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Monday
18 March 2024

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.

HIS MAJESTY'S GOVERNMENT

PRINCIPAL OFFICERS OF STATE

THE CABINET

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Chancellor of the Exchequer—The Rt Hon. Jeremy Hunt, MP

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Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations—The Rt Hon. Michael Gove, MP

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Secretary of State for Work and Pensions—The Rt Hon. Mel Stride, MP

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Secretary of State for Scotland—The Rt Hon. Alister Jack, MP

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ALSO ATTENDS CABINET

Parliamentary Secretary to the Treasury and Chief Whip—The Rt Hon. Simon Hart, MP

Chief Secretary to the Treasury—The Rt Hon. Laura Trott, MP

Attorney-General—The Rt Hon. Victoria Prentis, KC, MP

Minister for the Cabinet Office and Paymaster-General—The Rt Hon. John Glen, MP

Minister without Portfolio— The Rt Hon. Esther McVey, MP

Minister for Security—The Rt Hon. Tom Tugendhat, MBE, VR, MP

Minister for Development and Africa—The Rt Hon. Andrew Mitchell, MP

Minister for Veterans' Affairs—The Rt Hon. Johnny Mercer, MP

Minister for Countering Illegal Migration—The Rt Hon. Michael Tomlinson, KC, MP

DEPARTMENTS OF STATE AND MINISTERS

Business and Trade—

Secretary of State and President of the Board of Trade —The Rt Hon. Kemi Badenoch, MP

Ministers of State—
- Nusrat Ghani, MP (Minister for Industry and Economic Security) §
- Lord Johnson of Lainston (Minister for Regulatory Reform, and for Investment)
- The Rt Hon. Greg Hands, MP (Minister for Trade Policy)

Parliamentary Under-Secretaries of State—
- Lord Offord of Garvel, CVO (Minister for Exports) §
- Kevin Hollinrake, MP (Minister for Enterprise, Markets and Small Business)

Cabinet Office—

Prime Minister, First Lord of the Treasury, Minister for the Union and Minister for the Civil Service—The Rt Hon. Rishi Sunak, MP

Deputy Prime Minister, Chancellor of the Duchy of Lancaster and Secretary of State—The Rt Hon. Oliver Dowden, CBE, MP

Minister for the Cabinet Office and Paymaster-General—The Rt Hon. John Glen, MP

Minister without Portfolio—The Rt Hon. Richard Holden, MP

Minister without Portfolio—The Rt Hon. Ester McVey, MP

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Baroness Neville-Rolfe, DBE, CMG
The Rt Hon. Steve Baker, MP §
Nusrat Ghani, MP (Minister for the Investment Security Unit) §

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Lord Parkinson of Whitley Bay (Minister for Arts and Heritage)

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Lord Callanan (Minister for Energy Efficiency and Green Finance)

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The Rt Hon. Lord Benyon (Minister for Climate, Environment and Energy) §

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Lords in Waiting—
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- Lord Harlech
- Lord Evans of Rainow
- Lord Caine §
- Lord Roborough

§ Members of the Government listed under more than one department

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18 March 2024

THE

PARLIAMENTARY DEBATES

(HANSARD)

IN THE FOURTH SESSION OF THE FIFTY-EIGHTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND COMMENCING ON THE SEVENTEENTH DAY OF DECEMBER IN THE SIXTY EIGHTH YEAR OF THE REIGN OF

HER LATE MAJESTY QUEEN ELIZABETH II

FIFTH SERIES **VOLUME DCCCXXXVII**

FOURTH VOLUME OF SESSION 2023-24

House of Lords

Monday 18 March 2024

2.30 pm

Prayers—read by the Lord Bishop of Worcester.

Introduction: Lord Banner

2.39 pm

Charles Edward Raymond Banner, KC, having been created Baron Banner, of Barnt Green in the County of Worcestershire, was introduced and took the oath, supported by Lord Blencathra and Lord Wolfson of Tredegar, and signed an undertaking to abide by the Code of Conduct.

Introduction: Lord Jamieson

2.44 pm

James Gerard Jamieson, having been created Baron Jamieson, of Maulden in the County of Bedfordshire, was introduced and took the oath, supported by Baroness Scott of Bybrook and Lord Porter of Spalding, and signed an undertaking to abide by the Code of Conduct.

Medical Research Techniques

Question

2.48 pm

Asked by ***Baroness Bennett of Manor Castle***

To ask His Majesty's Government what steps they are taking to promote the use of human-specific medical research techniques, such as "organ-on-a-chip" and computer modelling, in place of animal testing.

The Parliamentary Under-Secretary of State, Department for Science, Innovation and Technology (Viscount Camrose) (Con): The Government provide significant funding for the development of these technologies through UKRI, primarily to the National Centre for the Replacement, Reduction and Refinement of Animals in Research. We are doubling our investment in this area next year to £20 million and this summer the Government will publish a plan to accelerate the development, validation and uptake of methods to reduce reliance on the use of animals in science.

Baroness Bennett of Manor Castle (GP): I thank the noble Lord the Minister for his Answer, but of course animal testing is not working well. Less than 6% of cancer drugs proceed past the first small phase 1 trials, and more than 99% of Alzheimer's drugs have failed. There are some very exciting possibilities, such as the liver-on-a-chip device that correctly identified 87% of drugs that caused liver toxicity after they passed animal tests. Many other countries are racing ahead on this: the USA has passed the FDA Modernization Act, the Netherlands has a transition programme and India has new rules for drug trials. Do we not need to go much further and look towards legislative change and a much bigger injection of funds to see real progress if we are to be world-leading in the future in this biotechnology field?

Viscount Camrose (Con): That is a wide-ranging question, and I will do my best to cover some of those points. With respect to the effectiveness of clinical trials, on the whole they cannot take place without toxicology trials and most of those, sadly, have to be done on animals. We very much welcome any technology that allows for in silico methods of assessing toxicology and it is true that more of those are emerging, but they have to be validated in order to be assumed safe and usable in clinical trials.

Lord Clement-Jones (LD): My Lords, the Government produced a previous report on a road map for non-animal technologies from six UK government funders, including MRC, EPSRC and Innovate UK way back in 2015.

[Lord Clement-Jones]
How will they ensure that this new road map does not get left on the shelf again? Will DSIT set up an independent strategic advisory board with the key stakeholders to provide direction and oversight, as suggested by the RSPCA?

Viscount Camrose (Con): DSIT continues to be led on its approach to creating non-animal methods in clinical trials, toxicology trials and so on by the UK's NC3Rs—the National Centre for the Replacement, Refinement and Reduction of Animals in Research—for toxicology and other scientific research, and that continues. There was a decrease of 10% in animal testing from the previous year, according to our most recent records, and that will continue. DSIT meanwhile has no plans to add a new oversight executive body to those already in existence.

Lord Turnberg (Lab): My Lords, I express an interest as a past chairman of NC3Rs. During the time I was chairman, we saw a marked reduction in the number of animals used in research, and that continues with certain types of animals, such as dogs, cats and so on. It is essential, though, for new drugs to be tested on animals and regulatory authorities rely on that. Is there anything we can do to help those authorities relax a little?

Viscount Camrose (Con): First, let me pay tribute to the work of the NC3Rs, which is an extremely important body. Nobody feels comfortable doing a lot of animal tests; they simply are necessary for human safety in too many cases. For example, UK REACH follows the last-resort principle where, as far as possible, it is able to waive animal tests for chemicals. That kind of work will further accelerate the work of the NC3Rs.

Lord Kamall (Con): My Lords, the noble Baroness, Lady Bennett, spoke about other countries that were looking at alternatives to animal testing. What conversations has my noble friend's department had with other countries on how they can encourage more alternatives to animal testing?

Viscount Camrose (Con): DSIT continues to engage on life sciences research with a wide range of other countries, including countries that have tried to accelerate further. Recently, in particular, the Netherlands and the United States have not always been able to succeed in their goals of accelerating the date by which non-animal methods of research become the only way forward. On the other hand, steady progress towards the greater use of non-animal methods through the three Rs seems to be bearing fruit, albeit not as fast as anybody would like.

Baroness Hayman of Ullock (Lab): My Lords, we know that there is a fast-growing global market for human-specific technologies. The size of that global market in 2023 was around $2 billion, so it is huge. Does the Minister have any views on the economic potential of human-specific technologies for the UK as a leader in this field?

Viscount Camrose (Con): Yes, indeed; the economic potential is absolutely enormous. As with any medical devices, they need to be put through proper pharmacovigilance procedures, validation and testing, to make sure that by the time we are ready for clinical trials, all the toxicology testing has been properly done. Where it is possible to find an alternative to animal testing, that should always be followed. We always aim to use the minimum number of animals for the scientific benefit to be achieved and minimise the potential harm to animals for that benefit.

Baroness Bennett of Manor Castle (GP): My Lords, in responding to me the Minister referred to the apparent necessity of animals for toxicity tests. Of course, the case I had cited was one where liver drugs had passed animal toxicity tests and then were found to have problems with a human-specific technology. Canada has passed a Bill to phase out animal-based chemical toxicity testing and the European Commission is committed to developing a road map in that direction. As the noble Baroness on the Front Bench said, human-specific technologies have enormous potential. Will the Government look at getting an Act to provide a framework so that the UK could get ahead in this area and end toxicology testing on animals, as other countries are looking to do?

Viscount Camrose (Con): The noble Baroness mentioned an Act—there are widespread protections under the Animals (Scientific Procedures) Act. We have the three-tier licensing system, including significant training and assessment for licensees, and a range of other safeguards. Different jurisdictions are taking a range of approaches to this; I am not aware of any jurisdiction that has yet been able to set a timeline for the absolute removal of animal tests because, sadly, they do remain critical for the development of medicines.

UK Tradeshow Programme Closure
Question

2.56 pm

Asked by ***Lord Leong***

To ask His Majesty's Government what recent assessment they have made of the impact of the closure of the UK Tradeshow Programme on the ability of small and medium-sized enterprises to export to new markets

The Minister of State, Department for Business and Trade (Lord Johnson of Lainston) (Con): Although the DBT has closed the specific Tradeshow Access Programme, it still provides considerable support to small and medium enterprises to attend trade shows, ranging from training in language and culture and pitching and negotiations to networking receptions that use our embassies overseas and Meet the Buyer events.

Lord Leong (Lab): My Lords, the Tradeshow Access Programme provided vital support to thousands of SMEs to attend international trade events. The return on investment was remarkable; then the Government closed it. Last year, UK exports were £860 billion—well short of the £1 trillion target. Does the Minister agree that we need to get out there and sell, sell, sell? Can he tell the House when the replacement programme for SMEs and their respective trade associations—the beating heart of our export economy—will be announced?

Lord Johnson of Lainston (Con): I thank the noble Lord for his mantra of sell, sell, sell. Mine is ABC: always be closing. The DBT is doing this. It is unfair to say that we closed this programme; it was not necessarily yielding the benefits we hoped for. We must look for value for money; we have instead gone to a more targeted approach, where the UK will take a pavilion and crowd in businesses in specific instances. Recently we have been to Mobile World, led by my noble friend Lord Offord; the World Defense Show in Saudi Arabia; Bett, the education show; and the Hydrogen show in Chile. Although the Tradeshow Access Programme looked like a good idea and was very popular among certain businesses, it was not used in the way we wanted. This approach is far more effective for getting to our £1 trillion target.

The Earl of Effingham (Con): My Lords, there are 5.5 million firms listed in Companies House, but only 9% of them currently export, which seems low, optically. What does the Minister believe is an achievable percentage to aim for and what is the Government's strategy to reach that target?

Lord Johnson of Lainston (Con): My noble friend is absolutely right. We have a cultural issue with companies in this great nation of ours actually deciding to export. The total is about 300,000, and we have a target of 500,000—the 500 club that was inspired by my noble friend Lord Offord. We will do this in a number of ways. The UK Export Academy is an important mechanism for teaching businesses and business leaders how to export. We have 160 international trade advisers around the country whose specific task is to hold the hands of these companies when it comes to exporting abroad. We have thousands of agents around the world, underneath our HMTCs, whose job is to help them on the ground and help them find distribution partners, most importantly. We have the Help to Grow programme, the export support service, and we now have growth hubs as well. There is more we can do, but we have made a phenomenal start and are starting to see the benefits of a very coherent action plan.

Lord Razzall (LD): My Lords, will the Minister acknowledge that there has been a significant reduction in export sales by SMEs and small businesses since Brexit? Will he also acknowledge that, to take advantage of the limited number of trade deals that his department has managed to sign since Brexit, it is necessary to give significant help to SMEs and small businesses, if the gap is going to be closed?

Lord Johnson of Lainston (Con): I would say two things to the noble Lord. First, exports are up over the past year by 13%—and tomorrow we have a debate on the CPTPP, which will allow this country to join an £11 trillion trading network, which will result in significant benefits to our businesses immediately and into the future.

Lord Lansley (Con): My Lords, I remind my noble friend that, many years ago, I secured the outsourcing of the export marketing research scheme to the British Chambers of Commerce from the then department; that was very successful for over 20 years, and continues as a scheme under the department. That plus the grant support for introduction into markets provides a significant benefit to small businesses. Can my noble friend say whether he and the department are working very closely with trade associations and chambers of commerce to ensure that they are also delivery vehicles and multipliers for the work that the department is doing?

Lord Johnson of Lainston (Con): I am very grateful to my noble friend for all the work that he has done to help exports and trade in this nation over his many years of service in this House and the other place. I draw attention to the fact that the British Business Bank also provides funding for small businesses to give them the training and skills to export, and UKEF provides billions of pounds to ensure that they have the capital to enable them to export. But my noble friend is absolutely right: we can do more with the chambers of commerce, and we have a specific group structured to enable us to have strong relationships with those organisations. On the ground, particularly in harder-to-reach markets such as China, they play an invaluable role, and I personally do everything I can to co-operate with and encourage them.

The Senior Deputy Speaker (Lord Gardiner of Kimble): My Lords, the noble Lord, Lord Campbell-Savours, is taking part remotely. I invite the noble Lord to speak.

Lord Campbell-Savours (Lab) [V]: My Lords, with post-Covid demand for exhibition space now returning and with seed-corn start-ups reliant on new customer contact and wider market awareness, why cut or compromise this programme? Since the 1970s, we have had valuable DTI support for small business. Labour promoted it—indeed, all Governments have done so. Such programmes have helped a generation of young entrepreneurs penetrate export markets and build many of today's successful companies. Why the restraint? Surely we should be expanding these programmes. The Minister referred to targeting, which too often leads to cuts, as we all know.

Lord Johnson of Lainston (Con): I am always grateful to the noble Lord for the challenge but, actually, I believe that we have come to the right conclusion, which is to crowd in significant numbers of businesses to single and key focused trade shows. We provide a great deal of support beforehand, including language and culture training and skills training to make sure that these businesses are prepared. During the mission, a Minister normally accompanies the businesses to get greater penetration into the market that we are trying to sell into.

[Lord Johnson of Lainston]

It is no good just giving a few hundred pounds to a small business to have a small trade stand in a very large trade show. What you need is to put a proper front on. Great Britain is selling its wares to the world and, by concentrating that firepower, we have far greater effect. I also believe that we have better value for money. It is worth talking to some of the businesses that have participated in these trade shows, where the feedback has been excellent. I say this without prejudice, but other countries are jealous of the extraordinary quality of the stands that we build, which project the union jack across these wonderful events.

Earl Attlee (Con): My Lords, what are the Government doing about the problem of de-banking less popular businesses, such as defence and the oil and gas industry?

Lord Johnson of Lainston (Con): I am not entirely sure whether that is a question for me, but the noble Earl touches on defence, and I would say that we have been doing a huge amount on defence and security exports to promote our industries. New arrangements, such as AUKUS, are also incredibly powerful in driving our exports in that area. I also draw this House's attention to the Saudi Great Futures event, which will launch on 14 May. Over the past few days we have sent out literally thousands of invitations to businesses, and we will fly a huge quantity over to Riyadh in the middle of May to celebrate the enormous opportunities that we see in that country, working on projects such as NEOM. Across the board there is an enormous amount that we are doing. I shall have to refer the question about banking to one of my colleagues.

Lord Anderson of Swansea (Lab): My Lords, the Minister has just said that there will be "significant benefits" to this country from the trans-Pacific partnership. How significant is "significant"? Does he recognise that the Government estimate that the benefit to our GDP will be 0.08% and the OBR believes it will be 0.04%? Should the Government not be careful not to overegg their pudding?

Lord Johnson of Lainston (Con): Since many of our exports are going to be food and drink, I think overegging the pudding is precisely what we should be doing when it comes to encouraging our exports. The opportunities that CPTPP presents are, first, a new trade deal with Malaysia, which we do not have; far better arrangements around rules of origin, which noble Lords opposite who have been involved in motor manufacture will see the benefits from; and very important new opportunities to export our agricultural goods. CPTPP is not a single trade deal but a living agreement. We hope new members will join which are aligned to our ambitions. That will allow us to have access to even greater markets. I am very proud of this Government's record of negotiating trade deals, but there is more to do, so I am excited about the future too.

Baroness McIntosh of Pickering (Con): My Lords, will my noble friend thank the department for sending a representative to local businesses in North Yorkshire to sell the business advice that they give from the new hub in Darlington? How widely known is the hub, and how available are such things to give such advice?

Lord Johnson of Lainston (Con): I thank my noble friend for that point. Absolutely, promoting our activities is one of the key issues we face and we rely on chambers of commerce, and indeed the general body politic, to do that. There is always more work to do and I am grateful to her for amplifying our message.

Lord Watts (Lab): My Lords does the Minister agree that we need to do much more to support small and medium-sized businesses, bearing in mind that there is no chance that we will do a deal with America, with China or with India in the foreseeable future, as we were promised under Brexit?

Lord Johnson of Lainston (Con): I totally agree. Indeed, my own Secretary of State has made this the year of small business, very ably led by my colleague Kevin Hollinrake. As we speak—although it may have just finished—the Prime Minister has been hosting a very successful SME event in Coventry, which I hope will continue to amplify our message that we are doing everything we can to see this vital sector grow and flourish in this great nation of ours.

Prison Officer Pension Age

Question

3.07 pm

Asked by ***Earl Attlee***

To ask His Majesty's Government what estimate they have made of the cost to public funds of bringing prison officer pension age into line with that of firefighters, the police and armed services.

The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bellamy) (Con): My Lords, the Government currently have no plans to change the pensionable age of prison officers, which is set under the Civil Service-wide pension scheme. Any estimate of the cost of doing so would require complex actuarial calculations to determine the higher contributions that would need to be met by the employer and by current and future members.

Earl Attlee (Con): My Lords, I thank my noble and learned friend the Minister for that reply. Is it correct that Treasury Ministers are responsible for setting the pension age and not MoJ Ministers? Is it also correct that for a newly recruited prison officer, the pension age is 68 years old? Is this policy not really one of "lock until you drop"?

Lord Bellamy (Con): My Lords, on the first question, the Treasury has overall responsibility for setting pension arrangements for the Civil Service; that is not an MoJ responsibility, and my noble friend correctly makes that point. As for "lock until you drop", can we please distinguish between the age at which you get a full pension and the age at which you can retire, which is something quite different? A prison officer does not have to work to the age of 68 to qualify for any pension; he can retire earlier on a smaller pension and then, unlike most situations in the armed services, he can return to work—in a less front-line role, typically. He will continue to work and earn a pension, as well as the other pension he has already accrued. It is not at all clear that prison officers under the present scheme are worse off than they would be if they were in the armed services, especially given the higher contributions the latter have to make.

Lord Woodley (Lab): My Lords, prison officers are, unfortunately, banned from taking industrial action and the Government are, in my opinion, exploiting this unjustifiable restriction. Lifting the pension age to 68 is a classic example of this, and looking after violent, overcrowded and understaffed prisons is not a job for older workers. Does the Minister agree that this policy, which is "lock until you drop", is reckless, dangerous and plain wrong?

Lord Bellamy (Con): The Government are unable to agree with the somewhat colourful language used by the noble Lord. The Government have the highest regard for our prison officers, who stand on the front line in prisons and are some of our finest public servants.

However, it is as well to remember that the pension contributions paid by prison officers are much lower than those paid by other uniformed services—between 4% and 6% for prison officers, as against 12% to 15% for other services. These days, if you are a young person in your 20s or early 30s entering the prison service, you are not necessarily thinking about what you are going to get when you are 68. You may be more than satisfied with a lower pension contribution now.

Lord Balfe (Con): My Lords, undoubtedly, people want prisons, but they should not forget about the people who have to run them. It is a very dangerous profession. There was a settlement in 2016 which, unfortunately, because it was wrapped up in other settlements, was rejected by the prison officers. Last year, it was indicated that the Secretary of State would hold talks about talks with the Prison Officers' Association, but there does not seem to have been much movement towards negotiations since then. Does the Minister agree that this section of the benefit—mainly pensions, including, if necessary, increased contributions—should be revived in the interests of these most hard-working servants of the state?

Lord Bellamy (Con): My Lords, I entirely agree with my noble friend that it was a great pity that the arrangements negotiated in 2016 were rejected by the Prison Officers' Association in 2017. Since then, Ministers have done their best to reopen the matter. As my noble friend Lord Attlee said in opening, it is a matter ultimately for the Treasury. The Treasury is currently besieged by many calls on its resources, including in the pensions sphere, with very large sums of public money being taken up by the McCloud Remedy, which I can explain to noble Lords in more detail—if your Lordships would remain awake. The overall position is that, of course, this matter should continue to be pursued.

Lord McNally (LD): My Lords, in this House, 68 may seem only early to mid-career, but the general public will be worried at the thought of prison officers of that age carrying on in a very difficult and dangerous job. As part of a broader programme of prison reform, should the Government and the service not be thinking of allowing an earlier retirement age and using the experience gained in other parts of the prison and probation service in the proper through-treatment of prisoners?

Lord Bellamy (Con): My Lords, I take the point the noble Lord is making. When I had the honour to join this House, I was told that life begins at 70, which has a certain amount of truth in it these days. What the noble Lord suggests is very close to what is currently happening. A typical position is for an older officer to step back from front-line duties, be re-employed by the Prison Service and continue to earn a pensionable salary, as well as having his earlier pension. I am not completely convinced that that is not a perfectly sensible solution to the problem.

Lord Ponsonby of Shulbrede (Lab): Does the noble and learned Lord not agree that our job is not like the job of prison officer? We do not face the same danger as they do on a daily basis. He described prison officers as the finest public servants, and of course, we agree, but does he not think that the Government's policy is short-sighted? One of the criticisms that the Prison Officers' Association continually expresses to us is the lack of retention of experienced prison officers. Retention is the key to maintaining prison officer morale. Will the Government look at this policy again?

Lord Bellamy (Con): My Lords, the Government will certainly continue to look at this policy. As the noble Lord says, the job of a prison officer is absolutely not like our job. On retention and short-sightedness, the Government currently have no evidence that the pension arrangements as such are affecting initial recruitment or are a factor in retention. There are many factors that affect retention, but pensions do not seem to be very significant in that package. The fact that lower contributions are paid is very attractive to a young man, who does not necessarily worry about what will happen when he is 68.

Lord Davies of Brixton (Lab): My Lords, this situation goes back to the report of my noble friend Lord Hutton back in the early years of the last decade, in which he specifically mentioned that police officers should have a lower retirement age. The issue the noble and learned Lord needs to address is that, surely, the comparable profession for prison officers is police officers. The differential in respect of police officers, who fully merit their early retirement, applies equally to prison officers.

[LORD DAVIES OF BRIXTON]
Mentioning pension arrangements for the Armed Forces in the same breath illustrates the hole that the Minister is digging for himself.

Lord Bellamy (Con): My Lords, my understanding is that the 2011 Hutton report to which the noble Lord refers made a distinction between certain uniformed services—the Armed Forces themselves, the fire service and the police—and everybody else. Part of the problem we are discussing has occurred because the noble Lord, Lord Hutton, put prison officers in the latter category, so they were brought into the general Civil Service pension scheme that came in in 2015, which, in fact, is quite a good scheme. For the reasons I have already given, the Government do not accept that prison officers are as badly off as is sometimes claimed. On the other hand, the Government are perfectly prepared to continue to consider and reflect on the points that have been made.

Independent Schools

Question

3.17 pm

Asked by ***Lord Black of Brentwood***

To ask His Majesty's Government whether they have made any assessment of the contribution of independent schools to the education sector.

Lord Black of Brentwood (Con): My Lords, I beg leave to ask the Question standing in my name on the Order Paper. In doing so, I declare my interest as chairman of governors at Brentwood School.

The Parliamentary Under-Secretary of State, Department for Education (Baroness Barran) (Con): My Lords, independent schools are a small but incredibly important part of our school system. The independent sector is extremely diverse: it includes large, prestigious schools which are household names, but also many settings that serve dedicated faith communities and special schools that provide much-needed support to some of our most vulnerable pupils. The sector also brings valuable international investment to the UK, with over 25,000 pupils whose parents live abroad and who attend UK schools.

