing effects of inflation. There could have been shrewder ways of doing this—namely, by raising the threshold for the start of the 40% tax bracket, since it now encompasses millions of middle earners who were never meant to pay this rate.

Going back to the proposed supply-side reforms com, the planning system ideas to encourage growth look sensible on the face of it, but there will be resistance to these, especially from Back-Bench MPs in southern rural seats. Every Government propose to tackle business overregulation, but generally there seems to be little overall success in this area.

The Government also completely failed to anticipate the market's reaction to the unfunded tax cuts. The decision not to have the Statement's financial effect costed by the OBR was a serious mistake. It also vaguely mentioned further tax cuts, further undermining market confidence.

I welcome the proposed reforms to the universal credit regime earnings threshold, which will mean that 120,000 more claimants will be helped to increase their earnings. However, I cannot see how much additional welfare reform is going to succeed as there will be serious opposition, including from the Government's own Back Benches.

I am happy with the Government's plan to introduce legislation to ensure minimum service levels on transport services and to require unions to put pay offers to a membership vote.

I await with interest more details of the proposed investment zones to be established across the UK, which will benefit from tax incentives, planning liberalisation and wider support for the local economy. Hopefully, the loss in tax take can be made up for by the new businesses attracted there.

Overall, the Government had some great ideas in the Financial Statement, but they were let down by poor preparation of the ground and in getting the Back Benches onside. Hopefully, as a result of the reaction to it, the Government will be more careful in these areas in future.

9.08 pm

Lord Dobbs (Con): My Lords, I add my own welcome to my noble friend Lady Neville-Rolfe. She has vast experience and formidable tenacity. As a board director, she helped make Tesco hugely popular. We live in hope.

What to say at this time of night? I have recently been messed around with a condition called oscillopsia. It means that things appear to move to and fro; they keep shifting in front of my eyes. The other day I saw that sterling had crashed. I blinked, and, when I opened my eyes, I found that sterling had recovered. That made me rather happy. Then I saw that the top rate of income tax had been reduced from 45%, but, after I had blinked—well, it had not. That made me less happy. And I watched Angela Rayner give what she said was Labour's response: everything would be reversed. Then I blinked, and Keir Starmer said no, it would not. I do not know whether that made me happy or unhappy, but, if I am honest, it did not come as much of a surprise.

There is a lesson there: violent disunity in a party usually leads to the dustbin of history. It might get pretty crowded in the near future.

There is so much I support in the Chancellor's package, particularly the principle of letting people keep more of their money. Frankly, I would not even have begrudged Mick Lynch the extra couple of grand that he would have kept if the top tax rate were reduced. I read that his package is around £120,000. Is that outrageous? No, 120 grand is well worth it for being on the side of working people—except that he is not on the side of working people. He is doing everything he can to stop people working, alongside any number of Labour MPs. I am sure that he is a lovely man, but he has about as much in common with most workers as I have with cross-stitch embroidery.

It is not as easy as that though, is it? We are in a beggar's muddle. The whole of Europe is in chaos. We cannot simply go on—

Lord Davies of Brixton (Lab): Does the noble Lord understand that Mick Lynch was elected by a free vote of the members of the union, who knew exactly what they were getting? This Government say that they are in favour of ballots—well, then they should respect the ballot of the RMT members.

Lord Dobbs (Con): I thank the noble Lord for that. I suggest that he goes and stands not on the picket line but outside stations when normal people are trying to get to work to do their job. I shall not take any more interventions on that front.

If we as a Government want people to understand and accept what we are about, we have to stop using the language of supply-side this and demand-side that and instead try to get into their homes, sit by their firesides and understand the reality of their lives—and accept that they are scared. There is a lot that is scary right now. It is about the economy, stupid, is it not? No, it is not really—it is about people. The people are the economy; they are the ones who provide the creativity, products, services and extraordinary inputs that go to make those game-changing outcomes. All our language and policies should have one ultimate objective—to enable them to dream their dreams once more. If we cannot, and if taxes come down but mortgages, rents, debts and prices everywhere go up, we will open our eyes and find that Mick Lynch and his men of many miseries will be running the show—and then we will see what economic chaos is truly about. I really wish my noble friend well.

9.13 pm

Baroness Kramer (LD): My Lords, I have this vision of the noble Lord, Lord Dobbs, sitting beside fireless firesides.