Lord Black of Brentwood (Con): My Lords, I thank my noble friend for that Answer. I agree with her that independent schools play a vital role, both in our education and in our economy. More than 600,000 children attend them, saving hard-pressed UK taxpayers more than £4 billion each year, because those pupils are not in the state sector. They are modern, diverse and inclusive, with a quarter of them, including many faith schools, being small schools educating fewer than 155 pupils, often with special educational needs.

Is my noble friend aware that 75% of independent schools, including schools such as Brentwood, are engaged in fantastic partnerships with the state sector and with their local communities, covering everything from well-being and sports to teacher training, and that more than 8,700 projects were delivered in the last academic year? Would she agree that imposing new tax burdens on independent schools would simply undermine such partnerships, to the detriment of thousands of children, and threaten hundreds of small schools delivering specialist provision to vulnerable pupils?

Baroness Barran (Con): I absolutely agree with my noble friend, and I thank Brentwood School and other schools involved in the types of partnerships that he described. We have such an asset in our independent schools, and this Government are focusing on encouraging more partnership work and understanding how all our pupils can benefit from that.

The Earl of Clancarty (CB): My Lords, following on from the previous question, does the Minister agree that, in the perceived ideological tussle between state and private, it is sometimes education itself that is forgotten? The currently less restricted independent sector can be an incubator for forward-looking educational ideas; for instance, those of Rethinking Assessment, which submitted valuable evidence to the Education for 11-16 Year Olds Committee that school education as a whole can profit from such thinking.

Baroness Barran (Con): I agree with the noble Earl. Independent schools have shown themselves to be areas of great innovation, but we also see important innovation in our state sector. Particularly where the two come together, we see some of the best results.

Baroness Wilcox of Newport (Lab): Over nine in 10 students study at state-funded schools. Teacher recruitment is in crisis, there is poor mental health support for pupils and school buildings are collapsing. If the Government will not support Labour's pledge to end tax breaks for private schools, can the Minister tell the House how they intend to fund solving the multitude of problems facing the state school sector?

Baroness Barran (Con): I remind the noble Baroness that teacher numbers are at an all-time high. I do not deny that there are recruitment challenges, but it is important to be fair about the context. I also remind her that pupil funding next year will be at an all-time high in per-pupil terms. I refer her to the recent results of our pupils in the international leagues tables for both reading and maths, and the dramatic improvement in their performance over the last 14 years.

The Lord Bishop of Worcester: My Lords, I draw attention to my interest as president of the Woodard Corporation, one of the largest Christian education charities in the country. The noble Lord, Lord Black, drew attention to the partnership between Brentwood School and other schools in the area. That is built into the very DNA of the Woodard Corporation, with 12 private schools, six academies, 12 affiliated maintained schools and overseas schools, as schools work well together. Does the Minister agree that this mixed model, which values co-operation between different providers, is a very good one that benefits all children? Does she agree that it would be good to encourage such a model?

Baroness Barran (Con): I absolutely agree with the right reverend Prelate. I know of a number of independent schools and their local state schools that are considering just the sort of arrangement that he described.

Baroness Garden of Frognal (LD): My Lords, many independent schools host the Combined Cadet Force, and 70 independent schools share cadet forces with local state schools. I declare an interest as a former chair of the cadet health check team. The cadets is an excellent way of teaching self-confidence, leadership, resilience and life skills. If the proposed VAT policy sees schools close and lose resources, we may lose those vital collaborations. What can be done to ensure that independent schools can continue to support these excellent cadet programmes?

Baroness Barran (Con): As my noble friend behind me said, vote for a Conservative Government—but the noble Baroness might not entirely agree with that, and she is obviously entitled to her views. I absolutely agree with her on the importance of schemes such as the cadets. I was in a school on Friday, where I met a number of cadets, and was very struck by the value of a programme such as that.

Baroness Eaton (Con): My Lords, does my noble friend the Minister agree that, should Labour enter government and introduce the 20% VAT on private school fees which was mentioned earlier, it would have a massive knock-on impact on local government, specifically for local authorities that have children in care who are supported by local independent schools?

Baroness Barran (Con): I think my noble friend is referring to children with special educational needs and disabilities. My understanding of the Opposition's proposed policy is that children with an education, health and care plan would be exempt from the fees. However, my noble friend is right: there are almost 100,000 children in independent schools with special educational needs and without an education, health and care plan. This will push those parents into seeking an EHCP, with all the knock-on effects on local authority finances that we can see around the country.

Lord Aberdare (CB): My Lords, what are the Government doing to try to close what seems to be an alarmingly growing gap between independent and state schools in the teaching of arts and creative subjects?

Baroness Barran (Con): There are a number of ways in which the Government are thinking about this. A number of your Lordships, including my noble friend Lord Black, have pointed to the partnerships, and I know that many independent schools work closely with their state school neighbours to ensure that facilities can be shared and giant performances are put on. Our focus on a knowledge-rich curriculum, with breadth, and on our cultural education plan will contribute to this.

Baroness McIntosh of Hudnall (Lab): My Lords, one thing is quite striking in listening to the answers in this Question. The thing that most independent schools have in common has barely been mentioned, with the possible exemption of one of the Minister's noble friends who touched on it: almost all of them charge fees. The charging of fees is necessarily discriminatory. While I entirely applaud the efforts that independent schools are making to make available to some maintained schools some of what they have available, would the Minister agree that, none the less, the vast majority of maintained schools do not have access, particularly in arts and music but in other subjects as well, to the range, diversity and richness that are available to people who are able to pay?

Baroness Barran (Con): Of course independent schools charge fees, which parents pay for out of income that has already been taxed. The question here is why pick on independent schools to charge VAT, rather than other forms of education such as tutoring, for example.

Lord Hamilton of Epsom (Con): My Lords, the noble Baroness made the point that the surpluses that were going to be created by raising VAT on private schools would be spent in the state sector. Does my noble friend agree that if too many independent schools close and pupils are transferred to the state sector, there will not be any surplus whatever?

Baroness Barran (Con): That is a real risk. Your Lordships may have seen recent research published by the Adam Smith Institute that pointed this out.

Noble Lords: Oh!

Baroness Barran (Con): Noble Lords opposite can heckle from the Front Bench, but there is a serious question about how many parents will decide that they can no longer afford the fees. Given how a school's cost structure works, it takes only a few parents, particularly in a smaller school, for that school to have to close for all pupils.

Gaza: Hunger Alleviation

Private Notice Question

3.28 pm

Asked by ***Baroness Helic***

To ask His Majesty's Government what steps they plan to take to alleviate hunger in Gaza, following the latest report of the Integrated Food Security Phase Classification, which found that 30% of Gaza's population are currently experiencing catastrophic hunger and that famine is imminent.

The Minister of State, Foreign, Commonwealth and Development Office (Lord Ahmad of Wimbledon) (Con): My Lords, we recognise that the desperate humanitarian situation in Gaza is deteriorating rapidly, and we are doing everything we can to get more aid in as quickly as possible, most importantly by land but also by sea

[Lord Ahmad of Wimbledon]

and air. We have trebled our aid commitment to the Occupied Palestinian Territories this financial year to just under £100 million. Given that delivering aid through land routes continues to prove challenging and is being blocked, we are working closely with Jordan and other partners to open a Jordan land corridor and are now also working with partners to operationalise a maritime aid corridor from Cyprus. We are clear that Israel must take action to open up more land routes and support the UN to distribute aid effectively, and my right honourable friend the Prime Minister and my noble friend the Foreign Secretary are pressing Israel directly on this. We have said that there must be an immediate stop in fighting now, progressing to a sustainable ceasefire. Everyone needs to act, and that is what the UK Government are doing.

Baroness Helic (Con): I thank my noble friend for his reply. The bar to declare a famine is high. It means that at least 20% of the population is affected, with about one out of three children acutely malnourished due to outright starvation or the interaction of malnutrition and disease. It means that families are deploying every coping strategy available and are still starving to death. The Famine Review Committee said that:

"All evidence points towards a major acceleration of deaths and malnutrition".

The UN relief chief has said that humanitarian access to Gaza

"is treated as optional, or indeed wielded as a weapon of war".

This famine can still be prevented. The IPC calls for an immediate ceasefire

"together with a significant and immediate increase in humanitarian … access to the entire population of Gaza"

to ensure the provision of food, water and medicine and to restore health, water, sanitation and energy. Ad hoc and small aid deliveries, however well meaning, are not enough to meet the scale of this manmade disaster. Will the Government do everything possible, using every legal route, to press Israel to open up border crossings and allow a sustained supply of aid relief to enter the entire Gaza Strip by road? Otherwise, a preventable famine will take place on our watch, and with full warning.

Lord Ahmad of Wimbledon (Con): My Lords, I agree with my noble friend that, as we have all said from various parts of your Lordships' House, land routes are the most important and need to be utilised; indeed, all border crossings need to be fully operationalised. The delivery of aid through maritime and air, while important, delivers only a fraction of what is required. We are talking about more than 2 million people who need food, medicine and basic nutrition. I read the report briefly, and we agree with some of the recommended actions about restoring humanitarian access to the entire Gaza Strip. We agree with the calls to stop the deterioration of food security, health and nutrition, and for the restoration of health, nutrition and WASH services, and we stand ready with other partners to do just that. I have been to the Erez border point near Gaza and have seen the backlog of trucks. That issue needs to be resolved right now. Both the Foreign Secretary and I stressed that point to Minister Gantz when he visited recently; indeed, Minister Gantz heard that point very clearly from across the pond in the United States as well.

Lord Austin of Dudley (Non-Afl): My Lords, how is it possible to ask or answer a Question about the situation in Gaza without mentioning Hamas? It bears responsibility for this because it started the war, it hired weapons and terrorists in densely packed civilian areas, and it steals food and fuel meant for humanitarian relief. The quickest way to get food into Gaza is for Hamas to lay down its weapons and stop the fighting. Failing that, Israel has to defeat the terrorists for there to be any prospect of peace in the future.

Lord Ahmad of Wimbledon (Con): My Lords, I believe that I, my right honourable friend and indeed His Majesty's loyal Opposition, if I may speak for them, have all been consistent in our line on this. We need this fighting to stop, which means that Hamas needs to stop launching the missiles, which it has done consistently. We agree that the events of 7 October were shocking and abhorrent—I have been very clear about that. Of course, we have met consistently with hostage families. As I left the Foreign Office today, my noble friend was meeting with hostage families, and I and the Prime Minister met with some of the hostage families two weeks ago. We know the pain directly from them, because they tell us quite directly. But I can also say, from the hostage families I have met, that they are also clear—I am sure the noble Lord agrees with me—that we need this fighting to stop now.

Lord Hannay of Chiswick (CB): My Lords, can the Minister perhaps tell the House how the consideration of the problems that arose over UNRWA are coming along, given that the new financial year starts about two weeks from now? Will we, like a number of other western countries, thereafter be able to resume the distribution of aid through UNRWA, which the Minister's noble friend the Foreign Secretary said had an unparalleled capacity for distribution?

Lord Ahmad of Wimbledon (Con): I totally agree with my noble friend. I assure the noble Lord that our decision to pause future funding to UNRWA has had no impact on the UK's overall contribution to the humanitarian response. On the specifics of what the noble Lord raises, we want to see three things in order to consider lifting the funding pause: the interim findings of the UN Office of Internal Oversight Services, the interim report findings of the independent investigation into UNRWA—led by the former Foreign Minister of France, Catherine Colonna—which is due this week, and a time-bound action for UNRWA to set out detailed management reforms. I stand by what my noble friend the Foreign Secretary said. UNRWA has provided valuable support to Gaza through the distribution of food, medicines and other services. We were shocked and horrified by the reports made against UNRWA. The Secretary-General acted very swiftly in removing those against whom those reports were made.

Lord Collins of Highbury (Lab): My Lords, last Tuesday the Foreign Secretary said that, as the occupying power, Israel has a responsibility to allow humanitarian aid into Gaza. He said we would examine how that was happening and its compliance with international law. We have heard constantly that Israel has the commitment and capability. We need to assess whether it is complying. Last week I asked the Foreign Secretary whether we were going to ensure that the Israelis comply with the provisional measures of the ICJ. Why are we not doing so now?

Lord Ahmad of Wimbledon (Con): My Lords, I assure the noble Lord that, in all our interactions with the Israeli Government, we make the point, as we have said in your Lordships' House, about the importance of complying with the ICJ decision on provisional measures. This is central to the issue of humanitarian aid. Security Council Resolution 2720, which the UK championed, also focused on ensuring the full and sustainable access of humanitarian aid into Gaza, which is needed now.

Baroness Hussein-Ece (LD): My Lords, the European Union, along with hundreds of countries around the world, has now officially accepted that Israel is starving Gaza. At the weekend the EU foreign policy chief, Josep Borrell, said:

> "In Gaza we are no longer on the brink of famine, we are in a state of famine, affecting thousands of people … This is unacceptable. Starvation is used as a weapon of war. Israel is provoking famine".

As we heard last week, and as the noble Lord, Lord Collins, has reinforced, Article 50 of the Geneva convention places a requirement on the occupying power not to hinder the application of food, medical care and protection for children, pregnant women and other vulnerable people. Do His Majesty's Government also consider that these deliberate blockages are potentially being used as weapons of war under the Geneva convention? What legal advice have the UK Government had in their support of the Israeli Government, who are actively blocking the inward supply of vital life-saving aid and creating this famine?

Lord Ahmad of Wimbledon (Con): My Lords, on the projections of famine, the report says that one in five households faces an extreme food shortage and one in three children is acutely malnourished. Famine is projected to occur in the northern part of Gaza

> "anytime between mid-March and May 2024".

The issue of food insecurity is very clear. Previous assessments of compliance with IHL have been documented in your Lordships' House. We regularly review advice about Israel's capability and commitment to IHL and will act in accordance with that advice.

Lord Leigh of Hurley (Con): My Lords, I visited Kerem Shalom, as disclosed in my register of interests. All the operatives we met have either been killed or abducted and the equipment destroyed. However, Israel—which has never denied Gaza humanitarian aid—now has the capacity to pass 44 trucks per hour into Gaza. On 10 March, 150 lorries passed through, supplying 3,750 tonnes of food, equivalent to four pounds per person. If we are to seek peace, reconciliation and a ceasefire, does the Minister not agree with me that it is very important not to have disinformation, particularly about Israel? It has always sought to ensure that humanitarian aid is supplied wherever it can. The problem has been the UNRWA distribution thereof.

Lord Ahmad of Wimbledon (Con): My Lords, we have been very clear about the importance of aid entering Gaza unimpeded. There have been claims and counterclaims. The United Kingdom has been very clear that Israel is not letting enough trucks through the crossing. The number that my noble friend quotes is factual, but it is also true that 500 trucks were entering before the war. Some statements have been made that commercial items were included within that. Yes, they were, but there was also food grown in Gaza, which is no longer possible. That is why there is an acute need. The 500 that is consistently stated is not a high threshold but the minimum threshold, and it is needed now.

Lord Turnberg (Lab): My Lords, is the Minister aware how much of the aid is getting through but not being distributed because it is being siphoned off by Hamas? Does he have any figures at that end of the scale?

Lord Ahmad of Wimbledon (Con): My Lords, all the aid that gets through is checked first and foremost by the Israelis themselves at the various checkpoints including, as my noble friend said, at Kerem Shalom, which has a very enhanced capacity that needs to be fully utilised. On the issue of aid within Gaza, undoubtedly, with the current chaos in Gaza there is no infrastructure. The roads are no longer fully operational. There are some military roads, which have allowed certain countries—including recently, as reported, Morocco—to deliver aid to the north of Gaza. We need consistent support from the Israeli authorities on the ground to ensure aid distribution. UNRWA provided a vital function. I have reiterated our shock, horror and abhorrence at the reports about UNRWA, and UNRWA is taking action. We have not yet resumed funding, but we are looking at that very carefully.

The difference between Hamas, a terrorist organisation, and Israel, a Government, is that under IHL Israel has obligations that it needs to fulfil as a Government with responsibility to the Geneva conventions. Many in Israel, including many NGOs, are very reflective of that. I have met with many hostage families who are shocked by what they see in Gaza, notwithstanding the horror that they are continuing to face themselves. That is why we are clear: stop this fighting now, release the hostages, let humanitarian aid enter Gaza unimpeded. Then we can talk about the medium to long term on peace and security, which is an equal right of Israelis and Palestinians.

Lord Bird (CB): I do not meet many people in the course of my life who are not influenced by what is happening in Gaza. I can honestly say that most of the people I meet and talk to, people from all walks of life,

[LORD BIRD]
are appalled at what Israel is doing. Is somebody going to tell Israel about the damage it is doing not only to its own people but to people throughout the world? Jewish people throughout the world are having a hell of a time because of what is happening there. This is the worst form of foreign policy ever; it is terrible. The amount of anti-Semitism you see around the world is because Israel is thinking not about the next five or 10 years but only immediately.

Lord Ahmad of Wimbledon (Con): My Lords, I assure the noble Lord that we are very clear to Israel, as a friend and partner—for example, with Mr Gantz—about Israel's responsibilities in the appalling humanitarian situation in Gaza and the importance of acting with the rights of all its citizens. Let us not forget that 21% or 22% of its population is Arab, Christian and Muslim. Israel is a democratic state and has important security concerns that need to be directly supported, but equally we are very clear that the only way of securing peace, stability and security in the region is to ensure an immediate stop in the fighting now, to get the hostages released and to let in humanitarian aid. A lot of work is being done, including directly by my noble friend the Foreign Secretary and me on the diplomatic front, to ensure that we can address this shocking chapter in the history of Israel and across the Palestinian territories quite directly and bring peace, stability and security through the two-state solution. I assure the noble Lord that we are working diplomatically and extensively on that point.

Business of the House
Motion to Agree

3.44 pm

Moved by ***Earl Howe***

That, in the event of the Supply and Appropriation (Anticipation and Adjustments) Bill having been brought from the House of Commons, Standing Order 44 (*No two stages of a Bill to be taken on one day*) be dispensed with on Tuesday 19 March to allow the Bill to be taken through its remaining stages that day.

Earl Howe (Con): My Lords, on behalf of my noble friend the Lord Privy Seal, I beg to move the first Motion standing in his name on the Order Paper.

Motion agreed.

Business of the House
Motion to Agree

3.44 pm

Moved by ***Earl Howe***

That Standing Order 44 (*No two stages of a Bill to be taken on one day*) be dispensed with on Tuesday 19 March to enable the National Insurance Contributions (Reduction in Rates) (No. 2) Bill to be taken through its remaining stages that day and that, in accordance with Standing Order 47 (*Amendments on Third Reading*), amendments shall not be moved on Third Reading.

Earl Howe (Con): My Lords, on behalf of my noble friend the Lord Privy Seal, I beg to move the second Motion standing in his name on the Order Paper. It may assist the House if I set out the plan for this Bill agreed in the usual channels.

The Bill's Second Reading will take place today, with the debate in the name of my noble friend Lady Vere on the Spring Budget. Noble Lords have until 11 am tomorrow, Tuesday 19 March, to table amendments for Committee on the Bill, and should approach the Public Bill Office in the usual way. Committee and all remaining stages will take place tomorrow. If there is a need to have further substantive stages after Committee, these will be announced in the Chamber in the usual way.

Motion agreed.

Gender Recognition (Approved Countries and Territories and Saving Provision) Order 2023
Motion to Approve

3.46 pm

Moved by ***Baroness Barran***

That the draft Order laid before the House on 6 December 2023 be approved. *Considered in Grand Committee on 12 March.*

Motion agreed.

National Minimum Wage (Amendment) (No. 2) Regulations 2024
Motion to Approve

3.46 pm

Moved by ***Lord Harlech***

That the draft Regulations laid before the House on 31 January be approved. *Considered in Grand Committee on 12 March.*

Lord Harlech (Con): My Lords, on behalf of my noble friend Lord Offord of Garvel and with the leave of the House, I beg to move the Motion standing in his name on the Order Paper.

Motion agreed.

Criminal Justice Act 2003 (Suitability for Fixed Term Recall) Order 2024
Motion to Approve

3.46 pm

Moved by ***Lord Bellamy***

That the draft Order laid before the House on 22 February be approved.

Relevant document: 16th Report from the Secondary Legislation Scrutiny Committee

The Parliamentary Under-Secretary of State, Ministry of Justice (Lord Bellamy) (Con): My Lords, in October 2023, my right honourable and learned friend the

Lord Chancellor said in the other place that the Government would review the use of recall to ensure that the prison system is working effectively and consider how to safely manage any risk posed by offenders, while not having people in prison any longer than necessary. That is the purpose of this statutory instrument.

Recall, as your Lordships know, is a preventive measure available to the Probation Service to bring an offender managed on licence in the community, following release from prison, back into custody. There are two kinds of recall. The first is known as fixed-term recall, which is for a period of 14 days if the offender's sentence is less than 12 months, or of 28 days if they are serving a sentence of over 12 months. The other is standard recall, where offenders are recalled to prison and remain in custody until the end of their sentence, unless released earlier by the Parole Board.

Unfortunately, pressures on the Parole Board mean that it is sometimes quite a long time before a prisoner's further release comes up for consideration. In the case of offenders already serving less than 12 months, the delays in the Parole Board might mean that it does not get round to considering their case before they are due for release anyway. This means that in the case of offenders serving less than 12 months, a recall is quite a severe consequence.

Between 2017 and 2023, the number of people in prison on recall rose by about 85%. In that period, there was a major decline in fixed-term recalls—20% in general and 27% for those offenders serving less than 12 months. The purpose of this statutory instrument is to rebalance that situation and mandate the use of fixed-term recall for lower-level offenders—those on less than 12 months, subject to certain exceptions that I will come to—so that they are automatically recalled for 14 days and then rereleased. Of course, they would then remain on licence until the end of their custodial period being served out in the community.

That is the essential purpose of the statutory instrument. I accept that it is against the general background of pressure on the prison estate at the moment but, in the Government's view, this measure is fully justified in its own right, in fairness to offenders serving less than 12 months and as a way of rebalancing the system in the way I described.

As your Lordships know, probation can recall offenders if their risk while on licence increases because they fail to keep in touch, do not observe the curfew, have been under the influence of alcohol if the conditions forbid alcohol, et cetera. However, as I said, for those serving short sentences, the reality is that one recall might mean that they serve the rest of their sentence, are held in custody for too long, and when they come out they are not on licence as their licence has finished. It is much better, in general, for the short-sentence offenders to remain on licence when they are released back into the community for the balance of the sentence period.

The order will apply to lower-level offenders aged 18 and over serving custodial sentences of fewer than 12 months and assessed as requiring recall. It will not apply to the more serious offenders who are managed under what is known as MAPPA at levels 2 and 3, or those who have been charged with a further serious offence under Schedule 18 to the Sentencing Act 2020.

As my right honourable and learned friend the Lord Chancellor and the noble and learned Lord, Lord Stewart of Dirleton, updated the Houses the other day in their Statements on "Prisons and Probation: Foreign National Offenders", we are preparing the Probation Service to be ready for increased demand, introducing changes to operating procedures that will allow front-line staff to maximise supervision of the most serious offenders and to deal with intervention and engagement at as early a stage as possible.

I take the opportunity to express our deep gratitude to all those working in the criminal justice system, including in prisons, probation and the police. They deserve enormous credit for their commitment. They are under heavy pressure and managing magnificently. I hope that this statutory instrument will further ease that burden and rebalance the system in the way I hope I have described. I beg to move.

Baroness Jones of Moulsecoomb (GP): I can sort of see the rationale for this, but it is completely misguided. Every time the Government talk about tougher sentences and being tougher on crime and the causes of crime, they start packing out the prisons. Of course, there is now no capacity. This is a rather cynical move to clear out the prisoners so that we can pack other people in.

I have a much better idea, which I will come to in a moment, but I do not understand why the Government are wafting this statutory instrument through yet find it impossible to do something fairly fast for IPP prisoners. I would like an explanation from the Government.

Part of the problem is that we tend to send people who committed low-level drug abuse crimes to prison. I suggest a constructive way forward, which is that we automatically release anyone in prison for low-level drugs offences, because they are less dangerous to other people and really only dangerous to themselves. Please could we have some rationale about the prison system, which is crumbling with this Government and could be better?

Lord McNally (LD): My Lords, apparently it is my turn. In a way, this is a continuation of the Question put by the noble Earl, Lord Attlee. The Minister knows the crisis in our prison system. That crisis has been made partly by legislation that we have passed in this House over the last decades.

I remember that, when I went into government with the noble Lord, Lord Clarke—Ken Clarke, who I still consider my friend—we had some ideas about reducing the prison population, which had then crept over 80,000, double what the noble Lord had experienced 20 years before when he was Home Secretary in the early 1990s. We sent a little package across to the No. 10 Politburo, but the message came back: "Not politically deliverable". That has been the problem with Governments of all shades over the last 20 years: not being able or willing to try to bring down our prison population.

The noble Baroness is right that this is gesture politics, but it is a gesture in the right direction and therefore we support it. There is a concern that it is another example of central government moving responsibility to local government and local voluntary services, which then find themselves under pressure. If

[LORD MCNALLY]
more probationers are in society and still needing supervision, will there be any more help for the voluntary services?

Apart from pointing out the ridiculous idea of putting in prison too many prisoners who do not need to be there and could be better managed in society, my argument, going back to the Question put by the noble Earl, Lord Attlee, would be to look at the whole process of managing the way out for prisoners at the end of their sentences, which is expensive, difficult and almost impossible in an overcrowded prison. It came up in that Question—and the Minister indicated that it may already be happening—that some of the experience and wisdom of prison officers towards the end of their careers could be used in a management and mentoring role. Otherwise, we give this SI our support.

Lord Ponsonby of Shulbrede (Lab): My Lords, I apologise for arriving late for the Minister's introduction of this SI. We too support the SI as far as it goes, but I agreed with the noble Baroness, Lady Jones, when in the first part of her speech she pointed out quite rightly that, on the one hand, here we are reducing prison sentences while, on the other hand, other legislation down the other end of the corridor is increasing prison sentences. Of course, we have the overarching problem of a Prison Service running at capacity while the Government are struggling to build new prisons. That overarching problem will confront whichever party is in government; I need to acknowledge that.

The central point is about support for prisoners as they come out of prison, so that we do not have a revolving door. As the noble Lord, Lord McNally, said, various charitable and voluntary organisations working with local authorities can properly support prisoners as they come out of prison. As we also know, the most difficult cohort is prisoners who are on relatively short sentences; they are the prisoners most likely to reoffend.

As the Minister knows, I myself am a sentencer. I do short sentences—that is part of our bread and butter within the magistrate system—and it is always with great regret that I give an offender a short custodial sentence, but the reality is that we have found ourselves in a position where we have no alternative. Very often those offenders have been on multiple community sentences beforehand, so we as sentencers feel we have no choice.

4 pm

The solution is support through the Probation Service. There has been some recruitment of probation officers, although I understand that there is a fairly high turnover and a problem with recruitment. There is a reinvigoration of probation, which I welcome as far as it goes, but surely the long-term solution is a renaissance for the Probation Service, where it can really do its true vocation—many of its officers feel a sense of vocation in their work—and try to get this group of prisoners, who are most likely to reoffend, to properly engage with the community so they do not do so. With regard to the specific SI, we support it.

Lord Bird (CB): I want to make a few comments. The renaissance should actually start somewhere else. It should start—I have certain experience with this—with all the naughty boys who later become naughtier boys and men; they should be addressed and supported. The noble and learned Lord, Lord Bellamy, and I have talked about this. What we are largely doing with our young now, although there are some wonderful projects and initiatives, is warehousing them. When I was a young person in the custodial system, if I wanted to climb Mount Everest then, as long as I did not rob an old lady on the way, they were happy to help me. They were happy to help me to do O-levels and that kind of thing.

We have to stop just responding to the problem as it is. There will always be a need to respond to an emergency, but you have to back it up with prevention. That means dealing with our children, largely from the same class that I come from, who fail at school. When I go to Pentonville, the first thing I ask is, "How many people did well at school?", and only a couple of people put up their hands. The rot starts early on. These children are inheritors of poverty.

Until we have some thinking, we cannot deal with the emergency just by dealing with the emergency. We have to grow up and start creating a system that, first of all, helps the children who come through it. At the same time, we have to look at the social engineering that is necessary to stop producing children who fail at school and whose only inheritance is poverty.

Lord Bellamy (Con): My Lords, I compliment the noble Lord, Lord Bird, on his intervention. Personally, I think it is full of common sense. We know that a large number of people in prison, particularly in the male estate, are dyslexic. That almost tells you all you need to know about why they are in prison—they have fallen through the various protections. That is somewhat outside the scope of today's debate, but it is a point well made that all Governments should be thinking about profoundly. We must consider how to tackle this problem as early as we can through a different way of approaching the social problems that lead to the situation that we are in. I thank the noble Lord for those comments.

I thank the noble Baroness, Lady Jones, for her comments too. I hope this is not a cynical move, although I entirely see the potential contradiction in some ways that we are involved in. The Government's general policy, and probably that of most Governments, is to try to be tougher on the more serious offences but to think harder about how to tackle the less serious ones. Today, we are talking about the less serious offences.

We will come to IPP prisoners on Report of the Victims and Prisoners Bill—we discussed it the other night. Automatic release for low-level drug offenders is a very creative idea; it is some way away from the thinking of the present Government, but is another thing to put on our list of things to think about, if I may put it that way to the noble Baroness in thanking her for her intervention.

Finally, I thank the noble Lord, Lord McNally, who, with great distinction, discharged the office that I now hold, so I regard myself as his grandson in a way.

His approach with my noble friend Lord Clarke of Nottingham was no doubt very sensible at the time but, as all Governments know, one has to deal with the political framework that one finds oneself in. In putting forward this order, the present Government are, I hope, producing a practical solution to a very pressing problem.

Of course, I agree with the noble Lord, Lord Ponsonby, that support for the Probation Service—perhaps even its renaissance—is something devoutly to be wished. We have to do what we can, as we can, with the resources we have, but the overall goal is, I think, one that most Members of this House share. So, unless there are any other points I have not dealt with, I now commend this order.

Motion agreed.

Supply and Appropriation (Anticipation and Adjustments) Bill

First Reading

4.06 pm

The Bill was brought from the Commons, endorsed as a money Bill, and read a first time.

Spring Budget 2024

Motion to Take Note

4.07 pm

Moved by ***Baroness Vere of Norbiton***

That this House takes note of the Spring Budget 2024.

The Parliamentary Secretary, HM Treasury (Baroness Vere of Norbiton) (Con): My Lords, it is a pleasure to open this double-header in your Lordships' House. It is an opportunity to discuss and debate the measures brought forth by the Chancellor in the Spring Budget and to consider the National Insurance Contributions (Reduction in Rates) (No. 2) Bill, or the NICs Bill.

I start by taking this opportunity to welcome my noble friend Lord Kempsell to your Lordships' House. He brings much experience and expertise, and I very much look forward to hearing his maiden speech today. But, before I delve into the measures announced in the Spring Budget, I shall first touch on the wider economic context.

In recent times, the UK economy has felt the impacts of a financial crisis, a pandemic and an energy shock, caused by the war in Europe. Yet, despite the most challenging economic headwinds in modern history, since 2010, growth in the UK has been higher than in every other large European economy. Unemployment has halved, absolute poverty has gone down and there are 800 more people in jobs for every single day that this Government have been in office.

The Government remain steadfast in their support for the independent Monetary Policy Committee at the Bank of England in its action to bring down inflation. Supported by the MPC's actions and the Government's fiscal policy, inflation has fallen significantly from its peak and is forecast to return to the 2% target in the coming months. Because of the progress we have made—because we are delivering the Prime Minister's economic priorities—we can now help families not only with temporary cost of living support but with permanent cuts in taxation. We do this because lower tax means higher growth, and higher growth means more opportunity, more prosperity and more funding for public services.

With the pandemic behind us, we must once again build up our resilience to future shocks. That means bringing down borrowing so that we can start to reduce our debt. The OBR has confirmed that, based on the measures announced at the Spring Budget, debt will fall in every year of the forecast to 94.3% of GDP by 2028-29. Underlying debt, which excludes Bank of England debt, will be at 91.7% of GDP in 2024-25, according to the OBR, rising slightly before falling to 92.9% in 2028-29. The Government will have final-year headroom of £8.9 billion against the fiscal rule to have debt falling in the fifth year of the forecast. Our underlying debt is therefore on track to fall as a share of GDP, meeting our fiscal rule. We also meet our second fiscal rule, for public sector borrowing to be below 3% of GDP, three years early.

This is a budget for long-term growth. The ONS reported last week that GDP rose by 0.2% in January, and the OBR expects the economy to grow by 0.8% this year and 1.9% next year. We have well and truly turned a corner. Since 2010, we have grown faster than Germany, France or Italy—the three largest European economies—and, according to the IMF, we will grow faster than all three of them cumulatively in the next five years. That means we must stick to our plan of more investment, more jobs, better public services and lower taxes.

I turn first to investment. At the Autumn Statement, the Chancellor announced that the Government would introduce permanent full expensing, a £10 billion tax cut for businesses that gives the UK the most attractive investment tax regime of any large European or G7 country. At Spring Budget, we went further by announcing that the Government will soon publish draft legislation for full expensing to apply to leased assets, a change that we will bring in as soon as it is affordable.

This Government are on the side of small businesses, the backbone of our economy. As well as the business rates support and work on prompt payments announced in the autumn, the Government will provide £200 million of funding to extend the recovery loan scheme as it transitions to the growth guarantee scheme, helping 11,000 SMEs to access the finance they need. The Government will also reduce the administrative and financial impact of VAT by increasing the VAT threshold from £85,000 to £90,000 from 1 April. This is the first increase in seven years. It will bring tens of thousands of businesses out of paying VAT altogether and encourage many more to invest and grow.

Turning now to the Chancellor's growth industries, these sectors remain a key focus of the Spring Budget. For clean energy, we will allocate up to £120 million

[Baroness Vere of Norbiton]
more to the green industries growth accelerator to build supply chains for new technology. For advanced manufacturing, we have announced over £270 million of joint government and industry investment into innovative new automotive and aerospace R&D projects. For artificial intelligence, we will invest up to £100 million over the next five years in the Turing Institute, our national institute for AI and data science. We recognise that the benefits of tomorrow's technology rely on investing today.

For life sciences, we will support research by medical charities with an additional £45 million. This will go into a wide range of diseases, including dementia, cancer and epilepsy, and, because of the Government's support in this sector, AstraZeneca has announced plans to invest £650 million in the UK. Finally, for creative industries, we are making permanent the 45% and 40% rates of tax relief for theatres, orchestras and museums and galleries, and will be introducing a tax credit for UK independent films.

Turning to public services, in 2010 schools in the UK were behind Germany, France and Sweden in the OECD's PISA education rankings for reading and maths. Now, we are ahead of them. Burglaries and violent crime have halved over the last 14 years and we have invested in 20,000 more police officers. Our Armed Forces remain the most professional and best funded in Europe, with defence spending already more than 2% of GDP. Overall spending on public services has gone up since 2010 and, in the case of the NHS, by over a third in real terms. However, the best way to improve public services is not always more money or more people; we also need to run them more efficiently. That is why the Chancellor has announced a landmark public sector productivity plan that restarts public service reform and changes the Treasury's traditional approach to public spending.

Ahead of the pandemic, between 2010 and 2019, productivity in the public sector was increasing by just under 1% a year. However, today, public sector productivity is estimated to be 5.9% below pre-pandemic levels. If we can return to pre-pandemic productivity levels, the OBR states that this could save the equivalent of £20 billion.

This Government can deliver these efficiency savings. The cornerstone of our public sector productivity programme is comprehensive investment in the NHS to transform its technology, upgrading it for the years ahead. That is why the Government are providing £6 billion of additional funding to the NHS, including funding to cover the productivity plan in full.

When it comes to taxes, the Government have consistently maintained that those with the broadest shoulders should contribute a little more. That is why the Government will abolish the current complicated tax system for non-doms, getting rid of the outdated concept of domicile and the remittance basis in the tax system, and replace it with a modern, simpler and fairer residence-based system. From April 2025, individuals who opt into the new residence regime will not pay UK tax on foreign income and gains for their first four years of UK tax residence. This is a simpler, more modern regime and is highly competitive with other similar residence regimes in Europe. But after four years, those who continue to live in the UK will pay the same tax as other UK residents.

To ensure that these changes are introduced in a careful and responsible way, we will put in place transitional arrangements for individuals who are affected by these changes. This will include a two-year temporary repatriation facility from April 2025, whereby individuals can bring their foreign income and gains that accrued while they were taxed on the remittance basis to the UK, at a 12% tax rate, so that it can be invested here. This transitional arrangement will attract an additional £15 billion of foreign funds to the UK and generate more than £1 billion of extra tax. Overall, abolishing non-dom status will raise £2.7 billion a year by the end of the forecast period.

Touching further on tax measures, to discourage non-smokers from taking up vaping, we will introduce an excise duty on vaping products from October 2026. To maintain the financial incentive to choose vaping over smoking, we will also make an additional one-off increase in tobacco duty alongside introducing the vaping products duty. We are also making a one-off adjustment to rates of air passenger duty on non-economy flights only, to account for high inflation in recent years. Perhaps most importantly, we are providing HMRC with the resources it needs to ensure that everyone pays the tax they owe; this will lead to an increase in revenue collected of over £4.5 billion across the forecast period.

The Government will use this increased revenue to help cut taxes on working families, including those who rely on child benefit. Child benefit helps with the additional costs associated with having children and, when it works, it is good for children, good for parents and good for the economy. However, the current system is confusing and unfair. That is why the Chancellor has announced a consultation on moving the high-income child benefit charge to a household-based system, to be introduced in April 2026. In the meantime, the Government will introduce two changes to make the current system fairer. First, from this April, the high-income child benefit charge threshold will be raised from £50,000 to £60,000. Secondly, we will raise the top of the taper at which it is withdrawn to £80,000. This means that no one earning under £60,000 will pay the charge, taking 170,000 families out of paying it altogether. According to the OBR, this change will see an increase in hours among those already working, equivalent to around 10,000 more people entering the workforce.

This is not the only support the Government are providing to families. At the Budget, the Chancellor announced a six-month extension to the household support fund, meaning that vulnerable households will benefit from its support until September 2024. In addition, alcohol duty will remain frozen until February 2025. The Chancellor will also maintain the 5p cut in fuel duty and freeze it for a further 12 months, saving the average car driver £50 next year and bringing total savings since the 5p cut was introduced to around £250.

Because of the progress we have made in bringing down inflation, because of the additional investment that is now flowing into the economy, because we have a plan for better and more efficient public services, and because we have asked those with the broadest shoulders to pay a bit more, this Government are once again able to reduce taxes. From 6 April, the main rate of employee national insurance will be cut by another 2p, from 10% to 8%, and the main rate of self-employed national insurance will be cut from 8% to 6%.

That brings me to the NICs Bill before your Lordships' House today. It has two measures. The first is the reduction of the main rate of employee class 1 NICs, announced by the Chancellor at the Spring Budget. This cut builds on the changes to NICs made at Autumn Statement, and we will once again support working people by reducing the main rate of employee class 1 NICs by 2 percentage points, to 8%, on earnings between £12,570 and £50,270, from 6 April 2024. This will cut taxes for over 27 million employees.

Secondly, the NICs Bill contains a further reduction in the main rate of class 4 NICs for the self-employed. The Chancellor announced at the Autumn Statement that the main rate of class 4 would be reduced from 9% to 8% from 6 April. With the introduction of this Bill, we are cutting the class 4 main rate further, by 2 percentage points, from 8% to 6%, from April 2024. As a result of the cuts to class 4 NICs at the Spring Budget, an average self-employed person on £28,000 will see a total saving of £310 in 2024-25. Combined with the cuts from the Autumn Statement, including abolishing the requirement to pay class 2 NICs, this will save an average self-employed person £650 a year. Together with the Autumn Statement cuts, this is an overall tax cut worth over £20 billion per year—the largest ever cut to employee and self-employed national insurance.

The Government are committed to tax cuts that reward and incentivise work, and which will grow the economy in a sustainable way while ensuring that inflation remains under control. These measures will not only benefit those already in work. According to the OBR, the NICs cuts announced at the Spring Budget will increase total hours worked by the equivalent of almost 100,000 full-time workers by 2028-29.

The Government are supporting not just working people. This April, pensioners will benefit from an 8.5% increase in the state pension, on top of the 10.1% increase from last year. The full yearly amount of the basic state pension is £3,700 higher, in cash terms, than it was in 2010. I am sure that all noble Lords across the House will welcome these measures.

I have outlined only some of the measures announced by the Chancellor in his Spring Budget and have touched briefly on the details of the NICs Bill, but there is certainly much more to cover. During the debate on the Autumn Statement, I listened very carefully to many noble Lords as they encouraged the Government to spend more or to make other costly changes. I noted in my closing remarks that few noble Lords set out how they planned to pay for their proposed changes. This Spring Budget is carefully balanced to focus on growth, and it is prudent, given the economic headwinds we have faced, and which have impacted our growth and level of debt. But we have now turned a corner.

As the noble Lord, Lord Macpherson, said this weekend:

> "It's very easy to get depressed about the British economy but the plain fact is that it generally grows … There is more money in people's pockets, the worst of the energy crisis is behind us. If anything I would expect the economy to outperform expectations for the rest of this year".

I would, too. I beg to move.

4.24 pm

Lord Eatwell (Lab): My Lords, debating the Budget Statement carries a great temptation to focus on the short term—on immediate tax and spend decisions—but today we can avoid often misleading short-term analysis and make an informed assessment of Conservative economic policy, relying on the fairly accurate data of the past 14 years. No forecasting is necessary; the facts will do.

The crucial fact with respect to the growth performance of the economy is growth per capita—not the number used by the noble Baroness, which is, as we know, growth driven by the highest level of immigration into this country in modern times. Since 2008—that is, prior to the global financial crisis—UK income per capita has grown at less than one-fifth of 1% per year, one of the worst long-term performances since the war and one of the worst in the G7. Consequently, average real household disposable income after taxes and benefits is lower today than it was 16 years ago, and that is the worst economic performance since the war. Today, following year after year of Tory-led economic failure, we have a no-growth, high-tax, high-debt economy, a crumbling public realm, with education underfunded and an NHS in near collapse.

Of course, there were worldwide economic shocks to navigate—the global financial crisis, the pandemic, the war in Ukraine—but much of Britain's economic misery was self-inflicted. Consider the following. In the first half of 2010, the UK economy was on the road to recovery from the impact of the financial crisis. In the months before the May election, the economy was growing at a rate approaching 3% per annum. Conservative austerity killed that growth stone dead. The five years of austerity resulted in higher unemployment and lower investment, both public and private. The UK did not recover pre-2008 levels of income until 2015. Germany recovered it four years earlier.

Austerity was defined by an assault on the public sector. For a decade, real spending per capita on health actually fell, and it has still barely recovered. Real education spending per pupil fell by 8%. The police force, the justice system and defence have been criminally underfunded. Then there is the attack on local government: 14 years of swimming pools closed, libraries closed, youth services cut and local skills initiatives cut. The Conservative Party has hollowed out the facilities and institutions that define communities. For so many, they have destroyed hope.

Then came Brexit. In the *Economic and Fiscal Outlook*, the OBR has taken the opportunity of newly available data to confirm its view that the impact of Brexit is a permanent 4% reduction in GDP. That translates into lost government revenue this year alone of £42 billion. In an attempt to manage the disruption of Brexit, the Conservatives launched an industrial strategy in 2017,

[Lord Eatwell]

complete with glossy brochures setting out 180 diverse policy measures and commitments. In 2018, they created an independent Industrial Strategy Council, chaired by Andy Haldane, to offer evaluation and advice. Unfortunately Haldane's rather chilly evaluation was too much for the Government. In 2021, the then Secretary of State for Business and Industrial Strategy told the other place that he was abolishing the council, arguing:

> "I have read the industrial strategy comprehensively, and it was a pudding without a theme … I am very pleased to announce to the House that we are morphing and changing the industrial strategy into the plan for growth".—[*Official Report*, Commons, 8/3/21; col. 678.]

Thus spake Kwasi Kwarteng. A year later, his plan for growth inflicted devastating damage on the British economy. Now, we have Jeremy Hunt's plan, as echoed by the noble Baroness. The foundation stone is set out in the Budget speech:

> "Conservatives look around the world at economies in North America and Asia and notice that countries with lower taxes generally have higher growth".—[*Official Report*, Commons, 6/3/24; col. 848.]

Unfortunately, years of academic and policy research have demonstrated quite conclusively that the proposition is simply false. For example, a week after the Budget, the free market Institute of Economic Affairs—close supporters of the Conservative Party—commented,

> "tax cuts do not generate sustained higher rates of economic growth … when we compare growth rates averaged over long time frames between different countries there is little correlation, negative or positive, with tax burdens or marginal rates".

Yet Jeremy Hunt clings on to "Truss-Kwarteng lite", even citing the Laffer curve—a reference that eliminates any suggestion his thinking is serious.

Commentators across the political spectrum agree that the next Government will inherit from today's Conservatives a uniquely dire economic situation. If the new Government should be Labour, it is argued that the economic fundamentals are so bad that Labour will be forced to abandon all its economic and social goals. Fortunately, that prediction is incorrect.

Economic history tells us that beginning from the worst can lead to the best. Four policy ingredients are required: a Government with a comprehensive commitment to long-term investment; a vision of the commercial demands of the future and the technologies to meet them; a private sector corporate structure geared to long-term investment; and a financial system that funnels resources to long-term investors. A better characterisation of Keir Starmer's missions for Britain will be difficult to find: a commitment to the rebuilding of material and human capital; a focus on the inevitable demands for new green technologies as the world faces up to the costs of climate change; legal reforms to stimulate the private sector; and a new national wealth fund to channel investment that fulfils long-term goals.

However, let us go back to this scorched-earth Budget. The past 14 years suggest that the Conservative Party should join "Economics Anonymous". The party should admit its horrible errors, identify their origin in defective ideology, and rethink its way back to economic sanity. A decade or so in quiet opposition is required.

4.32 pm

Baroness Bowles of Berkhamsted (LD): My Lords, I declare my interests as in the register.

The economy is in the doldrums, which gave the Chancellor little room for manoeuvre. I will address two mendable reasons for the doldrums. One issue will come as no surprise; it is the double-counting cost disclosure that is killing the investment trust sector. The *Mail*'s "This is Money" led yesterday on over 130 investment company directors—representing some £120 billion of assets—writing to the Chancellor about the urgency of changing EU rules that the UK is applying in a draconian, gold-plating form.

I know that it is gold-plating and not law because 10 years ago, while I was chair of the European Parliament's ECON Committee, I suggested exempting investment trusts from the PRIIPs definition. I was told by EU officials I could not exempt what was not covered. In Ireland, legal opinions were obtained that investment trusts were not covered. Interaction with MiFID requirements—also gold-plated—has created the disaster of a shutdown in fundraising and daily news of investors leaving the sector.

Every day, long-only managers suffer redemptions and net outflows of funds from portfolios which hold investment trusts. Every day, there are weak share prices with deep discounts to NAV across all categories. Every day, there are scarce bids in the market, and those that there are, are mainly arbitrageurs with shorter time horizons than the usual long-term investors such as wealth managers and pension, charity and multi-manager, multi-asset funds. Every day, British assets are snapped up cheaply by overseas purchasers. Every day, independent financial advisers, local authority pensions and charity funds scrub investment trusts from their advice or portfolios because "It's too complicated to explain that the high costs aren't true".

Some £7 billion-plus a year of critical funding into UK infrastructure has been wiped out, with projects being starved, sold and bust, and jobs lost and businesses closing in the real economy. I am sure the Chancellor would have liked to announce £7 billion a year of investment that did not cost the taxpayer anything. Instead, it is being killed.

I know the Minister will say that the Government are working at pace to replace EU legislation, but I really do not understand why UK-specific gold-plating is not just taken away for an instant solution. This has been going on at critical levels now for two years, and damage may be irreversible, with habits changed. How will the Government redress that? It poses the question of what on earth can ever be done, truly at pace, when there is an emergency. Something is badly wrong, and it is not just because it is retained EU law; actually, it is only retained FCA interpretation. Of course, there are other headwinds on trusts, but this is the big one, and the correctable one.

The second topic is that which was raised by the noble Lord, Lord Hague, and Tony Blair in their joint report: initial procurement from young UK businesses and the need to have a buyer of first resort. One of the reasons tech companies go to the US to list—to the detriment of our wider economy—is to obtain sufficient core procurement to establish themselves. Success is not all about investment, or loans; they are more plentiful here than procurement.

Lack of UK procurement is endemic across the private and public sectors both for young innovative companies and for those big enough to be in the public eye. One example is Graphcore. Given the UK's desire to be a leading nation for AI, why is it missing out on opportunities in favour of more established overseas companies? Can the Minister name any domestic procurement success stories?

Newer, smaller technology firms first have to seek grants, often offering below minimum wage daily rates once the cost of applying is factored in. Then innovation procurement in the public sector is not really available. Instead, they are offered open competitions for crossover support, such as commercialisation grants, which use up time and resources, but do not end in procurement.

Underpinning this malaise is that it is far easier for a department to procure a large consultant than it is to procure a young technology business. Barriers include fear or lack of willingness to trial a new technology, concern about becoming stuck with the new technology provider, and fear that the technology not working will be seen as a failure. The fact that departments already end up stuck with the usual suspects, plus failures, via the usual consultants, seems not to feature. The syndrome of "can't be blamed for choosing them" seems to dominate, whether the procurer is government, via tier 1 contractors or management consultants, or the private sector.

The economy needs procurement from the ground up: the vital first £1 million contract win, which will then grow with such a business if it shows good product or service quality. This is the route to a broader, more competitive supplier market and a wider knowledge universe. Over time, it will reduce reliance on a procurement process that always gets dominated by incumbents and foreign competitors. It will eventually lead to homegrown talent staying and listing at home.

4.39 pm

Lord Macpherson of Earl's Court (CB): My Lords, I worked on seven pre-election Budgets over my life sentence at the Treasury, so I feel for any Chancellor having to deliver one. He has to reconcile the usually unrealistic demands of his supporters with the need to retain integrity by doing the right thing.