Let me switch tone and say to the noble Baroness, Lady Neville-Rolfe, that I recognise and welcome her to her new role. I assume that she will speak frequently on Treasury issues, so we will have a great deal of very polite combat. I also very much welcome the noble Baroness, Lady Gohir. She said that she would look at everything through the lens of women's lived experiences, and she did exactly that in this debate. I say to the right reverend Prelate the Bishop of Birmingham that it is a really sad farewell. He has always spoken for ordinary people, he did so again today, and we will sorely miss him.

The noble Lord, Lord Burns, summarised the subject of our debate. He said that the financial event

"has not gone down well".

I do not just repeat that for its understatement, but I do say that this was not just an issue of communication and optics. I follow in the footsteps of my noble friend Lord Fox and quote Larry Summers, the former US Secretary of the Treasury, who summed up that event as

"misguided fiscal policy coupled with lack of central bank credibility coupled with toxic leverage creating positive feedback loops"—

only an American could say that—

"that led cumulatively to a disastrous outcome."

A disastrous outcome is what we are living with and, frankly, that is something that I think no one in this House would have ever wished upon this country.

I concur with those in my party who look at the mini-Budget and say, "Keep a cap on energy prices but at the lower rate of last April; give longer protection to small businesses; keep the tax cuts that help ordinary people but scrap the rest and start again." We need to remove not just the cancellation of the 45p rate but the reversal in corporation tax increases—I will talk a bit about that in a moment. The Government need to levy a much more rigorous windfall tax on oil and gas companies. I say to the noble Lord, Lord Forsyth, that, if he looks at the Lib Dem plan, he will see there the money that is needed to be able to fund significant parts of the support for ordinary people by going back much further, making the levy far more significant —not just a mere 25%—and taking away all the various opt-outs and concessions provided if oil companies go and invest in oil and gas.

I say to the Government that this not the time for ideology; we need an absolutely practical plan—I think of what the noble Lord, Lord Skidelsky, said. We need a plan that protects people and businesses and grows the economy and an OBR forecast that both informs that plan and informs all of us. It is not just the financial markets that are shaken, but ordinary people who suddenly realise that prices, including for food and energy, will remain cripplingly high. Liz Truss has said that benefits will rise far less than inflation—though I hope, like many people in this House such as the noble Baroness, Lady Stroud, the noble Lord, Lord Carlile, the right reverend Prelate the Bishop of Durham and many others, that that will be revisited, because, frankly, it is cruel. Interest rates and mortgage costs are rising sharply, and the Institute for Fiscal Studies has warned that stealth freezes in tax and benefit thresholds will take twice as much money from UK households as they stand to gain from the Government's cuts to headline rates.

On public services, quite a number on the Conservative Benches—the noble Lord, Lord Howell, and others—talked about the importance of cutting public services, whether by function or overall. But these services are already struggling in the face of inflation, and I am very afraid that we will see cuts, particularly in the education sector, which would be an utter blow to any growth agenda.

The UK stands out from other G7 countries in the failure of our economy to recover to pre-Covid levels. That failure is owned by the Conservative Government and the Conservative Party—it cannot be blamed on Covid or Russia. When the Prime Minister speaks of an anti-growth coalition, and when I look back at what has been happening in this country, she is describing herself, the Tory party and their record. I stand on Benches, and I believe much of the Opposition stand on Benches, that are fundamentally and have always been pro-growth.

The last OBR numbers that we saw demonstrated a huge hit to the UK as an international trading nation. It is, as the noble Lord, Lord Inglewood, said, an inevitable consequence of hard Brexit. Even the most optimistic view of new global trade and plans for lax regulation across the board scarcely claw back a fraction of that trading loss. That issue must be fundamentally tackled.

[BARONESS KRAMER]

If I may reflect the noble Lord, Lord Londesborough, here, productivity has barely improved for a decade. It is not hard to see why. The Government have underfunded education and skills at all levels, despite a lot of fine talk and endless ideological tinkering. Business investment has declined sharply from already low levels despite some of the lowest corporation tax rates in the developed world. I say to people like the noble Lords, Lord Forsyth and Lord Bridges, and the noble Baroness, Lady Noakes, that for 10 years we have had incredibly low corporate tax rates and, every single day of that 10 years, they have failed to generate growth. It is time to recognise when a policy has failed and not to make it the central lynchpin of a so-called growth agenda. We need a policy that works, not one that simply meets a soundbite test.

With the weak pound, we may well see more foreign money coming to the UK, but it will not be money to build our businesses; it will be the asset strippers and the vultures, and they are already circling. Goldman Sachs has openly said that it is hunting for cut-price assets from UK pension funds to take advantage of the liquidity pressures—and it is the respectable end, frankly, of the vulture industry. The AIM, which is always a good canary in the mine for business investment, has slumped to a 13-year low.

The Government have completely failed to reshape the financial sector to support patient capital—the noble Lord, Lord O'Neill, addressed a lot of this—and to provide scale-up funding. Without that, frankly, we lose most of the benefits of innovation. The plan now to remove the cap on bankers' bonuses, and much of the deregulation in upcoming Bills, is designed to let risk rip once again, rewarding the chancers, the price fixers and the churners, abetted by a regulatory system with no backbone. I forget who said this in the debate, but somebody cited 2008 and asked, "Have we really learned nothing?"

Infrastructure expansion is constantly on again, off again. We do not so much have a planning problem; it is the lack of competent government leadership, which blows hot and cold on public projects and encourages private developers to put forward insultingly inappropriate development plans. That is why local communities object to them. Thirty-storey high-rises; intensive development; a disregard to public amenities: no wonder we have public opposition and delays. That is where reform is needed.

We have a shortage of working-age population on an exceptional scale. Let me quote the Public Services Committee this July:

> "ONS statistics show that the number of people of pensionable age will grow by 28% between 2020-45, while the number of working age people will grow by just 5%."

Various people discussed our labour market, problems not addressed at all by this Budget. Frankly, on those grounds alone, the Government's immigration policy is utterly senseless.

As for the idea that the net-zero target is anti-growth, that displays, as the noble Baronesses, Lady Hayman and Lady Walmsley, said, a complete failure to understand the dynamics of sustainability. Let me quote the IMF:

> "If the right measures are implemented immediately and phased in gradually over the next eight years, the costs will remain manageable and are dwarfed by the innumerable costs of inaction."

Germany by 2025 is expected to have 11.3% of the world's electric vehicle battery manufacturing capacity. We, who think of ourselves as a car-building country, will have only 0.8%. France is now investing on a far greater scale than we are in carbon capture and storage. Which countries do this Government think will dominate the future and reap the economic rewards of sustainability? Reform the energy market—it needs it—but this Government's focus on increasing oil and gas exploration and fracking will either force us to abandon that target or load this country in the future with billions in stranded assets that ordinary people will have to pay for, a point made by my noble friend Lady Sheehan.

We have to deal with the public debt, which will not evaporate—I pick up the point made by the noble Lord, Lord Bridges—because the Treasury has been issuing index-linked gilts to the point that they are now something like 25% of public debt. I listened to people trying to compare us with the United States, but that has both the dollar and a domestic market of 350 million people. The EU has a domestic market of 450 million people. Both have a base of stability which we do not enjoy. The need for the Bank of England to declare its willingness to buy £65 billion in gilts to stabilise the market a week ago underscores how vulnerable we are. The noble Lord, Lord Davies, raised an important point: we should be very careful as we change the rules on pension funds, because seeing them invest in illiquid assets will create its own series of risks. My noble friend Lady Bowles once again warned us how blinkered we can be to risk because of the way we structure accounting standards.

There has been so much mismanagement for so many years, driven by ideology, rather than facing up to the real world. My party and I have, in many speeches, tried to draw the attention of the Government to the economic growth crisis and every time—noble Lords can go back and look in *Hansard*—we have been summarily dismissed. We have no choice now but to get this right. Ideology needs to be set aside and competence needs to replace it.

9.25 pm

Lord Tunnicliffe (Lab): My Lords, I congratulate the noble Baroness, Lady Gohir, on her maiden speech. She clearly set out her position and passion, and she had many ideas for which I have personal sympathy. I also join the regrets of the House for the final speech of the right reverend Prelate the Bishop of Birmingham. His insightful and compassionate contributions were always an important part of our debates, and I fear we are at a point in our history where we need more compassion and discussion.

This has been a fascinating and wide-ranging debate. I suspected that my going through the individual contributions of 55 Back-Bench speakers would get in the way of what I suspect is the desire of the House to listen to the Minister rather than me, so I tried to do an analysis of the contents. On balance the split, while not clear-cut, was about 3:1 in favour of those who had more concerns about than praise for the mini-Budget. Keir Starmer, our leader, said at our recent conference that we must put "country first, party second." I hope we can all embrace this concept in these extremely difficult times, and that Ministers will reflect on the level of concern expressed today and follow our advice, which is, frankly, to go back to the drawing board.

The Government having spent the summer railing against orthodoxy in the running of the UK economy, it is somewhat ironic that it was ultimately for the Bank of England to step in and restore calm. While the Chancellor stood by, letting the pound plunge and pension funds go to the brink, the Bank took it upon itself to make an unprecedented intervention in the bond market. The initial market response to that announcement was promising: the pound recovered some of its losses against the dollar and 30-year yields dropped sharply for a time. Then the Chancellor took to the airwaves and sent the economy into another spiral.