There is much in the Budget and this Bill to approve of. First, on the economy, prospects seem a little brighter: inflation is falling, real wages are finally rising, and unemployment remains low. Secondly, there are some sensible tax-raising measures. As the Chancellor confirmed in his Budget speech, reforming the rules on residents and domiciles has been under discussion for 40 years or more; I welcome him finally grasping the nettle. I doubt whether it will raise quite as much money as the OBR estimates—seriously rich citizens of the world are notoriously footloose—but it is right in principle.

If you are going to cut taxes—I recognise that that is a big "if"—prioritising national insurance reductions over income tax is the act of a courageous Chancellor. In the old days, rentiers and capitalists tended to face higher tax rates than workers, who received earned income relief. That was turned on its head in the 1980s and, since then, successive Chancellors have tended to raise national insurance rates, in effect, to pay for income tax reductions. Occasionally, they felt a little guilty.

Both Lord Lawson and Gordon Brown reformed national insurance at some considerable cost, but the trend was clear: the basic rate of income tax has fallen from 35% in the mid-1970s to 20% today. Meanwhile, the effective rate of employee national insurance contributions rose from 5.5% in the mid-1970s to a peak of 13.25% in 2021. That benefited the old at the expense of the young; it privileged investment and rental income over wages and salaries. Whenever I tried to get a Chancellor interested in cutting national insurance—I worked on a package to help the low paid with the then right honourable Norman Lamont—I would get a pitying look. I was told that it would not work politically. Voters did not like paying income tax, but they thought that national insurance was paying for their pension or the NHS and so objected to it much less.

The Chancellor has turned that on its head: he is raising income tax, while cutting national insurance. It is the right thing to do; it focuses relief on those who need it and should improve labour supply. However, I worry about the number of people in modestly paid jobs—police sergeants and senior nurses come to mind—who are being dragged into higher-rate tax. Although prioritising national insurance is the right thing to do, I worry about its affordability. I welcome the Chancellor's ambitions on public service productivity, but, having seen many an efficiency review come and go, I would be surprised if this one moves the dial sufficiently to offset rising pressures on public spending.

These matters have been set out at length by the OBR in its excellent *Fiscal Risks and Sustainability* report—further proof, if any were needed, that George Osborne was right to strengthen the institutional framework supporting sensible macroeconomic policy. The fact is that the demographic pressures that the likes of the noble Lord, Lord Fowler, worried about in the 1980s have already materialised and will only get worse in the years ahead. The triple lock has made things worse. Add in the increasing cost of social care, and we have a real problem.

Then there is the national security situation, which has deteriorated considerably over the last two years. Although generally approving of Mr Hunt's time as Chancellor—we should all thank him for preventing the British economy from falling into the abyss in October 2022—I was disappointed by the Budget's silence on defence spending. I do not know whether we will end up having to spend 0.5% or 1% more of national income on defence; either way, we are talking about at least £15 billion more of spending pressures. Add to that the pressures on health, social care and pensions, and we are looking at tens of billions more.

So, at some point in the coming decade, whichever party is in power, the Government are going to have to look again at a health and social care levy. As and when it is introduced, I recommend that the Government

[LORD MACPHERSON OF EARL'S COURT]

use the income tax base rather than the national insurance base. It is right that all citizens with the necessary income pay it, rather than just those who are working.

Finally, I would like to say a few words on the Chancellor's plan for a retail offer of NatWest shares. As the accounting officer at the Treasury when RBS was taken into public ownership, I have always taken an interest in trying to get as much money back for the taxpayer as possible. The RBS share price was trading in line with the price we paid for it—around £5 in current prices—when the late Alistair Darling left office in 2010. Since then, the price has languished, partly because of wider banking reforms, partly because of low interest rates and partly because of problems specific to RBS/NatWest.

I support the principle of selling NatWest—it needs the state off its back—and hitherto the Government have secured a competitive price for it through their trading plan in the wholesale market. I fear that a successful retail offer will require a heavy discount, which means that the taxpayer will be subsidising retail investors. The case for subsidising share ownership is much weaker than it was in the 1980s, shareholding is more widespread and history suggests that banks are perhaps not the best entry point to shareholding.

I know that the Chancellor has said that any sale will be

"subject to … value for money",

but VfM is in the eye of the beholder. Can the Minister commit to publishing the accounting officer's advice on VfM as and when the sale goes ahead?

4.46 pm

Lord Lamont of Lerwick (Con): My Lords, as the noble Lord, Lord Macpherson, has said, the Chancellor faced a very difficult set of conflicting challenges. Having myself delivered one Budget on the very eve of a general election, I particularly appreciate the almost intolerable pressure that was on the Chancellor—although I think he delivered a Budget that was both responsible and constructive.

In the recent past we have been fed an unremitting diet of gloom, which has caused a certain outbreak of schadenfreude in some quarters. But this Budget contains some modest rays of hope. There are definite grounds, as the Minister said, for believing that we are turning a corner. Fifteen months ago, the Bank of England was forecasting that the economy would contract by 4.1% last year. The OBR was saying much the same. If we had been told then that both of them were going to be proved wrong, that growth would pick up this year, that inflation would be expected shortly to reach its 2% target and that the government deficit and debt were now expected to edge down over a five-year horizon, I think we would have been both sceptical and rather pleased.

Growth may be modest, as has been emphasised already, but so it is everywhere in Europe. Now, as the Minister said, the UK is forecast by the IMF to experience faster growth than any major European economy over the next five years. GDP per capita, which the noble Lord, Lord Eatwell, chose to concentrate on, is forecast to increase by 1% to 1.5% per year, way above the figures he was quoting. That is better than the economy has achieved over the last five or 10 years. Even Bloomberg, hardly an enthusiast for the post-Brexit UK, declared, "Britain Isn't a Basket Case After All", and its chief economist announced that Britain might surpass the official forecasts this year.

The centrepiece in the Budget was the reduction in national insurance contributions. It was a bold decision, of course, to cut a tax not paid by the retired, but I think it was the right one because of the overriding need to incentivise work.

History, as we all know, consists of a series of exceptional events. But, when contemplating our present discontents, people are inclined just to dismiss or forget as excuses the extreme exceptional events of the last five years, which have been referred to in this debate. Covid resulted in a drop in GDP of some 10% and consequent expenditure of £500 billion on supporting the incomes of people through the crisis. After the energy price hike, it was always inevitable that living standards would fall for a period. If I have a criticism of the Government, it would be that they did not make that clearer at the very beginning.

Our situation is not different from those of other countries. Living standards have fallen in Germany and in Italy in the last few years. Some critics complained that the Chancellor in his Statement was not bolder and should have announced larger tax cuts. Anyone who advocates such a course needs to explain how they would deal with what the IFS has called the most challenging fiscal situation for 80 years, with our debt just below 100% of GDP, and debt interest which not so long ago reached a figure of £100 billion a year. Tax cuts do not automatically pay for themselves—although I do not entirely agree with Lord Eatwell about the Laffer curve.

If you spend £500 billion—50% of one year's tax revenues—on Covid measures supporting people's living standards, it is almost inevitable that the tax burden will increase somewhat. Our tax burden after this involuntary forced increase is still below those of major European countries. Of course it is still too high, but it is not a decision the Government made easily, willingly or with great enthusiasm. It does not mean that living standards cannot in time begin to recover, as we are seeing. Wages have risen by 10% in the last two years, and the national insurance reductions have cut in half the effects of freezing tax thresholds up to this point. We have been through a tsunami but we have weathered the storm, and I hope that, geopolitics permitting, calmer waters might lie ahead. Sustained growth does not come from turbocharging demand: experience teaches us that turbocharging usually ends badly. Sustained growth has to come from the supply side, from being more competitive, including competitive taxes of course, alongside innovation and an adequate labour supply.

On that point, a major challenge for the economy is the degree of economic inactivity. Some 9.3 million people of working age are currently economically inactive. The tax measures in the Budget and other measures increase the labour supply over the survey period by the equivalent of nearly 200,000 full-time employees. But these figures, impressive though they are, are dwarfed by the increase in the number of incapacity benefit claimants, up from 2.5 million in 2019-20 to 3.1 million in 2022-23. Two-thirds of claims for incapacity benefit now involve mental and behavioural disorders. I do not want to cause any offence, but I think the Prime Minister was quite right recently to ask: is the country really three times sicker than it was a decade ago? Can the Minister say what action the Government will take to tackle this crucial issue? I read in the newspapers that the Secretary of State for Work and Pensions is examining the capability assessments and thinks that, over time, this might release several hundred thousand people on to the labour market. I would be grateful if the Minister could give us some details of this.

A very significant further measure in the Budget was the productivity plan for the NHS. It is appalling that the UK public sector is less efficient than it was in 1997. The Chancellor believes that by investing 3.4 billion, the plan could unlock £35 billion-worth of savings in the NHS, 10 times the original sum. This, in theory, makes a lot of sense. Pouring an increasing amount of money into a broken system is pointless, as Wes Streeting has said.

I know that this is not a PR stunt but a serious initiative on which the Cabinet Office Minister has been working for some time. However, can we be absolutely sure that the Government really can deliver these productivity gains on the stated timeline? The Government's record on productivity-enhancing IT systems is poor. If the productivity gains fail to materialise, the Government's spending projections —already very tight—will become unrealisable and unaffordable. It is vital that these targets are met.

I welcome this Budget. It achieves the right balance in a difficult situation and gives a modest boost to the economy. I commend it to this House.

4.55 pm

Baroness Lister of Burtersett (Lab): My Lords, the message I get from anti-poverty, children's and women's organisations in response to the Budget is one of weary disappointment. They are weary because here is yet another Budget that fails to put first the interests of those for whom they speak, and there is disappointment because, as the cost of living payments come to an end, living costs are still a life-sapping struggle for those on low incomes—witness the unprecedented numbers turning to food banks, and the evidence of tired and hungry children in schools. These organisations had hoped for more.

There are some welcome crumbs, including the abolition of the debt relief order charge and the extension of the universal credit budgeting advance loan repayment period, although the latter touches only the surface of UC's deeper problems. Welcome too is the last-minute reprieve for the household support fund, but giving local authorities only 26 days' notice and then creating a new cliff edge in September is not an effective or efficient way to plan local crisis support. It is particularly alarming for those living in the 37 English authorities that no longer run a discretionary local welfare assistance scheme, which replaced the national Social Fund.

Rather than lurch from cliff edge to cliff edge, would it not make sense to integrate the temporary fund with local welfare assistance, creating a single statutory scheme, centrally funded, on a multiyear and ring-fenced basis, with clear guidance, but still providing local authorities with some discretion as to how the money should be spent? I should be grateful if the Minister could take this suggestion back to the relevant department.

The additional money announced for the next two years for childcare will certainly help—Commons Ministers seem to have forgotten that it was the previous Labour Government who first recognised government responsibility for childcare—but it will not fill the gap between what providers receive per hour and the real cost of delivering those hours. This is according to the Women's Budget Group, of which I am a member, wearing my academic hat.

I welcome the rise in the child benefit high income charge threshold and the smoother taper. However, while I certainly recognise the unfairness created by the present system, I do not believe that the answer is to jettison the important principle of independent taxation. After all, this was pioneered by a Conservative Government back in 1990, and endorsed by the Minister the other week. Moreover, as tax experts have warned, and the Chancellor has conceded, it will require significant reform to the tax system. Such reforms are likely to pose considerable administrative problems. If introduced on a cost-neutral basis, they would create as many losers as gainers, according to the IFS. I ask that the consultation include the option of abolishing the charge altogether.

As the Minister said, and to quote the Chancellor, child benefit

"is a lifeline for many parents because it helps with the additional costs associated with having children. When it works, it is good for children, good for parents, and good for the economy because it helps people into work".—[*Official Report*, Commons, 6/3/24; col.850]

In the words of Sebastian Payne of Onward:

> "There would be no greater sign that Hunt and Sunak are on the side of families".

Reversion to universal child benefit, supported by the Conservative Party in the past, would also do more for the simplification the Chancellor seeks, according to his letter to Peers.

The traditional rabbit in the hat, which jumped out prematurely this year, was the cut in NICs. True to form, this particular rabbit favoured the better off rather than the worse off and men rather than women. It is difficult to see how this could have been a priority over investment in our crumbling public services, social care, housing and a social security system which fails to provide genuine security. As it is, according to the Resolution Foundation, the scale of cuts to unprotected departments is equivalent to almost three-quarters of the size of those inflicted in the first austerity Parliament. This will mean more cuts for local authorities. I speak as a citizen of Nottingham, which faces the heartbreaking

[Baroness Lister of Burtersett]
destruction of vital public and voluntary services, jobs, parks, the arts and libraries, hitting women in particular, as workers, service users and unpaid care providers.

The Chancellor has made clear his longer-term ambition to scrap NICs altogether. We now learn that the Prime Minister hopes to fund this through a further squeeze on social security benefits, as mentioned by the noble Lord, Lord Lamont. This again is a repeat of how social security claimants were demonised and how benefit cuts paid for tax cuts at the height of austerity, leaving a social security system not worthy of the name.

Moreover, in framing the scrapping of NICs as a simplifying tax cut, the Government appear to be indifferent to the implications for not just pensions but working-age contributory benefits. It took the *Daily Telegraph* to observe that:

> "It would completely remove even a semblance of the contributory principle".

As a letter to the *i* newspaper warned, this could represent a nudge towards private insurance, the only alternative being means-tested UC, with potentially damaging implications for women in couples' independent social security entitlements. Can the Minister please clarify what the Government think this will mean for contributory benefits for working-age people, as well as pensioners?

Whether the Budget represents the final or penultimate fiscal event of what Tim Bale calls this "fag-end Government", it underlines the need for a strategy that prioritises social justice in the interests of people in poverty, especially children, together with women and other marginalised groups.

5.01 pm

Lord Young of Cookham (Con): My Lords, I welcome two announcements in the Budget, one of which was touched on by the noble Baroness, Lady Lister.

Last month, along with other noble Lords, I called for an extension of the household support fund, which was otherwise due to expire at the end of this month. This is money from the DWP to local authorities to help households struggling with food and energy costs. Some £2.5 billion has been invested in this scheme since October 2022. It is the largest investment in the capacity of local authorities to deliver crisis support following the abolition of the Social Fund. Local authorities, the budgets of which are under pressure, would not have been able to find the £900 million to carry on with the scheme, so top marks to the Chancellor for listening to those requests and for extending it.

However, it is now due to expire at the end of September, just before a general election and during the Labour Party conference. I am surprised that none of the spads in the Treasury spotted this elephant trap. I hope that, between now and then, the Government will either bring the support into line with other local government funding and run it through to the end of the year or work up some alternative scheme to replace it, such as what was mentioned by the noble Baroness, Lady Lister; otherwise, it will become a very hot political issue.

I welcome the introduction of a British ISA, which has not been mentioned so far in our debate, and notwithstanding some of the negative comments in the press. The *Times* said:

> "Why backing British comes at a cost".

The *Sunday Times* money section said:

> "Jeremy Hunt's new Isa is a nonsense".

That appeared a few pages after the business news the very same day had a share tip that said:

> "Clean up with this firm",

backing a UK firm making cleaning products.

There is a good pedigree for this initiative—the business expansion scheme, the enterprise investment scheme and venture capital trusts. All these are aimed at encouraging investment in UK companies. The British ISA extends the principle to smaller investors and UK-quoted companies. I take the point about definition, on which the Government are consulting, but can my noble friend tell the House whether the scheme will be up and running before the general election?

I want to raise a point about stamp duty and the abolition of multiple dwellings relief, on which I have written to the Minister. I take the point about abuse, which was mentioned in the Budget debate, but there is an unforeseen consequence. In our housing debate last Thursday, I made the point that we need to get long-term institutional finance into the private rented sector to replace the private landlord who is now exiting. Such institutions often buy large numbers of properties before converting them into purpose-built flats. Those hoping to invest in student accommodation could be affected. Can my noble friend have a look at this and see whether the collateral damage might be avoided?

I agree with the noble Lord, Lord Macpherson, that it was right to cut national insurance, although when he, a former civil servant, described a Government's decision as "courageous", it took me back to several episodes of "Yes Minister". On the ambition to abolish national insurance, I think a more achievable goal would be to merge it with income tax. The two are now sufficiently similar that merging is a plausible option, bringing increased transparency and reduced administrative and compliance costs—though there are some potential obstacles, such as the contributory principle.

My concern about the Budget is about not this year but the future. Real per capita day-to-day spending for unprotected departments is set to fall by 13% over the next five years—nearly as much as in the so-called years of austerity. Those are justice, with the problems with the prisons and courts; local government, with growing pressure on adult services and many local authorities at risk of going bankrupt; and pressure on the Home Office and policing. I ask myself whether those reductions are really achievable, and how the public might react were they to happen.

Finally, over the weekend I was rereading the Ministerial Code and came across paragraph 9.1:

> "When Parliament is in session, the most important announcements of Government policy should be made in the first instance, in Parliament".

No one doubts that the Budget Statement is such a policy, so is the country not fortunate to have such perceptive economic correspondents in all our newspapers and media that, independently, they all came to the same conclusion that the only logical thing for the Chancellor to do was to cut national insurance by 2%, and that they then persuaded their editors to back their hunch with a splash and a lead story? I leave the alternative explanation hanging in the air.

5.07 pm

Baroness Goldie (Con): My Lords, it is always a pleasure to follow my noble friend Lord Young of Cookham.

I looked back at what I said in November when we debated the Chancellor's Autumn Statement. At my stage in life, that is a wise precaution—an aide-memoire is helpful. For this non-dogmatic, non-ideological, pragmatic, prudence-supporting and, I hope, compassionate Conservative, the Autumn Statement was an affirmation of my beliefs. I remember criticism from opponents and even some Conservatives. Predictably, the Labour Party found it tame; not spending enough—no surprise there. Some Conservative colleagues found it dull; not exciting enough.

I do not want the steward of our economy to be some flash Harry putting headlines, gimmicks and show above substance and prudence. Nor do I want a wand-waving wizard treating the economy as some giant experimental laboratory. My noble friend Lord Lamont of Lerwick could never have been described as either in his role as Chancellor and, mercifully, neither can Jeremy Hunt, as he quietly demonstrated in November and confirmed with his Spring Statement. The real test is market reaction, which remained stable.

I remember, in the November carping and criticism, that context was a glaring omission. There was no reference to the extraordinary challenges we have faced—the pandemic, energy price hikes and inflation on the back of the illegal war in Ukraine. Because of the steady approach to the economy by the Prime Minister and the Chancellor, I am clear that context is now being acknowledged and that people understand that. They needed, and got, help with soaring energy bills. They know that there is not a magic money tree, but they are benefiting from falling inflation. They have felt the support offered by the measures in the Autumn Statement and can see how that has been built on by the Spring Statement.

Reaffirming the importance of context, the sobering economic reality is, quite simply, in paragraph 1.1 of the OBR's *Economic and Fiscal Outlook*, published earlier this month. It gives an objective assessment of the challenges facing the Chancellor, confirming how tight his envelope is—another helpful confirmation of why the last thing we need is either a flash Harry or a wand-waving wizard. That is why I am reassured by the Chancellor's approach. In case anyone thinks I am wallowing in a warm bath of self-delusion, let us look at the facts.

At the beginning of 2023, we identified three economic priorities: halve inflation, grow the economy and reduce debt. As my noble friend the Minister indicated, inflation has fallen from 11.1% to 4%, the economy has performed better than forecast and outperformed European neighbours, and debt is on track to fall as a share of GDP to 92.9% in 2028-29, so the steady progress predicted last autumn is happening and there is now scope to help further.

As other contributors have indicated they were, I was very pleasantly surprised by and supportive of the NIC changes to both the employee main rate and the self-employed main rate. The combination of what we did in the autumn and what we do now will make a real difference to the working population, with wider benefits, as the noble Lord, Lord Macpherson of Earl's Court, pointed out. That is why I will certainly support the NIC Bill at Second Reading later. To grow the economy, we have to make it worth while for people to work. We have to let them keep more of their own money. This delivers that encouragement.

We also have to support people in work, get them back to work and encourage new entrants into work, which these measures, plus changes to the child benefit scheme, will encourage. No one likes paying tax, but measures to help working families and be a catalyst to growing the economy justify putting a bit of the load on some of the broader shoulders. The changes in tax treatment of non-doms are sensible and, recognising the extraordinary increases in receipts for the oil and gas sector, extending the energy profits levy to 2029 with the safety valve of the built-in regulator, because it is there, does not seem oppressive.

The other measures that my noble friend the Minister covered are helpful and sensible for business and offer support in still challenging times for millions of households. The continued work on investment zones is spreading benefit across the whole UK.

Looking ahead, and anticipating that a steady hand continues at the Treasury helm, the IMF forecasts that the UK will grow faster than Japan, Germany, France and Italy cumulatively over the next five years. The OBR confirms that the economy grew last year and will be bigger at the end of the forecast period than it predicted last autumn.

We now need to think strategically about opportunities and innovation as to how we find money. I will look at defence spend, and I want to repeat what I aired in the recent foreign affairs debate in this House. This is the most threat-ridden world we have known since the Second World War. We have to work with partnerships and provide leadership. For NATO, that has to mean looking way beyond 2% of GDP.

During these highly charged times, extraordinary measures are called for if we are serious about the defence and security of this country. That investment would be not just to fund potential kinetic military activity; we need to resource intelligence and cybersecurity measures. There is not much point pouring billions into a more productive health service if activity is wiped out by a hostile cyberattack.

For the next term there is an argument, for a finite period, to top-slice the defence budget to give greater certainty about operational capability. I also believe that the Treasury can be more imaginative in how it procures money to fund defence. My suggestion was to consider the issue of patriot bonds. If we can issue green savings bonds and the still popular premium

[Baroness Goldie]
bonds, why can we not replicate that model for defence? I think there is an appetite for it. I realise that the history of war loan stock might make the Treasury shudder, but surely Treasury expertise can find a model that boosts defence funding, balanced with security and an attractive return to the investor. I do not expect my noble friend the Minister to respond to all that, of course, but I ask her to use a sharp elbow when she returns to the Treasury and to point out that this is not a gentle nudge from a friend; it is a cri de coeur as a matter of necessity.

In conclusion, there is one person for whom the Autumn and Spring Statements create a headache—the shadow Chancellor. In November I questioned the problematic £28 billion borrowing pledge. It has now gone. What next? No one knows. Despite the heroic efforts of the noble Lord, Lord Eatwell, Labour's economic policy and fiscal proposals remain opaque and incoherent. By contrast, the Prime Minister and his Chancellor, Jeremy Hunt, have set the satnav, we are travelling the journey, the scenery is inviting and the destination is exciting.

5.14 pm

Lord Bird (CB): I want to talk about the 9 million people who the noble Lord, Lord Lamont, spoke of as being economically inactive—I think it was 9 million or just over, if I got that right. It is interesting—is it not?—that, if you look at what a bank does with its money, you will find that 80% of its transactions are all about the buying and selling of property. That means that 20% is about business. These are the high street banks. That is where we keep our family jewels. It is where we keep all the property. All the prosperity seemingly has to pass through owning property. In Germany, it is the opposite: 20% of what banks spend is on the buying and selling of property. So, we have this really weird world.

What I want to talk about is social housing. Some 19% of people in the UK live in social housing. We do not have enough: 1.5 million people are waiting to be put into social housing if it comes along. We need to build social housing, and affordable housing, so that we can break the situation where housing seems to be everybody's obsession, whether it is the children of the middle classes or the people who inherit poverty from their parents. I find that so interesting.

The other thing I find interesting is that only about 2% of people who get social housing ever have social mobility. Only about 2% will get their school leaving certificate and go to college or university or get a job such that they can skill themselves away from poverty. We have this enormous problem: we do not have churn in social housing. The Government need to look at why, while we invest in social housing, it is not the basis of building a life for a family; it is about building a life to guarantee that for the next 100 years, the children, grandchildren and great grandchildren will be living in poverty.

If we are talking about creating a growing economy, we need to look at what is actually happening in social housing. Statistics today show that about 60% of people who use A&E come from social housing and from poor housing stock. Some 50% of NHS costs are spent on trying to keep the poorest among us as healthy as possible.

I am not an economist, but I am determined to raise the question again and again. If we are to have social housing, it has to be on the basis of accommodating potential. It should not be simply warehousing people: putting them into social housing where they then become hard on themselves, less and less able to live full human lives.

5.19 pm

Lord Kempsell (Con) (Maiden Speech): My Lords, it is a privilege to follow the powerful speech of the noble Lord, Lord Bird. It is with a strong sense of responsibility that I rise to speak for the first time in this Chamber.

Excellence in debate characterises your Lordships' House, and we have already heard many outstanding speeches in this debate. For my part, I carefully observed the work of the House before venturing to engage in its deliberations. In that process, I certainly benefited from the advice of noble Lords from all parties and none. I thank all those who have been so generous in welcoming me and granting me the benefit of their wise experience. I particularly thank my introducers, my noble friends Lord Mott and Lord Lancaster of Kimbolton. I extend my thanks to Black Rod, the doorkeepers and all the staff of this House. As we all know, their guidance and support are invaluable.