When the Chancellor of the Exchequer speaks, he does so to a global audience. Any lack of clarity or dithering sparks market panic, with our economy and people suffering as a result. The same is true for veiled swipes at institutions such as the Bank of England. Mr Kwarteng might not like how the Treasury or other institutions do business, but undermining the system is not the way forward.

The International Monetary Fund felt compelled to issue its own rebuke of the Government's plans, suggesting that they change course immediately. That follows its forecast from earlier this year predicting that the UK will have the slowest growth of any G7 nation next year. It is hard to see the mini-Budget improving that outlook. Standard & Poor's swiftly put the UK's sovereign rating on a negative outlook, citing the likelihood of

"weaker than expected economic growth and rising borrowing costs".

Fitch has since followed suit, noting the contradiction between fiscal policy and the Bank's attempt to curb inflation. This has been much commented on as trying to drive a car with one foot on the accelerator and the other on the brake. These are not comments to brush away. Our creditworthiness now sits below the economies of France and South Korea.

Let us consider the state of the gilt market. In his recent letter to the Commons Treasury Committee, the Bank's Deputy Governor laid out exactly why it was forced to intervene in the bond market. His letter is full of strong language about the effects of the mini-Budget, referring to a "self-reinforcing spiral" in debt markets. That created a doom loop which meant that, without the Bank's intervention,

"it was likely that"

pension

"funds would have to begin the process of winding up the following morning."

As a result of the chaos, investors the world over saw UK gilts as a higher risk than those issued by Italy and Greece. Even after the pound eventually returned to levels seen before the mini-Budget, our borrowing costs were still elevated.

What does this mean in practical terms? Liz Truss can wave goodbye to her hope of spreading Covid-related debt over a longer term. The Government's energy intervention just got substantially more expensive, reinforcing the case for an extension of the windfall tax. Who will ultimately have to pay these debts off? That is right—taxpayers up and down the country who are already contending with higher mortgages and other costs.

However, it would be a mistake to believe that these problems started with the Chancellor's September fiscal statement. The UK is the only G7 nation not to have recovered to pre-Covid levels of real GDP, meaning that many remain out of pocket. Put in other words, household disposable income is falling. That feeds into record low levels of consumer confidence: a staggering minus 49% in September, down 5% in a month from August. With household incomes having to cover higher mortgages and energy bills, many people are being pushed towards consumer credit. Indeed, in August, consumers borrowed on credit cards at the fastest annual rate since 2005.

We are told that the situation will improve once the Chancellor makes his next fiscal statement, now due at the end of the month. Other than tax cuts, what levers do the Government intend to pull? Exactly what impact do they expect them to have? If rumours are to be believed, the Government will pin their hopes on deregulation. This will come across many sectors, but perhaps none more so than financial services.

Noble Lords will recall that much of that regulation was designed alongside international partners in the wake of the 2008 global crisis. We should all be proud of our financial services sector. It generates billions for the economy and employs millions of people across the UK, and its tax bills help fund vital public services. Of course we should support the sector and find ways for it to boost economic growth. That is why we have been eagerly awaiting the legislation implementing the outcome of the future regulatory framework review. So can the Minister confirm this evening whether the Financial Services and Markets Bill will stay in its current form, or will the Government make financial services deregulation part of their planned growth Bill, lumping these very technical matters in with deregulation in other sectors of the economy?

Regardless of the vehicle used, I am not convinced that anybody outside of government wants to see UK firms allowed to adopt practices unthinkable in other jurisdictions. Yes, we want London to remain one of the world's leading financial centres, but firms tell us that they want high standards. They want preferential access to international markets, but the Government failed to secure that in their negotiations with the EU. Would equivalence not be a quicker, safer route to growth in this particular sector?

While I am asking about deregulation and upcoming legislation, I wonder whether the Minister could answer a few more questions. Are the Truss Government committed to bringing forward the next economic crime Bill, as promised by the previous Prime Minister? If so, when can we expect it? Would the Minister agree that tackling tax evasion and other forms of economic crime is even more important in the current context? In the rush to change financial regulations, do the Government remain committed to the Basel rules? What about the decisions of the Financial Action Task Force in relation to high-risk countries or its country-specific recommendations to improve the UK's performance in relation to money laundering?

[LORD TUNNICLIFFE]

Economic competence is not just about implementing the fiscal recommendations of one's favourite think tanks; it is about delivering financial stability day after day. We need answers to all these questions and more before we can take the Prime Minister and the Chancellor seriously. Downing Street urgently needs to fix the problem it created two weeks ago. This cannot wait three weeks, until 31 October. The Government need to stop lurching from crisis to crisis, with each new display of incompetence somehow trumping the last. If the Conservative Party cannot get a grip, the Labour Party stands ready to step in and deliver responsible public finances, strong fiscal rules and fair, long-term growth.

9.36 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Callanan) (Con): My Lords, I begin by joining my noble friend Lady Neville-Rolfe in welcoming the noble Baroness, Lady Gohir, and congratulating her on her maiden speech, which I listened to with great interest, although I do not think she is in her place any longer. The noble Baroness, Lady Hayman, said that she is full of fire and passion, evidence that she will be an eloquent voice for women. She is no doubt delighted to discover that we are now on our third woman Conservative Prime Minister, and I am sure we are all looking forward to hearing her future contributions.

Today is clearly a day for our second city. I thank the right reverend Prelate the Bishop of Birmingham for the contribution he has made to this House over the years. He joked about my noble friend Lady Neville-Rolfe's reference to his "mature" and "sensible" contributions, and then proved how right she had been to say it. The right reverend Prelate made many noteworthy points in the few minutes allotted to him, not least about the importance of the need for the devolution of power and influence. He asked about "wealth created for whom", an important question which I am sure we will be debating for many weeks to come, sadly without his presence.

It is a privilege to close this debate on behalf of the Government and I thank noble Lords for their many contributions. We have heard about and debated the many steps the Government are taking to achieve economic growth: a series of bold initiatives which we believe will, together, reboot this country's long-term prospects. It is an agenda which protects and reassures now in the form of our plans to cut energy bills at a time of global uncertainty for our people, and an agenda which lays the foundations for a future about which we all can and should feel optimistic. In her introduction, my noble friend Lady Neville-Rolfe rightly said that we need to do things differently and we need to do them better. This Government are making growth their guiding mission, which I am sure many of us agree it needs to be.

I shall address in turn the different aspects of the Government's plans that were raised in the debate. I start with plans to reduce millions of energy bills, an issue raised by many speakers, including the noble Baroness, Lady Smith of Basildon, the noble Lords, Lord Fox and Lord Burns, my noble friends Lord Forsyth of Drumlean and Lord Lamont, and others. The Government had previously announced £37 billion of support, meaning 8 million of the most vulnerable households receiving £1,200 of support and others receiving £400. Last month, the Government built on that and announced the energy price guarantee to limit the energy bills of typical households to £2,500 a year for the next two years—that is an average, of course. In turn, another benefit of that is significantly reducing the rate of inflation.

As many noble Lords observed, there are no cost-free options. The Government must now intervene to guard against the worst economic outcomes going forward, and that intervention will therefore initially be funded by the Exchequer.

The noble Lord, Lord Fox, asked about the case of fixed-rate contracts that were agreed before 1 April this year. I can confirm to him that the Government will be revising the cut-off date such that only contracts taken out before 1 December 2021 are excluded from the non-domestic energy scheme. This means that all fixed-rate contracts taken out when the wholesale prices were above the government-supported price will be eligible for relief under the scheme. I am sure that that will be welcomed by the whole House and in particular by the noble Lord; I thank him for asking the question which gave me the opportunity to say that.

The noble Baroness, Lady Brinton, argued that business energy bill support is needed for more than six months. I am also pleased to be able to tell her that after the initial six-month period we will provide further support for vulnerable sectors. We will publish a review of the energy bills support scheme after three months to assess effectiveness and how the scheme might be extended, further targeted or revised beyond the six-month period for vulnerable non-domestic customers. Continuing support to those deemed eligible would begin at the end of the initial six-month support scheme without any gap.

The right reverend Prelate the Bishop of Edmundsbury and Ipswich—he must have the longest title in the House—also raised the important subject of energy poverty. In addition to the extensive support I have just mentioned to support people who need additional help on top of the warm homes discount, the Government are also providing an extra £500 million of local support via the household support fund, which will be extended from this October to March 2023. The household support fund helps those in most need with payments towards the rising cost of food, energy and water bills.

The Government are also aware—again, this point was raised by many Members—that the energy price guarantee will leave those households currently with unregulated energy sources, such as those living off the gas grid, with uncapped bills this winter. However, our objective is that all households, regardless of their heating source, will be no worse off than an equivalent domestic gas household under the energy price guarantee.