I turn to the important matter before us. Perhaps the House will allow me to focus on an aspect of this Budget for which I have a personal passion. It is an area in which I have direct experience as an adviser to Ministers, and an area that noble Lords across the House have already touched on today. It is the question of the proper evaluation of government spending.

During my time working in the Downing Street Policy Unit, I led efforts to establish the Evaluation Task Force, a Treasury and Cabinet Office team that works to better understand and embed evidence in government spending decisions. It is right that we devote significant time and effort to debating levels of public spending, but seldom do we discuss the lacuna that lies at the heart of government intervention: we simply do not understand whether many government interventions, often expensive, actually succeed in bringing about the outcomes that they are intended to achieve. I am glad that the Evaluation Task Force is working on that, ensuring that evidence is more available and better understood across government.

I therefore welcome the Treasury document published alongside this Budget, called *Seizing the Opportunity: Delivering Efficiency for the Public*, which was released with the public sector productivity plan. It notes that, since the foundation of the taskforce, it has worked with more than 300 government programmes, with a total value of around £140 billion, to ensure that there is robust evaluation in place.

I also highlight the Evaluation Registry, which will become a publicly available online database of policy evidence, and the £15 million Evaluation Accelerator Fund, which will tackle the most pressing evidence gaps ahead of the next spending review. I hope these reflections illuminate some of my main policy interests, which are the process of government policy-making and, connectedly, the reform of government.

In concluding, I will touch on my own background, which perhaps is a small example of the good that a reforming Government and landmark Budgets can do. It was a Conservative Government instituting careful tax cuts and sensible deregulation that ultimately enabled my parents to become small business owners in Hertfordshire. So aspirational was my grandfather that he would hold up a copy of the newspaper in front of him at the breakfast table even though he could not properly read. In just two generations, his grandson would go on to graduate from the University of Cambridge and would be published in many such newspapers as a journalist—and, I say with apologies to my noble friend Lord Young of Cookham, sometimes as a source briefing government policy. Either way, it was a trajectory surely unimaginable to my forebears.

So, when I stood up a few moments ago to speak for the first time in your Lordships' House, I felt propelled by decades of their hard work and aspiration. That is why I believe that the crucial formula that should be at the heart of every Budget is natural human ambition coupled with the innovation of private enterprise, matched by the springboard and the safety net of the public sector, and strengthened by the solidarity of family and community in a free society. That is the formula that will transform opportunity into success.

I therefore welcome the Bill before us today, in which the Government bring forward measures to allow people to keep more of what they earn by their own efforts. It is only by widening economic opportunity that we can defeat a pernicious myth that I am afraid is increasingly told to my generation: the false narrative that the road to success is somehow no longer open in this country to those who aspire to it. I know that was also the vision of the former Prime Minister who put me forward me to serve in this place. I pay tribute to him today, just as I pay tribute to my former team in the Conservative Research Department, which I had the privilege to lead.

Since we are in an election year, I will close by recalling a poster which sums up something of this spirit. It said something like, "What did the Conservative party do for a boy from Brixton? It made him Prime Minister". So I say today, what did a passion for policy and debate do for a boy from Stevenage? It would lead him to serve in your Lordships' House, and that is where I intend to contribute diligently, with the benefit of the guidance of noble Lords on the questions before us today and, I hope, many more days to come.

Noble Lords: Hear, hear.

5.25 pm

Lord Howell of Guildford (Con): My Lords, I am delighted to have the chance to follow that excellent maiden speech by my noble friend Lord Kempsell. He is absolutely right about the secret—I think he called it the lacuna—at the heart of government, which many commentators overlook. Promoting grand new programmes and promising this, that and the other is pretty easy; you can get very imaginative about future spending, particularly in the speech-writing department. But the harsh implementation—the actual details of getting these programmes through and evaluating whether they are getting anywhere near achieving the objectives one starts out with with such high hopes—is quite another thing.

I cannot remember whether it was von Moltke or von Clausewitz who said that the best-laid strategy never survives the first encounter with the enemy. There is so much talk about long-term strategy, but events, as Mr Macmillan long ago reminded us, tend to intervene, especially in a populist age when the Government are pressed every day, in this Chamber and the other place, to do more and more, yet have less and less control to be able to do so. These are the dilemmas of our times and I greatly look forward to hearing my noble friend's counsels, based on his experience, on these numerous problems.

Turning to the Budget, the popular cry—and it is correct—is that we need more investment. What does the Budget do, what is the thinking surrounding it, and what steps are planned in changes in central Government to reinforce long-term public, private and public/private investment in the infrastructure of this nation, which gives it the strength and the momentum to go forward?

What encouragement for UK pension and insurance funds is there in the Budget or in government thinking? The Government may be a bit short of funds; they thought they were short of funds in 2010 and that there was no more money, but outside government there is a great deal of money. Pension and insurance funds have trillions ready to invest, and so do the sovereign wealth funds of other countries. I declare an interest as I advise one of the biggest. Of course, every time it comes to discussing where to invest, the need is to find investible projects. It is no use talking vaguely about long-term investment and social benefits; they are important and cost money, but when it comes to a return, what the private investor wants are investible projects—no white elephants or Sizewell C nuclear power stations, which I am disappointed to see is being planned. What are needed are clever arrangements with government backing on the public sector borrowing side as well as the private sector side. We have been halfway there, with the private finance initiatives of 20 and 30 years ago—they had a bad side but also some very good ones. This is where new creative thinking will be needed, under whatever Government, in the next few years.

Secondly, and following that, there is no hope of getting real momentum in our long-term investment structure, wherever the finance comes from, until the centre-of-government mess we have in this country is cleared up. We need to see the creation of a new office for management of the Budget reinforcing the Prime Minister's cross-cutting control of major projects, as my noble friend Lord Maude recommended in his excellent report, which has not been evaluated and discussed nearly enough. It reflects very long-standing Conservative thinking; some of us were urging half a century ago that this is a necessary stage to get the whole of government infrastructure investment moving.

[Lord Howell of Guildford]

My noble friend Lord Maude's recommendation was that:

"A new Office of Budget and Management (OBM) should be created. This would include HM Treasury's current responsibilities for the allocation and control of public expenditure, together with the centres of the major cross-cutting functions—financial management, commercial procurement, digital, project delivery, human resources".

I say "Hear, hear!" to that, as I have for decades. We will not get the infrastructure investment needed and real momentum behind it until that split in the Treasury is made and the Prime Minister's strategic position is greatly reinforced.

Thirdly, what about the Chancellor's growing commitments, which I listened to and greatly welcome, to increased retail investment in the financial sector, as well as investment from pensions and so on; for every family in the land to be shareholders; for wider ownership of all kinds; for shared community ownership, as is being developed in many other countries but not fast enough here; and for employee share ownership, which is widespread in the United States? The noble Lord, Lord Macpherson, mentioned the NatWest sale. I hope that is an opportunity for imaginative schemes to be developed. I think we will hear about just one of them later on from the noble Lord, Lord Lee of Trafford, which might help greatly.

Finally, economists all talk about raising productivity and ideas abound on how this should be done. There is one quite simple answer that gets overlooked: to encourage ourselves to be a nation that is highly attractive, even more than we do, for foreign direct investment. It has not been too bad but is not as powerful as it should be. I ask my noble friend: have we learned from the success of 1970 to 1990 in attracting an enormous wave of Japanese inward investment, which had the direct effect of increasing productivity? New machinery came in but, better than that, the old restrictive practices then being pushed much too hard by the trade unions were thrown out. The Japanese refused to work with those. Our car industry was rescued from its poor state, and from the last attentions of Mr Benn and others, and transformed. Our electronic industries were transformed and a lot of new investment was brought to the Welsh valleys.

These are the areas where the new momentum is now required. My noble friend Lord Harrington's excellent report makes some very useful recommendations on how to do it. They all point in the same direction of a much more powerful push at the centre than we have had in the past.

We need to become a financially literate nation—a nation that understands that investment means savings, which means organising those savings and drawing on them in a way that attracts in a steady stream. If we can get investment up, the benefits of it must be far more widely shared. Politicians mouth the phrase that capitalism must work for everyone; well, it clearly does not. It must be made to work for everyone and it can, in contrast to the distorted state capitalisms of Asia, such as the Chinese state capitalism, or the mafia gangster capitalism of Moscow.

We need to hear a lot more from the Conservative Government we have now, although I would hope to hear it from all parties and all Governments in this post-socialist age, about sharing the benefits of asset growth and investment for the people. That is the path we should be on, and I believe we should concentrate on it with much more vigour, whoever is in charge politically at Westminster, than we have in the last 50 years.

5.35 pm

Lord Davies of Brixton (Lab): I congratulate the noble Lord, Lord Kempsell, on his excellent, informative and measured maiden speech. I am sure he will be an asset to the House. I mainly want to question the Government about their proposals on national insurance, which are clearly a major part of the Budget and have given rise to the Bill before us today. I would like to make a couple of other points first.

First, I point out that no serious independent commentator thinks that the Government's fiscal rule makes any sense whatever. The Government claim that it demonstrates that they are behaving responsibly, but it is clearly nonsense. Any parameter that depends on the difference between two enormous and uncertain figures is not going to work in any practical way but, even on its own terms, we have fantasy income—the treatment of the fuel levy is only one example—and fantasy expenditure. Rather than demonstrating the Government's responsibility, their fiscal rule actually illustrates their irresponsibility.

Secondly, the Government claim they want a tax system that rewards and incentivises work. If that were anywhere near true, how does it explain the continued favourable treatment of what, to the older ones among us, used to be called unearned income? Income from rent and property is taxed significantly lower than income from work. If the Government were interested in incentivising work, the burden of taxation could be shifted from work on to these other areas, which are currently taxed at lower rates.

I am a strong supporter of the national insurance scheme. It has lasted for 113 years since it was first introduced as a term by Lloyd George. It was brought into full effect by the post-war Labour Government under the leadership of Jim Griffiths, who I suggest needs to be honoured as much as another leader in that Government, Aneurin Bevan. I am a strong supporter of national insurance because it provides a system of paying contributions while you are at work. You then receive benefits when you cannot work, whether because of illness, unemployment or retirement. That was the system that was established; the fact that we still use the term national insurance demonstrates the support that that approach to providing social benefits continues to enjoy.

As a strong supporter of national insurance, I would like the Minister to tell us what on earth the Government are up to. The proposals floated since the Budget bear all the hallmarks of a bright idea from a Tufton Street Astroturf think tank. They are ill thought out, ill considered and ill formed. Someone has a plan; we do not know what it is, but we are entitled to know. It is absolutely wrong for the Prime Minister or the Chancellor to float ideas without explaining the full implications of what they are saying. Unless they provide us with those full implications, their ideas are worthless.

There are two key questions that arise from removing one leg of the national insurance arrangement—the contributions. First, they must tell us where the money will come from. Will it be from massive economic growth, which would suggest that the entire focus of economic growth will be devoted to removing national insurance contributions? There are more important priorities than that, so the Government need to tell us where the money will come from. Secondly, they also need to tell us what the implications are for contributory benefits, as my noble friend Lady Lister of Burtersett said. We have a contributory system: if you remove the contributions, you have to tell us what you will do with the contributory benefits. My main focus is pensions, but this applies equally to pre-retirement benefits. I hope the Minister can explain a bit more about what the Government have in mind because unless they provide further information and clarity about the idea, they are seriously misleading people about their intentions.

5.41 pm

Baroness Lawlor (Con): My Lords, I am glad to follow the noble Lord, Lord Davies of Brixton, and to hear his analysis and comments on NICs. I have a long interest in the contributory system and how it developed in the interwar and post-war years, but I will not speak on NICs today. I also welcome the noble Lord, Lord Kempsell, whose maiden speech brings a flavour of the thoughtful approach to improving government policy that he has deployed in his different roles, most recently in the Prime Minister's Office; I look forward to his fresh insights in your Lordships' debates, as he shares his knowledge and experience, including that of the conduct of the country's affairs at one of the great moments of recent history.

I am grateful to my noble friend the Minister for her helpful discussion of the Budget. I set my comments in the context that was outlined by the noble Lord, Lord Lamont: the modest economic improvements we have seen are to be welcomed and UK growth, although not terrifically high, is better than in many European countries, and our tax burden, although still too high, is less burdensome and onerous than the tax burdens of many of our fellow citizens in Europe. That is the context in which I put my questions to my noble friend.

UK GDP growth has not been very high. By 2028, it is projected to be 1.7%, against an inflation figure of 2%. The ONS estimates that GDP per capita decreased by 0.7% in 2023. The OBR suggests, as highlighted in the Library Note by the Lords research team, for which I am very grateful, that the fall is because of the increase in population. Our population is now over 67 million people. In 1950, it was 50 million people, and it is projected to be 70 million in 2026. Given that the 2023 figures indicate net migration of 672,000 people for this year, can the Minister elaborate on the link between rising population and a decrease in GDP per head and how the Government see projections for GDP per capita and for immigration?

I will move on to public debt and borrowing. I welcome the projected cut in public sector net borrowing as a share of GDP from 3.1% of GDP today to 1.2% in 2028-29. None the less, the figures for public sector net debt, excluding the Bank of England, are more disappointing. It is expected to rise to 93.2%, as a percentage of GDP, by 2027-28 and to fall slightly to 92.9% in 2028-29. Public spending, at 44.5%, is still too high, for the reasons the Minister gave, and because public spending, at these levels, and public debt, require high levels of tax to service both the public spending and debt interest. The Government announced tax cuts in the Budget, but rather than prioritising these, should we not be taking the scythe to the overall levels of public spending and public debt? I do not think this will have a terrific impact on the provision of public services, given that the UN Human Development Index reveals that countries with lower public spending as a proportion of GDP very often have a better output and better public services. Countries such as Switzerland, Canada and other European countries do far better, in health and education outcomes, with far lower levels of public spending as a proportion of GDP.

It is reassuring to hear that inflation is now on the downward trend, but I urge that never again must the Bank of England and its official advisers be permitted to turn a blind eye to the growth of money, and the quantity of money supply, each year; they must be obliged to take account of it. The Economic Affairs Committee of this House recommended in its November 2023 report that to address the errors made in the conduct of monetary policy by the wider central banking community, including the Bank of England, it had heard evidence from a number of witnesses, including those who pointed to the failure to take account of the money supply. The committee recommended:

> "The Bank must do more to foster a diversity of views and strengthen a culture that encourages challenge",

and, given the

> "absence of any detailed discussions about money supply in the Bank's published Monetary Policy Reports … that the Monetary Policy Reports should include discussion of the main monetary aggregates, accompanied by an analysis of their relevance to the Bank's inflation outlook and the various scenarios the Monetary Policy Committee considers. This would ensure adequate transparency in how the Bank approaches its monetary policy decision-making".

This advice echoed that of Tim Congdon, an author whom I published—I declare an interest as research director of Politeia. Professor Congdon proposed that whenever money growth is too high or too low, relative to the 2% inflation target, the Governor of the Bank of England be obliged to write a letter to the Chancellor of the Exchequer explaining why the deviant behaviour of the quantity of money will prove compatible with future inflation close to the 2% target that my noble friend the Minister is determined to meet. I conclude by asking my noble friend the Minister what steps have been taken, in light of the Economic Affairs Committee's recommendations, and whether the Governor of the Bank's open letter system might now include references to money and require an explanation about why rapid money growth or money contraction will not lead to inflation far beyond the permitted band.

5.50 pm

Baroness Jones of Moulsecoomb (GP): I too welcome the noble Lord, Lord Kempsell, and congratulate him on his maiden speech, which was concise and interesting. That bodes well for future contributions.

[Baroness Jones of Moulsecoomb]

I recognise the scenario that the noble Lord, Lord Eatwell, put forward. I did not really recognise the scenario that the Minister put forward. I think that we are in a terrible mess in this country, and this Budget does nothing for it. This is not really even a debate at all, because we have two parties arguing over the same set of policies, while the general public see their taxes misspent on a mix of corrupt contracts and privatised services. It does not seem very fair, really.

The reality of the UK today is that a lot of hard-working people will get paid less than they did a decade ago, while the very richest get even richer. There has been no austerity for Conservative Party donors or the friends of Cabinet Ministers; they came out of Covid richer, as a result of fast-track PPE contracts, and now of course they are paying less tax, with fewer regulations and with the ability to stow away their money in offshore trusts.

Brexit has failed to benefit Cornish fishermen or voters in Sedgefield, Wrexham or Leigh. Levelling up is an excuse that enables the Government to channel public money to marginal Conservative seats. The whole Thatcher project has failed, yet politicians of both major parties treat it as a sacred text. For example, North Sea oil and gas has made Norway one of the richest countries in Europe, from the 1980s onwards, with an oil fund worth approximately $1.4 trillion. Revenue from the fund accounts for one-fifth of government spending. The UK should be even better off, but we handed it all over to the private sector. The result is energy customers being ripped off in the past two years, with record high energy bills and record high profits for the oil and gas industries.

Instead of coming out of the last 50 years with a thriving economy, we live in a country where things are falling apart and nothing works. Anyone who walks around towns will see the lack of investment, as councils are struggling and going bust up and down the country. NHS waits are getting longer and dentists cannot be found. These headline tax cuts will do nothing to reverse the decades-long real-terms wage freeze that most workers have faced under successive Conservative Governments. You have to ask where all the money that we had when Margaret Thatcher took power went.

We have 171 billionaires now, which we did not have before and which is obviously something that we should all be proud of. Why is a wealth tax not the number one priority for both parties, especially the Labour Party, at the next election? It would enable this country finally to invest in large-scale renewables and the insulation of homes. A wealth tax could deliver cheaper energy and lower bills, which is exactly what the majority of us need.

Rail privatisation has led to far higher fares, at a time when the climate crisis dictates that we need lower fares, more trains and fewer cars. Water privatisation has given us sewage in our rivers, higher bills and a collapsing infrastructure. Water bills are due to go up another £125 on average this year to generate the £56 billion needed to fix our leaky pipes and overloaded sewerage system. Oddly, that is a very similar amount to what the water companies have paid out in dividends. They took the money and did not do the work, and I do not see any penalty for that from the Government. There have been a few fines, but they pay those happily. Instead of asking for fines, we should be taking shares. The solution to our economic decline is not privatisation, of the NHS or anything else; it is public ownership of railways, water and the NHS, and the end to taxpayers being ripped off by dodgy contracts.

The Green Party wants this country to have its future back, which means changing the way in which we manage our economy and the environment that we live in. It means clean water, clean air and clean politics. The Green Party is putting together a manifesto at the moment for the general election, which will have a fully costed budget, which I am happy to share with all political parties. We need a bit of forward thinking in all our decisions over the next few years. We are in trouble as a human race. Somehow, nobody seems to get this—they just do not understand the urgency of what we have to do. I would argue that this Budget is fairly useless. I look forward to sharing the Green Party budget with everybody, so they can see what good ideas look like.

5.54 pm

Lord Lee of Trafford (LD): My Lords, it gives me no pleasure to describe our country today as pothole Britain. For years, we have lived beyond our means, compounded, of course, by Covid and Brexit. Most public services are in dire need of greater resources. National morale is very low indeed.

I am supportive of some of the individual measures in the Budget—support for creative industries, changes to child benefit, and a focus on life sciences and artificial intelligence, and I understand the politics of the 2% reduction in national insurance. However, I believe that the money that has been saved there would be much better spent on defence, where the argument to spend more is compelling at the present time, as well as on our prisons, dentistry, youth services and the police, and on social housing, as referred to by the noble Lord, Lord Bird.

My focus today is on two things: the disposal of the NatWest shares and ISAs—the British ISA, referred to by the noble Lord, Lord Young. The noble Lord, Lord Macpherson, referred to the disposal of NatWest shares.

I think we all agree that financial education in our schools has been lamentable. The NatWest disposal of the Government's around 30% holding gives the country a unique opportunity to improve financial education. If the Chancellor goes down the "Sid" route, which is what he is talking about, I believe that there is a real opportunity here, which myself and a number of senior Members of your Lordships' House, including the noble Lords, Lord Lamont and Lord Howell, have put to government. Our idea is that government gives by way of gift something like £5,000 of NatWest shares free to all our state secondary schools, if they would like those shares. With just over 4,000 state secondary schools, that would probably cost around £22 million, assuming full take-up, which, frankly, is a pretty small amount of overall government spend.

These shares would have to be held for the long term. A £5,000 NatWest shareholding would give, at present, a dividend to the school of about £350 a year. Our idea is that the pupils would be empowered to decide how that £350, or the annual dividend, is actually spent. They might decide, for example, to spend it on something for the school, to subsidise a school trip, to support a local charity, or even to reinvest it in some form. But it would be their decision. Of course, because the school would own the shares, it would be able to participate in the national NatWest AGM. Indeed, NatWest may well send speakers into the schools to spread the word on financial education. This scheme would be transformative. It would, for the first time, begin to encourage and make youngsters aware of what banks are, what the stock market is and what dividends are.

In the Treasury Select Committee last Wednesday, John Baron asked the Chancellor about this scheme, which has been put to him, and his reply was that it was under consideration. Obviously, I very much welcome that. If such a scheme is actually implemented, we could build on it by encouraging regional public companies to give a small proportion of shares to state secondary schools in their locality, where their employees' children go, and indeed where they recruit from.

Turning to ISAs and the concept of a British ISA, I have been a great supporter of this whole concept, starting to invest when PEPs, the precursor of ISAs, came in, in 1987. ISAs have developed into probably the best tax-free wrapper in the western world. Many of my overseas, foreign friends are envious of the ISA. It has been a very successful savings medium, and the newspapers over the weekend have been full of ISA content. I would be very supportive of anything that gives a boost to the UK stock market, but I have to say that the £5,000 British ISA suggested in the Budget is, frankly, something of a damp squib. It will be administratively very difficult and complex: we are probably talking about having to run two ISAs. It will obviously appeal only to the very wealthy, who will be able to put in something like £20,000 a year—£20,000 plus the £5,000. Frankly, it hardly produced a flicker in stock market interest: there were no movements at all. I am pleased to say that my own ISA is 100% invested in UK stocks—which perhaps explains its rather poor performance in recent years.

More seriously, there is a fundamental choice here. If individual savers and investors want to invest in overseas stocks, by all means let them—that is their decision—but I do not believe that we should give tax incentives, via ISAs, to those who invest overseas. Why should we? It does not make sense. Therefore, while I think it would be difficult retrospectively to argue that people should dispose of their overseas holdings, from now on those who take out new ISAs, whether they be for £20,000, £5,000 or whatever figure, should actually be restricted solely to UK stocks. If they want to invest in overseas stocks, that is their decision, but there should not be tax breaks supporting that.

6.02 pm

Baroness Noakes (Con): My Lords, I will start by being positive about the Budget and talk about the things that I like. First, tax cuts are good, so I support the reductions in national insurance contributions. This will increase incentives to work.

Secondly, the longer-term ambition to eliminate employee national insurance contributions is excellent and will help to simplify the tax system. The contributory principle has been a fiction for a very long time, although I note that the Benches opposite have not yet caught up with that. I hope that the Chancellor will also look at employers' national insurance, which is a tax on jobs and therefore a disincentive to job creation. I find it bizarre that we tax people-intensive businesses more highly than capital-intensive ones.

Thirdly, I support the focus on increasing public sector productivity. Too often, fingers are pointed at the private sector when discussing the UK's poor productivity performance. The 20% or so of our GDP generated in the public sector has often been in negative territory and has been a significant drag on our overall performance. Because the NHS sucks up so much of our public sector resources each year, it was inevitable that the Chancellor would look there first, but my heart sank when I heard him talk about stuffing several billion pounds into NHS IT. The NHS's history is littered with IT failures and, if the Government go ahead with this, they really must hold NHS England to account and not let it off the hook this time.

Fourthly, I was thrilled that the Laffer curve has been embraced. I have often extolled this in debates in your Lordships' House. I agree with the noble Lord, Lord Eatwell, on many things, but on this I definitely do not. The reduction in the capital gains tax rate on residential property is pretty small beer in the overall Budget arithmetic, but it is a start, and I hope that the Chancellor will pursue tax rate reductions with more fervour in future. The OBR recognises the dynamic effects of tax changes only to a very limited extent, and the Chancellor must not let the OBR be a roadblock to more reductions in tax rates in the future.

I really wanted to find more things to praise in the Budget. I tried very hard, but I failed. This is yet another Budget which delivers very little to break out of the low-growth, low-productivity rut in which we find ourselves. We have a high-tax economy. Tax at 37% of GDP by 2028 is nothing to be proud of. We have fiscal drag, high marginal rates for individuals, a high rate of corporation tax and windfall taxes, all piled on top of a vastly complex tax system, and these are just some features of our current tax landscape. It is no wonder that, in last year's tax competitiveness index, the UK was ranked 30th out of 38 countries, three places lower than the previous year.

We also spend too much. Public expenditure is way over 40% of GDP, and while it is on a downward trajectory, nobody really believes that this will last, absent detailed plans of how that is to be achieved. It is possible to get public expenditure down, but it will not be achieved by productivity gains alone. At the end of the day, we will have to stop doing some things. It will be very hard work, but I can see no evidence in the Budget papers of a commitment to doing it.