As the noble Baronesses, Lady Hayman and Lady Walmsley, and again, the right reverend Prelate the Bishop of Edmundsbury and Ipswich, noted, there is more at stake here, and there is a need for a more holistic approach. That is why the Government are investing more than £6.6 billion over this Parliament to improve energy efficiency and decarbonise heating. Despite the comments of some Members, we are making good, steady progress on this issue. In 2008, 9% of homes had an energy performance certificate of C or above, and that figure is now 46%. Meanwhile, the energy company obligation, or ECO, has been extended from 2022 to 2026, boosting its value from £640 million to £1 billion a year, which will help about 450,000 families with green measures such as insulation. I am sure that it did not escape the attention of Members that last week the Chancellor announced an additional £1 billion investment over three years in the ECO-plus energy efficiency scheme—something I am sure we will return to in this House when we bring the legislation forward to implement it.

The noble Baronesses, Lady Smith of Basildon and Lady Kramer, and the noble Lords, Lord Burns and Lord Razzall, and other noble Lords, all raised the issue of a windfall tax on energy companies. We already have a tax on energy companies. The energy profits levy was introduced on 26 May 2022. It is an additional 25% tax on UK oil and gas profits on top of the 40% headline rate of tax that they already pay, which takes the combined rate of tax on profits to 65%. I do not know how much further Labour and the Liberal Democrats want to increase that tax, but it already appears to be at a very high level.

Lord Sikka (Lab): My Lords—

Lord Callanan (Con): If the noble Lord will have patience, I will finish my paragraph and then he can intervene.

It applies to profits earned by companies from the production of oil and gas in the UK and on the UK continental shelf.

Lord Sikka (Lab): My Lords, the net impact of the windfall tax the Minister referred to is only 2% of the earnings before interest, tax, depreciation and amortisation of BP's profits and only 1.5% of Shell's. It excludes profits made in the forecourts, from refineries and by trading, which is the biggest source of profits for oil and gas companies. Surely that tax was just a joke and a sop, because a large amount of it is then handed back through accelerated investment allowance.

Lord Callanan (Con): I know that there has never been a tax that the noble Lord does not want to increase even further, but it is already a very high level of tax. I think I saw a figure of £170 billion mentioned by the Opposition. That is worldwide profits. The UK cannot tax profits made in other jurisdictions; we can tax those that are made in our country, that we have control of. I remind the noble Lord that we also want those companies to invest in renewables, as they are doing. There are many renewable projects—offshore wind projects, hydroelectric projects, et cetera—in which we need additional investment. So the calculation made by the Treasury, which I have never seen to be shy of raising taxes in the past when it could, is that, on the one hand, of course we want to secure a fair return for taxpayers, but we also want to make sure that the profits are there to enable the massive sums that we need to invest if we want to move to a green transition in future.

On the suggestion of the noble Lord, Lord Vaux of Harrowden, of a briefing on energy markets for interested Peers, I say to the noble Lord that, as he knows, this is a complicated subject. Exactly who is making the excess profits under which particular regime is a complicated issue. He will be pleased to hear that we will shortly be debating the legislation to implement the support policies I have mentioned, and I am sure that these matters will be raised further in the debate during the passage of that legislation. I look forward to discussing it further with him then.

The noble Lord, Lord Liddle, made the point that we need to get onshore wind moving—a matter I know is dear to the heart of the noble Baroness, Lady Hayman, and she will no doubt agree. The *British Energy Security Strategy* recognises the range of views on onshore wind across the country and, as I said before, we will be consulting on developing partnerships with a number of supportive communities that wish to host new onshore wind infrastructure, perhaps in return for guaranteed lower energy bills. The growth plan went further, with specific changes to accelerate delivery of infrastructure, including bringing onshore wind planning policy in line with other infrastructure policies to allow it to be deployed more easily in England. The noble Baroness, Lady Walmsley, has asked many times about that; I am sure she will be pleased to hear that.

The noble Baroness, Lady Fox of Buckley, meanwhile noted the need for green innovative growth. We have indeed established a Green Jobs Delivery Group, headed by Ministers and business leaders, to act as a central forum for driving forward action on green jobs and skills. Our plans for net zero and energy security are driving an unprecedented £100 billion-worth of private sector investment by 2030 into new British industries, supporting about 480,000 green jobs by the end of the decade. To return to my earlier point, many of the companies investing in the UK are those that the Opposition wish to tax to death.

The noble Lords, Lord Bilimoria, Lord Eatwell and Lord Fox, alongside my noble friends Lord Lamont, Lord Lilley and Lord Bridges of Headley, all commented on the Government's plans regarding taxes. The plain truth is that the Prime Minister promised that this would be a tax-cutting Government and we are keeping that promise.

A number of noble Lords also raised the overall approach of the growth plan.

Lord Liddle (Lab): As I understand it, the Government are at present in negotiation with renewable energy suppliers, including companies running onshore and offshore wind farms, to persuade them voluntarily to accept a lower price than they are presently getting. This is effectively restricting their profits without any benefit to the Government in terms of tax.

Lord Callanan (Con): This goes back to the point I made to the noble Lord, Lord Vaux, earlier: we will indeed be debating these matters further when the legislation arrives. It is a complicated subject. There are two types of renewables certificate. The earlier

[LORD CALLANAN]
renewables obligations were given before 2015, and it can be said that some of those operators are indeed making considerable profits. They are perhaps the ones that the noble Lord is talking about. Then there are those that have been on the contracts for difference scheme since 2015, which are now, I am pleased to say, paying back into the system, such is the success of the CfD regime. But, as I said, we will be debating that when the legislation comes to this House.

Lord Tunnicliffe (Lab): The Minister has admitted that this is an extremely complex subject. I wonder whether he would consider acceding to the request from the noble Lord, Lord Vaux, and arranging more of a seminar-type event before Second Reading so that we can probe into the understanding—that is, not to make political points but to understand the technicalities we face.

Lord Callanan (Con): I will certainly look at doing that but, as I said, we are preparing for the legislation. There is furious drafting going on at the moment. It will be in the House shortly. I think noble Lords will find that it addresses some of the points they are raising, but I would be happy to look at holding a seminar as well if they would find that helpful.

Once again I can only agree, as I normally do, with my noble friend Lord Forsyth's words; what a great Budget Statement it was. He rightly noted, for instance, that investment comes from retained profits after tax. The noble Lord, Lord Bilimoria, for his part, agreed that it is absolutely right to target growth. My noble friend Lord Lamont said that going for growth is a laudable objective. My noble friend Lord Lilley said simply that growth is crucial. All were correct. I cannot agree with everything that the noble Baroness, Lady Wheatcroft, said—I do not normally agree with her very much—but she was right to say that, on growth, the problem has been about delivering.

My noble friend Lord Frost observed that the Government's opponents think that the right way forward is more of the same, while our belief is that we have to do things differently. The measures in the growth plan represent an ambitious first step towards getting to the 2.5% target through removing barriers to the flow of private capital, supporting skilled employment, accelerating infrastructure construction, getting the housing market moving and cutting red tape for businesses. Historical experience suggests that 2.5% GDP growth is ambitious but achievable given the growth that the UK has observed in the past.

Independent economic forecasters have estimated that the energy package could reduce the headline rate of inflation by around 5% by freezing energy bills. As always, the Chancellor is of course working closely with the Governor of the Bank of England to tackle inflation and closely co-ordinate support for the economy. While more government borrowing is required in the short term to tackle high energy prices, the Chancellor is committed to seeing government debt fall over the medium term. The independence of the Bank of England is sacrosanct and the Government have reconfirmed their commitment to the monetary policy remit. The Government have full confidence in the Bank of England to take action to get inflation back to target.

The right reverend Prelate the Bishop of Durham and the noble Baroness, Lady Brinton, used the phrase "trickle-down economics" as if it is somehow official government policy. I am afraid that, as my noble friend Lord Hannan said, this phrase is a fantasy of extremely fertile left-wing imagination. We have no such policy, as my noble friend Lord Bethell said. No Minister has ever used that phrase. I cannot be clearer: it is fantasy.

The noble Baronesses, Lady Smith of Basildon, Lady Bowles of Berkhamsted and Lady Fox of Buckley, discussed the perceived market reaction to the Government's decisions. Of course I cannot get into commenting on specific financial market movements. They are determined by a wide range of international and domestic factors. We recognise that there has been some market volatility, which is to be expected as financial markets adjust to policy decisions. The Government do not have a preferred price or yield for assets in financial markets; the price is set by that market. I note, however, my noble friend Lord Lilley's astute observation that sterling has recovered against the US dollar.

On corporation tax—again, this was mentioned by the noble Baroness, Lady Smith of Basildon—the Government have prioritised cancelling the corporation tax rise and announcing the permanent level of the annual investment allowance to support businesses and increase the productive capacity of the economy. Importantly, the decision on corporation tax is not a cut: it is not proceeding with a previously announced increase.