[Baroness Noakes]

The Chancellor labelled his Budget

"a Budget for long-term growth",—[*Official Report*, Commons, 6/3/24; col. 840.]

but the truth is that it lacks a single-minded focus on growth. The Chancellor's speech was complacent on our recent dismal growth figures, and failed even to acknowledge that we seem to have slipped into a technical recession in the second half of last year. The Chancellor seems to think that bullying pension funds into investing in UK equities amounts to a pro-growth policy, but I think it amounts to a sub-optimal pensions policy. While I rarely agree with the chairman of the National Infrastructure Commission, he hit the nail on the head last week when he emphasised that pension funds need to invest for the benefit of current and future pensioners, and that means investing in the best investment opportunities wherever they are found.

The new UK-only ISA announced in the Budget is not much more than a gimmick. Apart from its being unlikely to have any significant impact on anything, the consultation shows that this is just another complicated scheme in an already complicated savings landscape. There are already five different types of ISA; we do not need a sixth, especially one which could well prohibit savers from making rational investment decisions. Growth will not come from this tinkering.

A key plank of supply-side reform is deregulation, especially for smaller businesses. It cannot be said too often that businesses just want to be left to get on with running their businesses. Every minute spent on the complex web of regulation which successive Governments have spun around the business world is a minute not spent on wealth creation. Large companies love regulation, because it squashes smaller competitors. A proper Conservative Government would smash through this, but there was not even a mention in this Budget.

I am used to being disappointed by Budgets produced by Conservative Chancellors. This one was no exception.

6.09 pm

Lord Skidelsky (CB): My Lords, I am afraid I do not share the admiration the noble Baroness has for the Laffer curve, as I shall try to explain a little later. The opportunity given to this House by a debate on the Budget is not to vote on its proposals, as we do not have the power to do that. However, it is to probe the fiscal philosophy which underpins it and see whether it makes any sense. That is what I would like to do.

It is not an easy task. Walter Bagehot said of a well-known 19th-century politician that his success lay in leaving out the premises on which his arguments depended. One can say the same about Jeremy Hunt; he is no Nigel Lawson, who had no fear in displaying his premises. In his Mais lecture of 1987, Lawson said it was the task of macro policy to control inflation, and of micro policy to secure full employment, reversing the Keynesian wisdom of his day. This has been roughly the philosophic stance of British Governments—both Conservative and Labour—ever since.

The Bank of England was entrusted with the control of inflation; reforms in the product and labour markets, like deregulation and weakening trade unions, were relied on to reduce unemployment to its "natural" level—that is full employment, as it was subsequently understood to be. If we look at the Hunt Budget from this point of view, one fact stares out: his assumption that the British economy is now at full employment. The headline unemployment rate is 3.8% and is forecast to stay at 4%—that is at about 1.5 million of a total labour force of 32 million—for the next two years. It is the lowest rate for 16 years, as the Chancellor was quick to point out. Surely, it is about as good as it gets.

What it seems to show is that there is no spare capacity in the British economy: our problem is a shortage, and not a surplus, of labour. This is a statistical miasma, however. Around 9.25 million of the working-age population is classed as economically inactive, giving an inactivity rate of 22%. To argue that in this situation the economy is at full employment, and that there is no spare capacity, seems perverse. It is much more in line with common sense to say that a proportion of that 22% would want to work if there was a demand for their labour.

In short, I would argue that we have a Keynesian problem of deficient demand and not just one of insufficient or inefficient supply. It does not show up in the headline unemployment numbers but in the withdrawal of part of the population from participation in the economic life of the community. It is worth remembering that Keynes did not talk about unemployment equilibrium—that was a later phrase —but underemployment equilibrium. We have had this situation for a number of years. Whatever the supply-side contribution to it—and I understand the rise in poverty, disability, and mismatch of skills and jobs—insufficient demand has also played a part.

We are told that inflation is on the downward trend, due to the Bank of England's high interest rates and the Government's sound fiscal policies. Completely ignored in this assessment, however, is the influence of energy prices on inflation. Has the OBR factored in the increase in energy costs which would follow from, for example, the closure of the Suez Canal? That is a real possibility. We need to remember that inflation is not caused just by expanding the money supply at full employment; we had stagflation in the 1970s, when inflation was due to a supply-side shock.

An important aspect of the sound money policy the Chancellor credits with bringing down inflation was the fiscal austerity practised by successive Conservative Governments after 2010. I quote from the Budget speech:

"It was only because we responsibly reduced the deficit by 80% between 2010 and 2019 that we could provide the £370 billion to help businesses and families in the pandemic".—[*Official Report*, Commons, 6/3/24; col. 839.]

The alternative view, which I share, is that the austerity policy prevented a full UK recovery from the great recession of 2008-10. Had George Osborne not slashed public spending, the UK would have been in a much better fiscal position to face the pandemic. As I wrote in the *Financial Times* in 2010:

"Austerity in the capital budget is the worst possible remedy for a slump".

I stick by that.

Now we come to the Laffer curve: lower taxes mean higher growth. To justify his claim, Jeremy Hunt produced the Laffer curve like a rabbit out of his hat. However, as the noble Lord, Lord Eatwell, pointed out, there is no correlation over time between tax rates and growth rates. The most prosperous period in modern history was the three decades after the Second World War, when the highest marginal tax rates were at 90%, and literally no one was allowed to become a billionaire—even becoming a millionaire was quite difficult.

My last point is that although Labour has rightly been critical of this Budget, it occupies much of the same intellectual territory as the Conservative Government. It has been common territory since the Lawson revolution of the 1980s. It means that while the Conservatives offer what we might call old-fashioned supply-side policy, Labour offers new supply-side policy, which Rachel Reeves called "securonomics". To my mind, it is a weak position, because it invites the question of where the money is to come from. Unless you believe there is a demand shortage, you cannot face that problem, and it has been followed by the withdrawal of the pledge to spend a large sum of money on green investment.

I remind the House that practical men are all slaves of economists—who said that? Economics will have to do better to provide a philosophical underpinning for public policy.

6.17 pm

Lord Leigh of Hurley (Con): My Lords, I join in the congratulations offered to the noble Lord, Lord Kempsell, on an excellent and inspirational maiden speech. I welcome this Budget as yet another example of prudent management of our economy while trying to stimulate growth which—I am afraid I disagree with the noble Lord, Lord Skidelsky—comes mainly through lower taxation wherever possible.

The Chancellor is under huge constraints from all sorts of directions, not least the OBR. The OBR this year had at least the grace to say:

> "Inflation has receded more quickly than we expected in November and markets now expect a sharper decline in interest rates. This strengthens near-term growth prospects and should enable a faster recovery in living standards from last financial year's record decline".

Despite that, however, it seemed to impose a rigour on the Treasury which has frustrated it from being more generous in reducing the tax take and thus reducing the take from the state which we all want to see—certainly, on this side of the House, as was most eloquently put by the noble Baroness, Lady Noakes.

We all understand why the OBR was created. It followed a spending spree when Gordon Brown took the government debt in July 2007 from 35.5% of GDP to 56.8% in just two years. It was the beginning of all our difficulties. The noble Lord, Lord Desai, who is not currently in his place, frequently reminds us that comparing debt to income, as we always do when quoting the level of government debt, is not the best way of evaluating debt. However, many have commented that the OBR is now so obsessed with fiscal headroom that it distorts all decision-making.

Who predicted Covid, Ukraine or the Middle East war? How can anyone reasonably claim to predict what will happen in some five years' time, least of all economic forecasters, who, as JK Galbraith reminded us, are there to make astrologers look respectable?

The forecasting errors over the years have been enormous—some £400 billion out over the last two decades, according to some—and this dependency on the OBR is no longer healthy. We must look at better ways to allow sensible policymakers to take a view on the forecasts and determine what they think is right, rather than just hoping that a few folk in the OBR, which has a very weak track record, might have cracked it this time. The OBR itself says:

> "We continue to emphasise the uncertainties around our forecast in the light of rapidly changing economic conditions and the possibility that any of our key judgements could prove significantly too optimistic or"

too

> "pessimistic".

Turning to specifics, as the chairman of the Finance Bill Sub-Committee, which is a sub-committee of the Economic Affairs Committee of your Lordships' House, I welcome HMRC's decision to create an expert advisory panel to advise it on what is true and proper research and development. To remind your Lordships, the latest estimate of the R&D tax credit costs is some £6.5 billion, and there is so much fraud and inaccuracy in the claims in respect of R&D that HMRC's own accounts had to be qualified over this specific uncertainty.

The change in the non-dom regime may not be quite as harsh as one might have first thought from the Chancellor's speech. With the transitionary rules and overseas work relief being retained, and the rebasing of capital gains tax to 2019 values, it might not be too bad. Certainly, the ability to bring into the UK stockpiled gains outside of trusts at 12% is helpful, and the taxation of protective trusts has to be the right step forward if the scheme is going to work. Likewise, the inheritance tax scheme for non-doms seems fair, and a 10-year window is quite generous. I am pleased to see that the Government are open to extensive consultations on this issue, which I believe have already started. The OBR reckons this will yield some £5 billion a year, but with migration, as will inevitably happen, and other tax-planning measures, this will drop by some £2 billion to a net £3 billion, in its opinion. It is very hard to know how it could possibly have arrived at this. As it acknowledges itself, it really does not know.

We know that this deprives Labour of one of its main sources of extra income—albeit that it may have spent it several times over. It leaves Labour with only VAT on schools, which will probably lead to a net increase in cost to the Treasury, as we heard in Oral Questions this afternoon, as pupils transfer to the state system; and with taxation on carry at higher rates, which I hear Labour is already rowing back on, as it realises it will not yield extra revenue. It would be good to learn from the Labour Front Bench today, or soon, how it plans to raise extra taxes for all its extra expenses, as it is clear that its employment proposals will almost certainly lead to a huge increase in unemployment, as they always do with each and every Labour Government, meaning more strain on government resources.

I will touch on what was not in the Budget, and what might have been. I will spare my noble friend a plea for a digital services tax to try properly to tax online retailers such as Amazon, as her predecessors

[Lord Leigh of Hurley]

have clearly decided against this. I will also spare her any further reference to, as she puts it, my favourite minority sport, EIS. Again, there was nothing in the Budget, which there should have been, to raise thresholds and reduce restrictions now we are free from the yoke of the EU.

Turning to VAT, I worked with a number of Peers from across the House on the Economic Crime and Corporate Transparency Act, which was a great success in tightening up Companies House after the registration of some 11,000 companies to one flat in Wales. However, we really did not focus on why people were doing this. The answer is, of course, to evade—not avoid—VAT.

Great progress has been made in forcing online offshore retailers to pay VAT, but we really are not done yet. The National Audit Office has started an investigation into this area, and I wish it well, as we have seen many examples of companies using other people's VAT details—even companies that are shown as not trading on Companies House. There are hundreds of companies all connected to one source of stock, with each company staying below the radar and folding if caught. The issue has not been dealt with and remains a problem.

One thing I ask my noble friend to consider is removing VAT checks on items valued £135 or less entering the UK. This is not helpful, and there is huge evasion going on. HMRC assumes that any non-UK seller who sells into the UK will sell on an online marketplace, where VAT is now collected, or register for VAT in the UK and pay the VAT direct to HMRC. This is just not happening. It is a ridiculous assumption, and there is nothing that will make a non-UK seller register for VAT in the UK, particularly if it sells on websites or marketplaces outside the UK. It is an enormous gaping hole in the UK's virtual customs border, and it is astonishing it was ever allowed. Other European countries have removed this £135 exemption, and we should as well. I appreciate it is a bit much to ask my noble friend for a response today on this matter, which is not covered in the Budget, so I look forward to a later reply.

Finally, I end with a sentence from the Chancellor's speech, remarked upon by my noble friend Lady Noakes, which should be cut and pasted on every wall in the Treasury:

"The Treasury and the OBR have … concluded that if we reduce the higher 28% rate that exists for residential property, we would in fact increase revenues".—[*Official Report*, Commons, 6/3/24; col. 849.]

6.25 pm

Lord Sikka (Lab): My Lords, I too welcome the noble Lord, Lord Kempsell, to this House and look forward to hearing from him again very soon.

For the last 14 years, seven Chancellors, carrying red boxes rather than red noses, have promised to rejuvenate the economy, eradicate poverty, cut taxes and improve public services. What they have actually delivered are lower living standards, higher taxes and worse public services, and they have transferred wealth to the rich. This year's Budget is no different.

No one can grow an economy by depressing household incomes. The real average wage is stuck at the 2007 level. In February 2024, according to the ONS, the median annual pay was £27,972. The Joseph Rowntree Foundation estimates that a single person needs an income of £29,500 to have a minimal standard of living, and a couple with two children needs at least £50,000. A large part of our population is therefore below the level of a decent standard of living.

Rather than helping, the Government have piled on the agony. Since March 2021, 4.2 million more individuals have been dragged into paying income tax because tax thresholds have been frozen. By 2028-29, another 3.7 million workers will be forced to pay income tax at the basic rate of 20%, another 2.7 million at 40% and another 200,000 at 45%. The Government will collect £41.1 billion extra, which no doubt will be handed to more billionaires.

A rise in personal allowance at least in line with inflation would have helped lift millions out of poverty, but the Government chose not to do that. The 2 pence national insurance cut gives zero benefit to the 17.8 million adults with an income below £12,570. When I raised that point with the Minister on 21 February, she said:

"Does the noble Lord want me to give them a tax cut for taxes that they do not pay?"—[*Official Report*, 21/2/24; col. 665.]

I have news for the Minister: the poorest fifth pay 28.3% of their disposable income in indirect taxes such as VAT, whereas the richest fifth pay 9%. Can the Minister explain what the Budget offers to the 17.8 million poorest, and why indirect taxes such as VAT have not been slashed to help them?

The Budget extends the high-income child benefit threshold from £50,000 to £60,000, and the taper is extended to £80,000. Some 500,000 families will benefit by around £1,300 next year. In sharp contrast, the two-child benefit cap, which hits the poorest, depriving 402,000 families of around £3,200 a year, has been retained. Can the Minister explain why the two-child benefit cap has not been abolished?

Wages and salaries are taxed at the marginal rates of 20% to 45%, but capital gains are taxed at much lower rates. Instead of ending this discrimination against workers, the higher rate of capital gains tax on residential property disposals has now been capped, from 28% to 24%—a tax break for multiple property owners such as the Chancellor himself.

Recipients of capital gains do not pay any national insurance, even though they use the NHS and social care. Tens of billions of pounds can be raised by simply aligning the taxation of capital gains with the taxation of wages, but the Government do not want to upset their rich friends.

Since 2010, local council funding has been cut by 23.3% in real terms. Between 2010 and 2023, councils have sold 75,000 public assets for £15 billion to maintain some semblance of public services. Assets such as town halls, libraries, playgrounds and community and youth centres have been sold and are now lost for ever to future generations. That has enabled the Government to privatise numerous services by stealth, but young people now roam the streets and have nowhere to go.

Can the Minister provide an estimate of the damage done to community building by the cuts to council funding?

The Government have raised the VAT registration threshold, but nothing has been done to simplify the anarchic VAT rules that are forcing many retailers to shut their shops. Here are some examples; I hope the Minister will take note. Toilet rolls are subject to 20% VAT, but caviar—a luxury—is zero-rated. Potato crisps have 20% VAT, but prawn crackers and tortilla chips are zero-rated. Cakes and biscuits are zero-rated, but if they are "wholly or partly covered" in chocolate they become subject to 20% VAT—I do not know what "partly" means here. There is 0% VAT on unshelled nuts but 20% VAT is levied on shelled nuts, with the exception of peanuts, even when they are out of their shells. Roasted nuts in shells are zero-rated for VAT, but if the shell is removed from the roasted nuts or they are salted, they become standard-rated for VAT. If the nuts are toasted, they are free from VAT altogether. Can the Minister explain to the House what the principles are here and why, after 14 years in office, the Government have failed to simplify the VAT rules, which would reduce administration costs for retailers by millions of pounds?

Overall, the Budget will do absolutely nothing to chart a course for a future that we would be proud to pass on to our future generations. It is simply carrying on with the same misery of the last 14 years.

6.32 pm

Baroness Moyo (Con): My Lords, like many others, I saw some encouraging measures to address investment in Britain in the Chancellor of the Exchequer's Spring Budget. There is, after all, a widely recognised view that Britain needs much more investment to power its economic growth plans. In this debate, I will reflect on what more needs to be done to make the UK an attractive destination in the eyes of investors, noting that a burden of regulation and bureaucracy is not an attractive elixir. My comments are influenced by my roles as a corporate board member and a member of the Oxford University endowment investment committee, as I have disclosed in the register of interests.

We are all familiar with the prevailing narrative of the UK's anaemic economic growth. Although Britain's GDP doubled in the generation from 1995 to 2020, with economic growth averaging 3% per year, the outlook for the years ahead is weak. Specifically, UK economic growth is not expected to exceed 2% between now and 2028, according to the IMF. Meanwhile, the Government's policy levers are hampered by high public debt and deficits, notwithstanding the constructive trend line mentioned earlier. For example, at the end of September 2023, UK government debt was 100% of GDP, compared with less than 40% of GDP 20 years ago. Of course, the economy remains plagued by a cost of living crisis, with inflation remaining stubbornly at 4%, twice as much as targeted by the Bank of England—things that we are very familiar with. The economy is further constrained by interest rates at 5.25%.

However, it is not only the UK's macroeconomic picture but the UK's investment landscape that is challenged. Put simply, Britain is not attracting sufficient capital from investors—retail, institutional, domestic or international—to keep the UK's companies and capital markets as strong as they should be to propel economic growth. As the Chancellor himself acknowledged, domestic share ownership by institutional investors, such as UK pension funds, is worryingly low, having fallen from 32% in 1992 to a record low of 1.6% in 2022. As someone who grew up in the emerging markets, people always said to me, "Before you invest, think about what the locals are doing". The fact that even UK pension funds will not invest in this economy, for whatever reason, is an incredibly damning sign.

Furthermore, just 23 initial public offerings took place on the London Stock Exchange in 2023, the lowest since 1995. Think about that for a moment: we have had a pandemic and a financial crisis, and last year was worse for IPOs than any of those periods. International investment flows are also bleak; for example, foreign direct investment into the United Kingdom was just 1.4% of GDP in 2022, according to the World Bank. That contrasts with the period of 1995 to the 2008 global financial crisis, when UK foreign direct investment was regularly 5% or more of GDP.

According to a recent study, UK equities have been trading at a 40% discount to stocks from the rest of the world, underscoring the lack of appetite from investors for investing in the UK. It is critical that UK companies can once again be at the forefront of investors' minds when they are allocating capital and that the stock market becomes attractive to companies seeking listings. I welcome the Chancellor's new measures to channel more investment into UK equities and to introduce a new UK ISA to support savers. That has the potential to attract up to £4 billion a year of investment capital from retail investors.

I am also aware that the Chancellor has previously laid out commitments to attract higher levels of pension fund capital to unlisted UK companies, particularly in his Mansion House speech. Some have raised the question of whether it is right to compel investors to allocate capital to UK equities or whether it is in fact better to incentivise them. With that question in mind—and recognising my noble friend the Minister's earlier comments on full expense leasing, small business support and VAT threshold changes—I would like her to state what specific plans this Government have to address the UK's underperformance in attracting investment. What specific plans do the Government have to incentivise institutional investors, both domestic and international, to allocate more capital to UK equity markets and UK companies?

6.38 pm

Baroness Bennett of Manor Castle (GP): My Lords, in introducing this debate and Bill, the Minister spoke—several times, I think—of a long-term plan. In the current political climate, that might be taken as a definition of optimism. Yet perhaps the Minister is right that what we are talking about is a long-term plan, because what we have heard and expect to hear from the Labour Benches is that they are broadly planning to follow the Tory economic plan. They will allow the rich to keep getting richer and to keep their ill-gotten gains, as my noble friend Lady Jones of

[Baroness Bennett of Manor Castle]
Moulsecoomb so clearly and passionately set out. There are things that the Labour Party has said it will follow the Government on. It has pledged that it will not introduce a wealth tax if it forms the next Government, so it will not see the broadest shoulders bearing their fair share of the weight of repairing so many things that need to be repaired, as many noble Lords have said.

The Labour Party has said that it is not going to address the issues raised by the noble Lord, Lord Macpherson of Earl's Court, about the inequality of taxation between wages and unearned income, something that has simply got worse and worse over the years to the benefit of the rentier class. Labour has also said it that does not plan to think about redistribution; instead, just like the Government, it is focused on growth. It does not acknowledge that borrowing to invest is sound economics. I find this, frankly, astonishing; the most recent Labour comments state that it intends to pay for its plans—for the NHS and school breakfasts—through savings to public spending. This is despite the state of our public services and our public infrastructure, as so many speakers reflected on. The noble Lord, Lord Lee, brought up potholes, which is in the traditional range of the Lib Dems, so I am going to refer to our public services being like ships holed below the waterline.

I have recently been reflecting a great deal on the NHS. Its treatment over recent decades is one of the great political failures in the UK. We have also seen, since Margaret Thatcher, an enormous failure from British politics to remember what the economy is for. It is there to serve people, to deliver a decent, healthy and economically and environmentally sustainable society. At the weekend, we had reports from head teachers from schools in the north-west about families that cannot afford a bed for their children to sleep in—that cannot afford cleaning products for the bathroom. We are talking big macroeconomic stuff, we are talking economic theory, we are talking figures—but we are doing that in a society where children do not have a bed to sleep in.

The noble Lord, Lord Lee, was just talking about the problems in our financial sector. The Labour Party has pledged to unashamedly champion the UK financial services sector, despite the fact that it is obvious we have too much finance—an unbalanced economy—and, of course, we are the global fraud capital. More finance means more fraud. That is a simple fact.

I am afraid even when it comes to the climate emergency, I find now, as opposed to a couple of years ago, considerable similarities between the plans of the Labour Party and those of the Government. The Labour Party had a green investment plan—£28 billion per year; you might remember it. It is not there any more. Yet a recent London School of Economics study from a group of leading economists said that the UK should invest £26 billion per year—a similar figure—to revive prosperity. It said that investment in energy infrastructure, transport and the natural environment would have a rapid boosting effect, with public investment at that level generating double the returns for the private sector.

That is the big-picture stuff, but what about something that really deserves more attention? That is fuel duty. I do not know where the sudden burst of optimism came from in the OBR after the last fiscal event, when it based its forecasts on the assumption that fuel duty would be raised despite the fact it has not been raised since a freeze was introduced as a temporary measure in 2011. That and the 5p cut in fuel duty have cost the Treasury £90 billion since 2021. Figures just out today point out that, with the rise in electric cars, 2025 will see the absolute level of fuel-duty returns to the Government fall. In 2011, fuel duty was 4.5% of gross receipts. In 2023, it was down to 2.4%—and all that for the grand saving for the median driver of £13 per month.

What could we be doing instead? One of the answers—beyond local buses, which desperately need investment—is railways. My noble friend Lady Jones and I have asked many Written Questions to the Government about railway upgrades that would allow hundreds of thousands of people to get off the roads and on to rail. I have a question for the Minister, who is currently not in her place: given that there were no announcements in the Budget about railways, am I wrong to suggest there will be no significant progress with the Restoring Your Railway Fund and other rail programmes before the general election? Practical examples include a rail capacity upgrade at Haughley and Ely junctions, where Adrian Ramsay and the Suffolk Chamber of Commerce have been calling for progress. The Government said that they are committed to these upgrades, but where is the money? Another area worth probing is the Stonehouse Bristol Road station, which will unlock a direct connection between Stroud and Bristol. The Green-led Stroud District Council submitted a strategic outline business case in autumn 2022, yet it has been stonewalled when asking for updates from Ministers. It hopes they will arrive in due course.

I declare my position as a vice-president of the Local Government Association. The household support fund was due to lapse on 30 March this year, but 190 council leaders wrote to the Government begging for this essential fund to continue for a year so that they could plan. What did we get? It was better than nothing: we got six months, so in six months the councils will have to come back with the begging bowl again. It is not exactly a long-term plan.

6.45 pm

Lord Horam (Con): My Lords, as an economist as well as a politician, I have always believed that the economy should work for everyone. As a northerner, I am also keen on levelling up, because I am conscious that the rest of the country has fallen behind London and the south-east over the last few decades. From that perspective, I thought it was a good Budget, and the points were made by my noble friend Lady Vere with her usual vim and vigour.

Despite one slug of money for Canary Wharf, there was a lot going for many provincial areas where it is badly needed and will be greatly appreciated. The 2p off national insurance was a sensible help to ordinary people when the economy needs a bit of a stimulus. There was also £3.4 billion of help for improving productivity in the NHS. As a former Health Minister, I can see where that can be used, although it will probably be misused in some respects. As we know, public sector productivity is a big problem. Raising some money by abolishing the current regime for non-doms was fair. I have always thought that the nom-dom arrangement was both antiquated and indefensible.