Meanwhile, the income tax rate cut is being brought forward to April 2023 instead of 2024. This is the first cut to the basic rate in 15 years, supporting over 30 million taxpayers to keep more of their own income. Taxpayers in England, Wales and Northern Ireland will all gain around £170 on average.

The noble Baroness, Lady Walmsley, made the point that freezing the personal allowance is bad for low-income households.

Lord Forsyth of Drumlean (Con): I apologise for interrupting my noble friend the Minister at this late hour. Can he explain why, as a result of the cut in the basic rate of income tax, it is necessary to send money to Scotland to compensate them for English taxpayers paying less?

Lord Callanan (Con): My noble friend is tempting me down a difficult road with the Barnett formula. I am sure that he will allow his point to stand, but I will not get into an argument about it at this late stage.

The Government equalised the primary threshold and the lower profits limit, the point at which employees and the self-employed respectively start paying class 1 and class 4 NICs, with the personal allowance at £12,570 from July 2022. This was the largest ever increase to a personal tax starting threshold, with an almost 30% increase. About 2.2 million working people have been taken out of paying NICs altogether, on top of the 6.1 million who already do not pay NICs.

The right reverend Prelates the Bishop of Durham and the Bishop of Derby both spoke on the importance of benefits, and I know that the House had a discussion on this earlier today. The next annual review of government-provided benefits is due to commence this autumn, and the Government will announce their outcome following this review.

Achieving economic growth is about a good deal more than just cutting tax, crucial though that is. The Government have announced a series of complementary steps to support that growth. As my noble friend Lord Wolfson of Aspley Guise rightly noted, supply-side reforms are key, and the Chancellor made a series of announcements to achieve those reforms.

The noble Lord, Lord Davies of Brixton, asked about IR35. The Government recognise that administering the reforms places a high burden on businesses that engage contractors. The Government's overarching priority is growth, so now is the right time to simplify the tax system and reduce those burdens, so that businesses can focus once again on core profit-making activities.

The noble Lord, Lord Hendy, questioned the Government's plans on strike legislation, which were also mentioned by my noble friend Lord Northbrook. On this, I agree with my noble friend Lord Dobbs that the Government should be on the side of the workers trying to get to work. I confirm that the Government will indeed legislate to implement our manifesto commitment on minimum service levels. Our plans will also ensure that staff in organisations that are in active industrial disputes always have the opportunity to resolve disputes when fair and meaningful pay offers are made from employers. The measure will make it simpler to end industrial disputes over pay and ensure that trade union leaders do not have undue influence in causing disruptive strike action through rejecting fair pay offers without the consent of their members.

The noble Lord, Lord Patel, noted the importance of capital investment, particularly in research, science and innovation. The Government are committed to their target to increase R&D investment to 2.4% of GDP across the economy, which I know that the noble Lord will welcome. At the 2021 spending review, the Government committed to £20 billion by the end of the SR period, £5 billion more than in 2021-22 and the largest ever sustained uplift in public research and development spending.

The noble Lord, Lord Inglewood, asked about the business rates offer in investment zones. Investment zones could benefit from a range of time-limited tax incentives over the next 10 years, such as reliefs on business rates, stamp duty, land tax and employer national insurance contributions. Businesses in designated areas and investment zones will benefit from 100% business rates relief on newly occupied and expanded premises.

Crucially, the Government understand that growth and sustainable finances go hand in hand and that maintaining fiscal discipline will provide the confidence and stability to underpin long-term growth. As the Chancellor said last week, there is no path to higher sustainable growth without fiscal responsibility.

The noble Lord, Lord Liddle, said that he did not believe that the numbers could be made to add up. The point of the medium-term fiscal plan, three weeks from now, is to do exactly that. My noble friend Lord Lamont rightly said that fiscal responsibility is not the enemy of growth and furthermore noted that the Chancellor has the resolve and determination to face these challenges.

Given the exceptional circumstances, we moved quickly to provide significant support for households and businesses in the first days and we are acting swiftly to set out a growth plan. The Chancellor has brought forward the medium-term fiscal plan and OBR forecast date to 31 October, alongside the publication of the medium-term fiscal plan. This reflects the Chancellor's desire to provide clarity and certainty, by setting out a plan to get debt falling and by publishing a full economic and fiscal forecast.

The core economic mission of this Government is growth. We have a plan to achieve it. The Prime Minister promised that this would be a tax-cutting Government and we are keeping that promise. Most importantly, we promised to release the enormous potential of our great country, and that is what the growth plan does and what this Government are determined to deliver.

Motion agreed.

Oaths and Affirmations

10.01 pm

Lord Maude of Horsham took the oath.

House adjourned at 10.02 pm.