The Government can also take credit for the heavy lifting of taxation over the last few years. The general level of tax needed to be raised, and a pragmatic Conservative Government have done what is necessary. That is conservativism at its best: realistic and responsible. The level of tax is high by UK standards but still a lot lower than our European neighbours. Therefore, in the short term, the Budget gains high marks, but if you take a longer-term perspective, I am afraid some of the remarks made by the noble Lord, Lord Eatwell, cannot be ignored.

On nominal gross domestic product, we are the sixth-richest nation in the world. But looking at GDP per capita, we drop down to 21st. If you measure GDP per capita by purchasing power parity, we drop even further down to 27th. The Taiwanese and the Singaporeans are now richer than the Brits, and the South Koreans have caught up. In Europe, we are the second-richest nation after Germany on nominal GDP, but 12th on GDP per capita. If you combine that with the huge increase in inequality that has developed over the last few decades, you can see why many citizens in the provinces are pretty disenchanted with politics and politicians. Just look at the result of the Rochdale by-election; that will tell noble Lords a great deal about ordinary people's view of politics and politicians. What can we do about this? The first thing to do is get the framework for policy right. Only if you get the framework right do you get the right policies.

The first thing I would do is to abolish the Office for Budget Responsibility. That was put in place to assure the markets that the Government were being responsible, but it has now become a problem in itself. As Martin Sandbu said in the *Financial Times*, it encourages "opaque and erratic" political games and

"undermines serious debate about what the economy needs".

As my noble friend Lord Leigh pointed out just now, it also quite often gets its forecasts wrong. I would replace it with something like the Council of Economic Advisers, which helps the US President. This should be staffed by businesspeople and economists with a remit to enhance economic growth. Positioned like the OBR, it should be able to nudge the Treasury away from for ever balancing the books in a candle-end sort of way to taking a more growth-oriented view. I believe that the markets would respond well to a Government who were obviously doing sensible things rather than tying themselves to the Procrustean bed of the OBR.

Incidentally, I think we should have only one Budget every year. The noble Lord, Lord Hammond, tried to do that but got swept away by the politics. Having more than one Budget every year reinforces uncertainty and often produces underexamined tax changes and too many short-term spending decisions.

We also need a worked-through industrial strategy. Alongside the macro view of the council of economic advisers, this should be looking at the micro view of where growth can be best assisted by public support. Greg Clark was quite right about that when he was the Minister responsible for business affairs; Kwasi Kwarteng was quite wrong.

We also need more urgent action on skills. This has been said often enough, but we still have not given this the priority and financial support required. The apprenticeship levy is not working well enough, and we still do not fund further education as well as we could.

Finally, we need to do something about the large number of our fellow citizens who are not working: 9.3 million are not in work. The problem has been made worse by Covid and it needs urgent analysis, as the noble Lord, Lord Lamont, pointed out. Britain is a great place to do business, as I know from personal experience, having helped to establish a very successful company. But the fact is that we are not fulfilling our potential and we will not do so, despite this excellent short-term Budget, until we have a firmer, clearer and more comprehensive long-term strategy.

6.52 pm

The Lord Bishop of Worcester: My Lords, I congratulate the noble Lord, Lord Kempsell, on an excellent maiden speech, which was thoughtful and brief—and, as we all know, concision is next to godliness.

I have learned a lot in this debate, including the operation of the VAT regime on nuts—probably more than I would have wanted to have known. However, I will not concentrate my remarks on that.

It is clear that the Chancellor had a difficult task in producing the Budget, as has been observed by one of his predecessors, the noble Lord, Lord Lamont, who knows better than anyone. I want to pay tribute to the many good things in the Budget: the continuation of the household support fund, the reform of non-dom status, the increase in public services spending by 1% above inflation, and the welcome reduction in national insurance, to name but a few. However, I was very disappointed by one lacuna, to which I want to address my remarks now. That is, that the aid budget was not increased.

The Government have consistently maintained that they would restore the UK's aid budget to 0.7% of GNI "when fiscal circumstances allow". I believe I speak for very many in expressing dismay that the Chancellor did not use any of his fiscal headroom to do so, thus restoring a manifesto commitment. The dismay is felt because of the impact of the cuts, which have been set out by the Independent Commission for Aid Impact. It noted that cuts have led to less focus on poverty reduction in trade programmes, and that programmes focused on gender equality in places where this is much needed have been heavily impacted.

The starkest impact of the cuts has been on least-developed countries. The amounts of bilateral overseas aid going to least-developed countries dropped by £961 million in 2021—that is 40%. That is far greater than those to lower- and middle-income countries,

[THE LORD BISHOP OF WORCESTER]
which received a cut of £339 million, or 29%, and upper-middle income countries, which saw reductions of £117 million, or 17%. Of the 10 countries that received the biggest cuts, six were lowest-income countries. This is surely a heartbreaking way to prioritise overseas aid spending. As if the cuts were not bad enough, we now know that they were focused on countries least able to respond to or mitigate a reduction in funding.

If the Government will not restore a manifesto commitment when fiscal circumstances allow, which surely must be now, I am not sure what they have in mind. The White Paper on development had some good themes and ideas, but without a funding boost it is extremely difficult to see how Britain can be re-established as a world leader with a great reputation for development—because that reputation has been severely damaged of late. The White Paper also does not promise any primary legislation, which left many in the development sector wondering what its purpose was.

The 0.7% of GNI commitment is not just about the actions we take but the aspirations we set ourselves and our reputation for sticking to our commitments. That 0.7% was and remains symbolic of our values and our commitments to some of the poorest people on the planet. We do them and our international reputation a disservice by continuing to break a basic promise in this way.

6.56 pm

Baroness Sheehan (LD): My Lords, my contribution to this debate will be from the perspective of my role as chair of the Environment and Climate Change Committee and will ask whether the measures in the Spring Budget demonstrate that this Government accept the need for action today if we are to avert far greater costs tomorrow, both to mitigate against climate change and to put in place measures to reduce its impact.

Just yesterday, I received in my inbox the *FT* "Climate Capital" newsletter, titled: "Are we the boiling frog?" The opening paragraph says:

"Since March 2023 oceans have begun to warm to previously unseen levels and now we've hit 365 days of consecutive daily highs. Every day of the past 12 months has set a global record. Let that sink in. The global average sea surface temperature tipped to the 21.2C record this week. While the cyclical El Niño warming effect of the Pacific Ocean is starting to show signs of weakening, global ocean temperatures remain unusually high".

Jim Skea, chair of the UN body of scientists known as the Intergovernmental Panel on Climate Change—IPCC—said recently that the rise in the average global temperature over the past year meant that the world was in "unknown territory".

Just as new heat records are reached, it is ironic that companies are taking a step back in terms of corporate accountability for global warming. The *FT* "Lex" column said a few days ago on 15 March:

"Corporate backsliding … can't be justified".

Companies, however, argue that Governments have not created the policy frameworks needed to achieve the emissions reductions. Do they have a point? Judging by the lack of ambition on green matters demonstrated by this Budget, I would say that they do.

Given the incontrovertible real-life data, not modelled forecasts, on ocean warming—to take just one key indicator of global warming—one would have thought that the opportunity presented by the Budget would work to deliver a financial environment that would grab the challenge of transforming our economy to make it fit for purpose to meet our statutory green commitments.

Why is this not the case? Economically it makes sense. The UK has already demonstrated that growth and decarbonisation can go hand in hand. We have reduced our greenhouse gas emissions by nearly half since 1990, while our GDP has increased by around 70%. More recent analysis by the Energy and Climate Change Intelligence Unit and CBI Economics found that the net-zero economy saw 9% growth in 2023 and that the economic opportunities created by the net-zero economy are benefitting all UK regions. Net-zero jobs are also more productive—around 1.6 times higher than the UK average.

The latest Climate Change Committee progress report warns that game-changing interventions from the US and Europe are leaving the UK behind. Global investment in clean energy alone is estimated to have risen to $1.7 trillion in 2023. The Government's announced increase in the green industries growth accelerator of £120 million—taking the total to £1.1 billion—is just not in the same ballpark. A report by the UK Sustainable Investment and Finance Association found that 87% of businesses agree that policy changes to planning rules, grid capacity and energy price mechanisms could unlock £115 billion of investment and allow the UK to compete globally for green investment.

Let us not forget the risk of not protecting our natural capital. The Government's third national adaptation programme outlined that, without early action to adapt to physical climate risks, the costs to England's economy could be between 1% and 1.5% of GDP per annum by 2045. However, acting now to adapt to climate impacts could deliver up to £10 in net economic benefits for every £1 invested.

This Budget is a missed opportunity to lay the framework needed to invest in our future. The tax system is an important tool, alongside clear policy, regulation and spending, for supporting the transition to a low-carbon and nature-positive economy.

In conclusion, I have three questions for the Minister. First, will the Government reconsider producing a tax road map to make it clear to business and consumers that the fiscal trajectory supports net zero, allowing an adjustment period for where there will likely be greater tax costs? Secondly, how do the Government measure and evaluate the effect that taxes have on their environmental objectives? Thirdly, in the net-zero growth plan of March 2023, the Government said:

"HMRC will explore options to further strengthen the analytical approach to monitoring, evaluating, and quantifying the environmental impacts of tax measures, including their wider impacts".

Can the Minister provide an update on this commitment?

7.04 pm

Lord Northbrook (Con): My Lords, I start by highlighting some positive decisions in the 2024 Budget. The 2% cut in national insurance is good. I also welcome the cut in capital gains tax and the increase in the limits for full and partial child benefit. The fuel duty freeze continuation is sensible. The introduction of the £5,000 annual ISA in UK shares is innovative. The new tax on vaping products has health benefits, as well as being a pragmatic measure. The increase in the VAT threshold for small businesses is also a good move. On the broader economy, the fall in inflation back towards its 2% target can be considered useful progress. That is the good news.

However, like my noble friend Lady Noakes, overall I found the Budget a big disappointment. With the party 20% behind in the opinion polls, it needed much more to change the public mood towards the Government. Opinion polls since the Budget have shown no change in this position. On the broader economic front, growth forecasts are disappointing. It is interesting to note that the OBR is much more optimistic than the Bank of England and slightly more than the independent forecasters surveyed in February. It is worrying that the OBR reports that 2022-23 remains the fiscal year with the largest year-on-year drop in living standards since ONS records began in the 1950s.

Looking in more detail at government income, I find it depressing that the tax take from business rates is forecast to increase by 33% in the next five years—a huge extra burden on already struggling businesses. When items such as welfare expenditure are forecast to rise by 38% and funded sector public pension schemes by 25%, it can be seen that the revenue is needed. However, business rates need reform to make sure that the larger out-of-town warehouses pay a fairer share and that smaller ones are not clobbered.

Further, on the government receipts side, the figures disprove the statement that, overall, taxes are being reduced for the individual. Of course this is the case with the national insurance reductions, but the freezing of tax allowances for the next five years much more than cancels that out. OBR figures show that the extra tax due in this period, due to fiscal drag, amounts to £187 billion, which is offset by the NI reductions only to the extent of £105 billion, hence taxpayers are on the hook for an extra £81 billion. Central government debt interest merely stabilises at a still worrying annual £110 billion in 2028-29, as against £111 billion in the last tax year.

On the government expenditure side, I note that, according to the OBR, the net cost to the taxpayer of unwinding quantitative easing, assuming interest rates remain the same as now, is forecast to be £104 billion. If gilt yields go up by 1%, the OBR says that this will increase to £157 billion; if they go down by 1%, it will be only £47 billion. This is a worrying extra black hole for the taxpayer. This is a huge incentive for any Government to keep inflation under control, so that interest rates may be reduced.

I turn to individual tax measures. I cannot see the sense in getting rid of the non-domiciled status. In my view, this was a political move to outsmart the proposed policy declared by Labour, without fully thinking through the economic consequences. The forecast of the extra tax gain is highly optimistic, as these non-doms can easily move to countries such as Italy and Portugal which offer them attractive regimes. The UK also loses the benefits of these non-doms running businesses and employing people, as well as VAT on their spending on goods and services. Does not the Minister believe that, overall, the UK is likely to lose tax revenue because of this move?

Secondly, I believe that the Government missed a huge opportunity through timidity by not changing inheritance tax. As the respected political commentator Andrew Pierce pointed out recently, when George Osborne announced in 2007 that the limit before IHT was due was to rise to £1 million, the Labour lead in the opinion polls collapsed and it stopped Gordon Brown calling a general election. Despite advice from Conservative Peers and others, the Chancellor brushed the idea aside—as I understand it, he felt it was too elitist a measure. I think he underestimated the overall popularity it might have gained, as evidenced by Osborne's 2007 decision. Can the Minister comment?

The next disappointment was the failure to reinstate tax-free shopping for foreign visitors. In November 2020, the OBR forecast that the abolition would generate a £1.8 billion saving to the Treasury, with the caveat that the figures are highly uncertain. Why could not the Chancellors have continued the scheme to clarify this uncertainty? A key challenge for the OBR analysis, highlighted by economic forecasters such as Oxford Economics, is that the research did not examine the impact of TFS schemes on retail expenditure and its broad multiplier effects—for instance, increased economic activity in other sectors beyond retail, such as tourism and more job retention and creation.

The modelling by Oxford Economics of the decision's impact suggests that the reintroduction of duty-free shopping would have a significant positive effect on GDP, tax yield and job creation. It is not just economic forecasting organisations that support this reinstatement. In August 2023, the *Mail on Sunday* stated that 350 retailers had backed its campaign—it is now up to 500—along with 40 Conservative MPs. Why should it not be introduced, even on an experimental basis? If I am asked how these tax changes should be financed, how about looking at the welfare budget, which is forecast to increase by nearly 40% over the next five years?

While the Labour Party would likely produce no better tax measures, this Budget was a chance to put blue water between the political parties. Sadly, after careful review, I feel that the Chancellor has missed a huge opportunity to demonstrate that we are a low-tax party. We seem to have forgotten this, as now, despite the NI cuts, we are the most highly taxed since the Second World War.

7.11 pm

Lord Tugendhat (Con): My Lords, in his great novel *Anna Karenina*, Tolstoy remarked that:

> "Happy families are all alike; every unhappy family is unhappy in its own way".

How true that is of the situation in Europe today. Whether one looks at the Netherlands, Germany, France or Sweden, one sees Governments and society coping with severe problems, economic and social, that are very similar to our own. I make that point because there is a tendency in this country, which has been reflected during this debate, to assume that the problems

[Lord Tugendhat]

with which we are confronted are somehow unique to us and the result of particular British circumstances. That is why my noble friends Lord Lamont and Lady Lawlor, and the noble Lord, Lord Macpherson, were right to draw attention to how, in a variety of areas, the British economy has outperformed forecasts and performed better against other countries than many people suppose. I agree very much with the points that they made and will not repeat them.

In the short time available to me at the end of a long debate, I had intended to make only three points. Before I make them, I would like to refer to something which my noble friend Lord Horam said when he was talking about GDP per head and GDP itself. He linked what he was saying to the very considerable rise in inequality in this country and the effect that this has had on people's attitudes to their own position, as well as to politics in general.

I turn to my three points. First, I congratulate the Government on shifting the balance of benefits in favour of those of working age and away from pensioners. Pensioners have done very well in recent years, as I and many other Members of this House know from our own experience. However, as my noble friend Lord Lamont said, there is a great need to encourage more people back into work. Making work pay is an important part of doing that. It is an important carrot; sticks are needed as well, but it is a very desirable policy change to promote work in this way. An additional advantage is that, if we could encourage more people back to work, we would have less need of immigration in order to fill so many of our public services, especially the NHS.

My second point is to congratulate the Government on the £3.4 billion that has gone to the NHS, specifically to improve productivity. I spent some years as chairman of the Imperial College Healthcare NHS Trust. Although it was some time ago, I can see how important this initiative by the Chancellor is. The effects of digitising operating theatre processes could be dramatic—the same number of consultants could do an extra 20,000 operations a year. This is exactly the sort of initiative that the NHS needs, and it provides a precedent for other public services.

Having praised the Government on two points, I am afraid that my third point is to criticise. In the defence debate last September, I called for a start to be made in increasing defence expenditure. Since then, the world has become a good deal more dangerous, as a result of events in the Middle East. In their rhetoric, the Government recognise the change that has taken place and continue, quite rightly, to send considerable quantities of military equipment to Ukraine. They are quite right to do that, but the effect is to deny our own forces that equipment. It will take a long time to fill the gaps. The Government talk a great deal in other circumstances about the increased dangers in the world, but they are not putting their money where their mouth is. An ambition to increase defence spending to 2.5% when economic circumstances permit is all very well, but, unfortunately, the dangers to this country do not follow the same rhythm as our economic circumstances. I regret that the Government did not take advantage of this Budget to take a first step towards increasing our defence expenditure.

The fact that the Secretary of State for Defence cannot even fly anywhere near the Russian border because his aeroplane does not have the right kind of equipment to prevent the Russians interfering with it is one example of the situation that we are in. The embarrassments that are being caused by our aircraft carriers are another. I very much regret that the Government did not take a first step. I hope that my noble friend the Minister can say something about that in her wind-up.

7.18 pm

Lord Sherbourne of Didsbury (Con): My Lords, it is a great pleasure to follow my noble friend Lord Tugendhat. I echo many of the remarks made by other Members of the House, including the noble Lord, Lord Lamont, a former Chancellor of the Exchequer, the noble Lord, Lord Macpherson, a former head of the Treasury, and many others, in being very optimistic at the start of my speech.

The economy, which was so badly hit by the pandemic, the war in Ukraine and so on, is now beginning to show signs of recovery. Inflation is falling, interest rates look set to fall and the prospects for growth are good. There has been a positive reaction to the Budget. I have some quite interesting figures which show popular reaction to those proposals; the approval ratings range from 56 %, 63 % and 76 % to 81 %. I can only hope that it will not be long before these figures are reflected in more important opinion polls in the country.

There was an optimistic theme running through the Chancellor's speech, and it was the same in the published Budget Report—the Red Book—although all 36 paragraphs of the executive summary had so upbeat a theme they were almost Panglossian: the best of all possible worlds.

However, I was struck by one other thing in the Budget Report. The text was not in black but in light grey—making it slightly more difficult to read. It is as if the Treasury were trying to tell us, "Well, it is not all black and white. The pale grey is sending a subliminal message that what we, the Treasury, say is nuanced with cautious subtexts".

I will take one example: government borrowing. The Chancellor, in his speech, and my noble friend the Minister in her speech this afternoon, talked about falling national debt. It is forecast to fall every year from now until 2028-29. That, of course, is national debt, not the annual deficit, but what determines the national debt is the deficit—or surplus, if we ever get back to those days—and the deficit depends on two variables: revenue coming into the Government and spending by the Government. Both are highly variable.

Public spending depends on many events outside the control of government. We have seen already, as I have said, the pandemic, the war in Ukraine, and the oil and energy crisis. On the home front, much of the public spending is also outside government control. Here is something that the OBR says, which I think everybody in the House knows, and which should worry us all:

> "The number of inactive working-age adults is … 9.3 million … 700,000 more than before the pandemic … Around one third of the working-age inactive population cite long-term illness as their principal reason for not being in the labour force".

This should set alarm bells ringing, not just about the cost to the public purse, but about the nature and causes of these illnesses and the economic loss to the country. This requires serious analysis because, ultimately, it is unsustainable.

For these reasons and many others, the forecasts of public spending and borrowing are bound to become ever more speculative with every future year, which is why we need a substantial contingency reserve. This year, it is forecast to be £9.2 billion. Is this enough? Is it based on the recent experiences of the crises we have had?

Even without the predicted pressures on public spending there will be increasing further demands on the health service and, as my noble friend has said, on defence. Looming ahead there is one other horror, if there were a Labour Government—the rolling back of the trade union reforms brought in by previous Conservative Governments, which were broadly accepted by the Blair/Brown Governments but which would be repealed by a Starmer Government. I wonder whether the noble Lord, Lord Livermore, who served in No. 10 when Gordon Brown was Prime Minister, is a whole-hearted supporter of his party's proposals to ditch these trade union reforms.

Finally, and quite separately, I make two simple pleas to the Treasury. First, despite the voluminous information published in the OBR report and in the Chancellor's Budget Report—or perhaps because of it—it is sometimes difficult to find the most basic information. Hardly anywhere is there a table setting out clearly, side by side, government revenue and government spending. The nearest you get to it are the two pie charts stuck away in an appendix on the very last two pages of the Budget Report—pages 93 and 94. We need more of a plain man's guide to help the general public understand the basic realities.

My second plea echoes what my noble friend Lord Horam said. It may be just me, but I am losing track of Budget Statements, Autumn Statements and Spring Statements. Again, this seems to make it more difficult for lesser mortals to understand the relationship between public spending and taxation. Surely it is possible to have just one Budget Statement a year setting out public expenditure, tax rates and government borrowing.

7.25 pm

Baroness Kramer (LD): My Lords, as the first of the winding-up speakers, I start with three very quick comments. To the noble Lord, Lord Kempsell, who is racing to get back into his place, I say: what an excellent maiden speech. But I suggest that his taste for the nitty-gritty in evaluation and analysis means that he is in the right House and the right portfolio. We look forward to his engagement in the future.

I say to my colleague, the noble Lord, Lord Lee, that his proposal that some of the NatWest shares currently in public hands should be shared with secondary schools as part of inspiring financial education and creating a new way of looking for so many of our young children is a brilliant idea, and I hope that the Government will take that up.

I say to the noble Lord, Lord Bird, who made those comments on social housing—in effect, that it should be a launchpad and not a trap—that that was an important piece of discussion in this debate.

Perhaps I should say sorry to the noble Lord, Lord Sherbourne, because of his most recent comments, but most normal people have already forgotten what is in this Budget. The Chancellor's headline measure—a reduction in the rate of national insurance contributions—has been dismissed, as people realise that it is just a reduction in a relentless tax rise driven by the freezing of thresholds. Indeed, I quote the OBR:

> "Tax as a share of GDP is forecast to rise to 37.1 per cent of GDP in 2028-29, 4.0 per cent of GDP higher than the pre-pandemic level".

Meanwhile, public borrowing will increase by

> "an average of £8 billion a year".

Frankly, it leaves us in a fiscal vice.

The IFS—the Institute for Fiscal Studies—describes living standards as remaining "dismal". I pick up on the excellent discussion of the noble Lord, Lord Horam, which others have mentioned, about GDP per capita by comparison with other countries. It is a woeful position to be in at this moment in time. Looking at a narrower group, pensioners, the Resolution Foundation forecasts that they will, on average, be £1,000 worse off per year by 2027-28.

My party will not oppose the national insurance rate cut, given the ongoing struggle of so many people with the cost of living. But the focus for the Liberal Democrats remains the dire state of the NHS and the missed opportunity in this Budget to provide it with the resources needed; closing loopholes in the oil and gas windfall tax, which noble Lords may remember was extended but the investment loophole through which everybody storms had been left wide open; attacks on share buybacks, as most of us wish to see investment not share buybacks, which have become increasingly popular; and restoring the levy on banks, which, frankly, have been raking it in thanks to high interest rates, and not passing it on to savers. All those kinds of sources could have helped us make a real difference on resources for the NHS.

However, we had two debates around most of those issues in February and I do not want to rehash all the things I said then—I am sure most people are tired of them. I want to look forward, and I do so with a certain real anxiety for what the UK faces. I want to understand what this Conservative Government plan for public services and for local government, recognising the dire state that most are in. We have a few pieces of information. The Government have instructed the OBR that real departmental spending on public services will fall by 1% of GDP over the next five years. According to the IFS, this means a fall in public capital and infrastructure spending of £18 billion a year in real terms, and a fall in day-to-day departmental spending for the unprotected departments, again in real terms, by £20 billion a year. That number is absolutely huge. I pick up the concerns of the noble Baroness, Lady Lister, about local authority cuts.

The Government constantly tell us that they have a plan for public services. What I am now asking the Minister is: show us that plan. When I look for where these public spending cuts will be replaced with new public productivity, the only thing I can really see is some vague notion that artificial intelligence or other kinds of

[Baroness Kramer]

digital change will deliver this kind of extraordinary efficiency. I share the scepticism of the noble Lord, Lord Lamont, about productivity improvements coming so easily, and the noble Lord, Lord Macpherson, told us how he had seen many an efficiency plan come and go. I say to the Government: tell us the plan and tell us in detail so that we can judge how credible that crushing reduction in expenditure and investment in public services is going to look.

We also have a promise from the Chancellor that national insurance will be abolished. It is not in the Budget, but in effect it accompanied it. That step would remove £46 billion a year in revenue from the Exchequer. Will that mean huge new borrowing? Will it be 7p on the basic rate of income tax? Will it again mean a decimation of public services? If so, which and when? That amount is virtually the whole schools budget, or that for justice and defence put together. We need to understand where the money to replace that national insurance abolition will come from.

Once, innocently, I thought the Government's freezing of tax thresholds was a temporary, emergency measure, but it is now becoming clear to all of us that using threshold freezing to bring the lowest earners into tax is actually a key part of the Conservative plan. I remember the days of coalition: lifting tax thresholds to remove tax from lower earners was a central Liberal Democrat policy, and many on the Conservative Benches—I see some here; you know who you are—were furious with the Liberal Democrats for forcing it on the coalition because they felt very strongly that tax cuts should go to top earners, not people down at the bottom. It now seems this is actually the Conservative plan: to return to a focus on low-income people as a major source of new tax revenue. Indeed, it is well under way: we have seen the freezing of the thresholds and it carries on now for further years. Perhaps the Minister will openly confirm the change of direction: lower earners to pay more and more tax.

I end by turning to the vital issue of economic growth. The OBR is more optimistic than other forecasters, but even it sees only the most anaemic growth—here I pick up the comments of the noble Baroness, Lady Moyo—of 0.8% this year rising to 2% in the middle of the decade, and that estimate depends on immigration higher than previously anticipated. UK businesses are desperate for skills. Where is there anywhere in this Budget or in policy a proper reform of the apprenticeship levy? The Government announced some useful steps today, but they are not the fundamental overhaul that is absolutely needed to drive up the quality of skills in this country. The post-Brexit fall in trade intensity was initially forecast at 15%. It now looks as though the actuality is significantly worse. Our trade in services is strong, but the UK's growth in goods trade is well below expectations and well behind the rest of the G7. That in turn has a huge impact on productivity.

Where is the trade plan that means reviving our trade with Europe? Let us not pretend that the new trade deals, although they are much vaunted, are more than, frankly, a rounding adjustment with some modest potential. Where are the mechanisms to seriously raise investment in UK businesses and infrastructure? Many in this debate focused on that issue—the noble Baroness, Lady Moyo, perhaps most particularly—but in a sense it was the subject of the speech by my noble friend Lady Bowles, focusing on investment trusts, which are a key vehicle that is disappearing because of slow government action. Where are these mechanisms to help us increase that investment? The new British ISAs and the Edinburgh reforms are useful but let us be frank: neither is a game-changer. The Government seem to have made some useful changes on the definition of SMEs, but could the Minister please tell us what the scope is of that and what the implications are? She can write if she does not have that to hand.

Behind this scattering of limited changes, there is no long-term policy certainty and no meaningful commitment to priorities. Every policy is unstable. That includes tackling the major crisis that my noble friend Lady Sheehan focused on: climate change. The number one request from businesses, according to research by the *Business Magazine* is:

"A clear and concise industrial strategy".

Will the Minister please tell us why we do not have one?

We have a workforce shortage made far worse by NHS waiting lists of 2.7 million people. Others have talked about the huge number—9 million—who are of working age but inactive. The economically inactive range across the young as well as the old. As the noble Lord, Lord Sherbourne, said, most of them, or a very good number of them—one-third—are inactive because of long-term sickness. Few measures would drive our economy forward more rapidly than fixing the NHS, which is the mechanism to get so much of our inactive population back to work.

Andy Haldane, the former chief economist of the Bank of England, described these Budget measures as "macroeconomic marginalia". I thought that a brilliant description. I suspect most of your Lordships agree. I say to the Minister: this is not a Budget that meets the needs of our times.

7.37 pm

Lord Livermore (Lab): My Lords, it is a privilege to take part in this debate on both the Spring Budget and the national insurance contributions Bill, and to listen to and learn from contributions from so many genuinely expert noble Lords. I join others in congratulating the noble Lord, Lord Kempsell, on his excellent maiden speech, bringing his valuable first-hand experience of policy-making to your Lordships' House. I look forward to his further contributions.

The Budget was delivered against the backdrop of an economy that had fallen into recession. Its context was an economy that is now smaller than when the current Prime Minister took office. It revealed forecasts for an economy that, rather than bouncing back, will do little more than bump along the bottom this year.

In his Budget Statement, the Chancellor set out his own definition of economic success—the yardstick by which he wishes to be judged. He said he wanted

"not just higher GDP, but higher GDP per head".—[*Official Report*, Commons, 6/3/24; col. 837.]

How should we judge the Government against this measure? In the past year, GDP per head shrank in every single quarter. In fact, the latest ONS figures show that it has fallen for seven consecutive quarters. In per capita terms, our economy has not grown since the first quarter of 2022. As my noble friend Lord Eatwell observed, that is the longest period of stagnation that Britain has seen since 1955.

This year, GDP per capita is again set to shrink, not grow. As a result, it will be lower at the end of this year than it was at the start of this Parliament. In the Budget, we learned that forecast GDP per capita growth has been revised down in four of the next five years—not perhaps the success the Chancellor was looking for.

Many noble Lords mentioned the comparative performance of the UK economy, including the noble Lords, Lord Lamont of Lerwick, Lord Tugendhat and Lord Sherbourne of Didsbury, and the noble Baronesses, Lady Goldie and Lady Lawlor. Our country has undoubtedly gone through a difficult time these past few years, and the origins of many of the crises we have faced are, of course, global: pandemic, war, and the energy crisis. But other countries have also experienced those shocks. If the UK economy had grown at the OECD average since 2010, it would now be £140 billion bigger than it is today. That is equivalent to £5,000 per household every year and would mean an additional £50 billion in tax revenues to invest in our public services.

Why have we fared so much worse? Because each time a crisis has hit, Britain has found itself acutely exposed due to the choices this Government have made over 14 years: the austerity mentioned by the noble Lord, Lord Skidelsky, which choked off investment; then Brexit without a plan; and then the disastrous mini-Budget, which crashed the economy, sending interest rates soaring to a 15-year high, and saw mortgage payments rise by an average of £220 every month.

Yet, having crashed the economy, the Government seem not to have learned the lessons and are now apparently intent on re-running the disastrous Liz Truss experiment. As my noble friends Lady Lister of Burtersett and Lord Davies of Brixton said, at the end of his Budget Statement the Chancellor, reiterated by the Prime Minister as recently as today, announced a £46 billion unfunded plan to abolish national insurance contributions. Both the Prime Minister and the Chancellor have repeatedly refused to explain how this will be funded. Will it be paid for by yet more tax rises for working people? The Chancellor refused to rule out raising income tax to pay for it when asked to do so by the Treasury Select Committee. Will it be paid for by higher borrowing? Or will it be paid for by cutting spending on vital public services—our schools, hospitals and police?

There are also genuine concerns about pensions that need to be addressed. National insurance contributions determine people's entitlement to the basic state pension, as well as other contributory benefits. If national insurance contributions are scrapped, how will working people know what their future entitlement to the state pension is? If the plan is instead to merge national insurance and income tax, what will this mean for pensioners' tax bills, including the taxes they pay on their savings?

The Government's previous reckless and unfunded tax plan crashed the economy, and working people are still paying the price. Taxes are still rising, prices are still going up in the shops and mortgages are still higher. Britain cannot afford to repeat that ill-fated experiment. We support tax cuts for working people, but in order to be sustainable and genuinely make people better off, they must be fully costed and fully funded. This is an irresponsible, unfunded spending commitment without any plan to pay for it, and which risks crashing the economy all over again. And once again, it will be working people who pay the price.

Many noble Lords focused today on the cuts to national insurance contained in the Bill that we are also debating, including the noble Lords, Lord Macpherson of Earl's Court, Lord Young of Cookham, Lord Horam and Lord Northbrook, and the noble Baronesses, Lady Goldie and Lady Noakes. We have been consistent over the course of this Parliament in saying that taxes on working people should be lower. Two years ago, when the current Prime Minister tried to increase national insurance, we opposed it. We supported the last cut to national insurance, and we support the measures announced in the Budget, contained in this Bill, to bring it down by a further 2%.

Ministers have previously been rebuked by the chair of the UK Statistics Authority for repeatedly making misleading claims about their record on tax. So let us be clear: these measures come in the context of a rising, not falling, tax burden. The tax burden is now set to rise every single year for the next five years, rising to the highest level in 70 years, making this the biggest tax-raising Parliament since the Second World War.

While the cuts in national insurance are welcome, they are more than eclipsed by the tax increases the Government have previously announced. Tax thresholds are still frozen, increasing taxes by £41.1 billion over the forecast period, creating, as my noble friend Lord Sikka pointed out, 3.7 million new taxpayers by 2028-29. As a result, for every £10 the Government are taking in higher tax, they are giving only £5 back, and by the end of the forecast period, the average family will be £870 worse off. As Paul Johnson, the director of the Institute for Fiscal Studies, has said:

> "This remains a parliament of record tax rises."

As the Resolution Foundation has said, this will be the first Parliament ever to see living standards fall.

Having spent years defending the indefensible, in the Budget the Government belatedly performed a welcome U-turn and recognised the importance of closing the non-dom tax loophole. We have long made the simple patriotic argument that, if people make Britain their home, they should pay their taxes here too. In the Budget, the Office for Budget Responsibility confirmed that the steady-state revenue raised by the non-dom policy is £3 billion per year. So why did the Government not U-turn sooner? My right honourable friend the shadow Chancellor first called for that loophole to be closed two years ago, meaning that we have missed out on £6 billion in tax revenue—money that could have been invested in our public services.

If further proof were needed that Labour is winning the battle of ideas, it is the further extension of the time-limited windfall tax on the oil and gas producers.

[LORD LIVERMORE]

Yet, even now, the Government have still left gaping loopholes, meaning that many energy giants will still pay less in tax.

We are under no illusion about the scale of the challenge we may inherit, nor the scale of the task of rebuilding our economy and our country. Labour's economic plan will be built on the pillars of stability, investment and reform: stability, guided by strong fiscal rules and robust economic institutions; investment, brought about in partnership with business through a new national wealth fund to invest in the industries of the future; reform of our planning system and the skills system—and a genuine living wage.

In contrast, the stark reality of this Budget is clear: taxes rising, living standards falling, growth stalling. The harsh reality the Government must face is that the damage is done. Nothing they can do now will compensate for the fact that people are worse off: working people paying more, pensioners paying more, homeowners paying more.

The questions people ask ahead of the next general election are simple: are they and their families better off after 14 years of this Government? Do our schools, hospitals, police or transport work better than when this Government came to office 14 years ago? Frankly, does anything in our country work better than it did 14 years ago? The answers are always a resounding "No". Only Labour can provide the change our country so desperately needs.

7.48 pm

Baroness Vere of Norbiton (Con): My Lords, it is a pleasure to close today's debate on the Spring Budget and the Second Reading of the NICs Bill. As anticipated, it has been a spirited debate with very thoughtful contributions from all Benches. I am particularly grateful for the support of noble Lords on the Benches behind me—or some of them, anyway.

In particular, I welcomed the contribution from my noble friend Lord Kempsell. His maiden speech was excellent, and I appreciate his nerdy focus on the evaluation of public spending; there cannot be enough nerds in your Lordships' House. The Evaluation Task Force of which he spoke has already proved very useful in thinking about the evaluation evidence we use at the heart of all government decisions. It was used during the spring 2021 spending review, and I am sure it will continue to be key in future decision-making.

I was very much hoping that the noble Lord, Lord Livermore, would respond to the challenge from the noble Baroness, Lady Bennett, and set out how the Labour plan—I call it a plan but that might be stretching it—is different from the well thought-through plans of this Conservative Government. Once again, sadly, it was not forthcoming.

The noble Lord, Lord Livermore, bemoaned the fact that mortgages are high—I am not sure he understands why interest rates are high; it is to bring down inflation—and he was concerned about prices going up in the shops. I am sure he recognises that wholesale prices going down in the shops across the board is actually a very bad thing, but I will leave that there. I will say that when the Chancellor delivered this Spring Budget the markets were stable, there were warm words all round, and I think it was the sort of Budget that we needed.

It is worth reflecting on growth, which many noble Lords have talked about. Many noble Lords have reflected that the performance recently demonstrates that the economy has turned a corner, and that reflects the decisions that this Government have taken. I think the doldrums narrative and some of the words being used by the Opposition are not landing any more because they do not quite reflect what is going on in reality. My advice would be to find some slightly different wording there.

We know that our economy suffered, like other economies. My noble friend Lord Tugendhat talked about the similar internal factors and wider externalities that impacted many other economies. We also know that the combined impact of the Autumn Statement and the Spring Budget will provide a permanent 0.7% increase in the level of potential output by the end of the forecast.

There are many factors that go into GDP per capita. This Government are going to focus on how we can improve our GDP per capita, and I will come on to that in due course, but it is important that we look at wider factors as well. For example, real incomes have been growing stronger than expected this year. Real wages are now higher than pre-pandemic levels and have risen for the past seven months. The OBR now expects living standards, as measured by real household disposable income per person, to grow by 0.8% in 2023-24 and to continue to grow in all financial years over the forecast horizon. I hope the noble Lord, Lord Sikka, will at least welcome that, if almost nothing else that I have to say today.

My noble friend Lady Lawlor noted the impact of migration, as did a number of noble Lords. We are clear that migration must always benefit the UK. The UK has experienced unprecedented levels of migration since the Covid pandemic, which is why we have introduced our five-point plan. We need to think about the extent to which we support our important public services such as health, social care and education but to balance that by ensuring that we attract the best and the brightest. Highly skilled migrants contribute highly to the UK's tech sector: 49% of the UK's fastest-growing businesses and nine of the UK's 14 unicorns have at least one foreign-born co-founder.

To come back to the issue of increasing the number of people contributing to the GDP of our nation, the question of getting the inactive back to work was raised by my noble friends Lord Lamont and Lord Tugendhat and the noble Lord, Lord Skidelsky. It is really important that we encourage these people back to work. That is why in the 2023 Autumn Statement the Government announced a new back to work plan, worth more than £2.5 billion, to expand employment support for the long-term sick and disabled—that includes people who have poor mental health—as well as support for the long-term unemployed. This built on a £7 billion employment package previously announced in the 2023 Spring Budget. We recognise that there is a problem that needs to be fixed. I recognise that there is probably not one silver bullet but, my word, if we can make some inroads into getting those people back into meaningful employment, that really will be a game-changer.

On inflation, I think all noble Lords will agree about the work of the Monetary Policy Committee at the Bank of England in keeping interest rates high in order to reduce inflation, which sadly has a knock-on impact on mortgage rates. We welcome the OBR's forecast for where we think inflation is going to be. I listened with interest to the contribution from my noble friend Lady Lawlor. I will read with interest the recommendations of the economic committee that she mentioned, and the Treasury will respond as appropriate.

On the point raised by the noble Lord, Lord Skidelsky, the impact of the disruption in the Red Sea is included in the OBR forecast, which shows an increase in inflation of about 0.2% in the central case.

I will briefly go back to the issue of government debt and why we are in the situation we are in. Sometimes I refer to the unprecedented challenges of the Covid pandemic and the energy crisis spawned out of the war in Ukraine. Let us go back to the pandemic. I was a Minister throughout the whole of the pandemic, and I saw vast quantities of money propping up our economy, our society and our health system. We often talk about the furlough scheme that protected nearly 12 million jobs. That was enormous, but we do not always think about the £2 billion culture recovery fund that we put in place. Public transport systems were my old patch, and I think I managed to spend part of the £12.8 billion that we put into that. The health service got an extra £81 billion of ring-fenced Covid funding, while £5 billion went towards academic recovery.

That all needs to be remembered when noble Lords turn around and criticise what has had to happen in the forecasts for our tax rates. It has to be repaid. Next time I am closing one of these debates, because it might be quite interesting, I might go through *Hansard* so that my speech can literally just quote all the times when various noble Lords on the Opposition Benches wanted us to spend even more or shut things down for even longer. In those two circumstances, we would be in a much worse situation than we are now.

We emerged from the pandemic quicker than many other similar nations, but I accept that it has meant we have had to make some difficult choices on tax. We have made those choices, and now we are able to make other choices that improve the situation on tax. Let us be absolutely clear, to quote the noble Lord, Lord Livermore: the cumulative impact of the tax changes over the last four fiscal events reduces the tax burden by 0.6% from what it would otherwise have been. I think that is completely clear—super clear. I absolutely accept that the tax burden is too high, that it is going up and that there are massive underlying reasons why the tax burden is as it is. I also know that many noble Lords opposite would have had us in an even worse position had we listened to them.

We have had to take a fair approach to repairing the public finances. It is the case that we have asked everyone to contribute a little more through keeping tax thresholds fixed. It is also the case that if one enters a new tax threshold, one is earning more money; one does not get there by accident. As we know, wages are going up faster than inflation, and therefore in real terms you would be earning more money.

We have now decided that the best way to grow the economy, while ensuring that inflation is kept under control, is to reward those in work. When I first heard about taxing people twice on work, it took me a little while to get it but then I thought, "Oh my goodness, that's absolutely true". I have been in this game for quite a long time but I had not thought about the fact that if you are a worker, you get charged tax twice. It is right that we make the tax system fairer and simpler and reward hard work in the UK. I welcome the comments from the noble Lord, Lord Macpherson, and my noble friend Lord Lamont that we are right to focus on NICS versus income tax. I tried to follow the noble Lord, Lord Davies, but I think he was calling for a large income tax rise for unearned income so I did not go down that route.

Many noble Lords have said, "This is terrible, it is an unfunded tax cut". I am sorry. Political parties, Governments and all sorts of people state their ambition, their vision, all the time. That is simply what the Government are doing. We want to end the unfairness whereby if you get your income from a job, you pay two types of tax—NICs and income tax—but if you get it from another source, you pay only one. Therefore, it is perfectly reasonable for us to set out a long-term ambition to abolish employee and self-employed NICs entirely and end this unfairness that sits within the tax system. It is also perfectly reasonable for us to say that we will not do this overnight; it can be done only in a fiscally responsible way and when it can be achieved without compromising high-quality public services. I do not understand why that is difficult to grasp.

On the comments of the noble Baroness, Lady Lister, I recognise that some people may be concerned that this will have an impact on state pensions or contributory benefits, and would like to reassure her that it does not. We believe in the contributive principle; cutting NICs does not affect anyone's entitlement to the state pension or contributory benefits, nor does it impact decisions on funding for the NHS. The fact that the money still goes into the national insurance fund is a bit of smoke and mirrors; as all noble Lords know, the Treasury retains the ability to top up the fund. It is not a requirement that the two go hand in hand; reducing employees' national insurance does not mean that contributory benefits change. That is the way it is.

I appreciated the comments by the noble Lord, Lord Sikka, on the taxes on nuts. I agree that sometimes it can be a little confusing but, having been in the VAT game as a finance director, I know that systems can cope with these sorts of things. VAT has been designed as a broad-based tax on consumption; where there are exceptions to the standard case, they are strictly limited to legal and fiscal considerations. It is widely viewed as quite an economically efficient and non-distortive way of raising revenue.

I very much welcomed the insights from my noble friend Lord Leigh on VAT and VAT evasion. I will take his comments back to the Treasury and HMRC, and as I think he suspects, I will be writing.

[Baroness Vere of Norbiton]

The noble Baroness, Lady Lister, spoke of the high-income child benefit charge. I understand where she is coming from and that she would like to abolish it completely. I suspect that that will probably not be on the table at this time. I also recognise the challenge that she raised. Changing from a principle to ensure that we remove an unfairness can sometimes be okay. That is why we are consulting on how that removal will take place, and I think it will be a very interesting consultation.

To continue on the tax theme, my noble friend Lord Northbrook asked about tax-free shopping. The Government's latest estimate for the cost of a new worldwide scheme based on 2022 costings is around £2.5 billion a year. The Government are grateful to the OBR for its review of the original costing of removing tax-free shopping. We are considering the OBR's findings, alongside industry representations and broader data, so I encourage industry to bring forward as many data points as it can and we will consider them alongside the OBR's findings.

My noble friend Lord Northbrook also talked about inheritance tax. The Budget was very much focused on reducing taxes on work, so we were not able to make changes to inheritance tax at this time.

I listened to my noble friend Lord Young on multiple dwellings relief, and we will engage very closely with stakeholders to make sure that it does not have any unforeseen impacts. I will raise the issue with the department and ensure that we will do what we can.

I welcomed the welcome of my noble friend Lord Leigh for the changes to non-doms. I agree that these changes are pragmatic and achieve the right balance between ensuring that those who are resident in the UK pay tax in the UK and encouraging those with high wealth to come to the UK and invest their funds. That was the balance that we were keen to achieve; we believe that introducing a new residence-based regime brings the UK into line with other countries with similar schemes, such as France, Spain and Italy, and makes us more competitive than places such as Germany and the US that do not have those schemes. The detail of the operation of the scheme will become clear in due course after consultation. I recognise that there is uncertainty around the costing: the OBR has certified the costing as reasonable and central, but as with any of these costings, some will include more uncertainty than others. My noble friend Lord Northbrook questioned its attractiveness, but as I said previously, I think we have got the level of attractiveness right versus other places.

On public spending, I shall not repeat the oft-quoted government lines about where we are. Of course, we recognise the need for good public services; we have committed to grow departmental spending 1% on average in real terms beyond 2024-25. The noble Baroness, Lady Kramer, asked for a plan. As she knows, the plan will be set out in due course, and I will write further if I can. We believe that productivity must be part of the plan. It is an unfortunate feature of modern politics that the extent to which one is perceived to care about one public service or another is measured by how many millions, hundreds of millions or billions one is seen to be spending on them. In the private sector, that would be regarded as completely and utterly nonsensical. Nobody in the private sector would increase inputs and expect outputs to come flooding out. It does not guarantee the right outcomes. We need to take stock of this. It is vital that we change our attitude by becoming relentlessly focused on outcomes and not only inputs, because it is only by providing better public services that we can provide better value for money for the taxpayer.

Many noble Lords mentioned the NHS productivity plan. I commit that we will hold the NHS leadership's feet to the fire on this—it will be accountable for delivering the plan and its savings. There is a further £800 million going into other public services, including special free schools, police technology, children's homes, the justice system and the DWP. The leadership will be accountable for delivering the savings that it says it can get.

My noble friends Lady Goldie and Lord Tugendhat and the noble Lords, Lord Macpherson and Lord Lee, all mentioned defence spending, and as the daughter of an Army officer, I too have a lot of interest in it. I appreciate all the comments on our Armed Forces and defence spending more broadly. We recognise that we need our forces to be ready and resilient. We remain committed to increasing defence spending to 2.5% of GDP as soon as conditions allow. The Prime Minister has been clear that the target and the path for getting to that 2.5% will be set out at the next spending review. I will write to the right reverend Prelate on official development assistance.

On the household support fund, I shall take back the comments of the noble Baroness, Lady Lister. I note too the comments of my noble friend Lord Young but will say that the household support fund is just one of the many interventions that we can make to protect the most vulnerable.

I will write to various noble Lords on local government funding. There have been pressures and the Government have stepped up to try to relieve them. There has also been some pretty poor decision-making in some local government areas, and the consequences of those sometimes come through the system.

I will write to the noble Lord, Lord Bird, on social housing and to the noble Lord, Lord Sikka, on reducing poverty because I want to spend a couple of minutes on infrastructure investment, which was mentioned by my noble friend Lord Howell. Infrastructure was also mentioned by my noble friend Lady Moyo, who focused on effective public and private infrastructure.

We absolutely recognise that high-quality infrastructure is crucial for delivering economic growth, productivity and competitiveness. I welcome the comments from my noble friend Lord Horam on investment across the UK. What we potentially do not talk enough about, because it is not a new thing, is that we are spending £600 billion on public sector investment over the next five years. That is enormous but we do not talk about it because there is a plan and it is all just going ahead, but it is possibly worth reminding noble Lords that this money continues to be spent. That is exactly where we are putting our money. We are also speeding up the planning system for significant infrastructure projects and looking at grid reforms, which will be critical, particularly for the green economy.

The UK has attracted the third-highest amount of greenfield foreign direct investment since 2010. It is about £500 billion, behind only China and the US. Indeed, in that time we have attracted more greenfield FDI than Germany and France combined. We can attract FDI and my noble friend Lord Harrington's review identifies how the Government can go further. We are taking that review very seriously.

Allied to that, we have to think about how we are going to not only unlock the money in our pensions but improve the functioning of our capital markets. My noble friend Lady Moyo asked for specific plans and I will write to her with those, because a number of esteemed experts within the City of London have written good reports for us. These build on the Edinburgh reforms and the Mansion House reforms, which the Chancellor has already announced.

I will write to the noble Baroness, Lady Bowles, on investment companies. I do not have much of an update yet, but I promise her that I am pushing it as much as I can.

The noble Lord, Lord Lee, mentioned the NatWest shares for schools. It is right that financial literacy is supported at a young age. The Chancellor set out in his recent letter that there would be really significant delivery challenges with gifting NatWest shares. I am not entirely sure it is the right solution to a problem that the noble Lord probably recognises is there, but the Government are very committed to ensuring that financial literacy is absolutely key.

I will write to the noble Lord, Lord Macpherson, about the NatWest retail sale; I apologise for not getting to that. I will also write to the noble Baroness, Lady Sheehan, on the green economy because I have quite a lot to say on that, particularly on the green finance strategy and how to align the financial system to investment in the green economy, which is critical.

I say to my noble friend Lord Young that the Chancellor made it clear at his TSC appearance last week that there were some unintentional leaks in the lead-up to the Budget. It is disappointing that, for not only this fiscal event but the last few fiscal events, it has been very difficult to keep a lid on measures.

I have absolutely overrun and I will send a letter but, to conclude: this Spring Budget is one more step in the Chancellor's clear plan to put us on a path to economic growth. The NICs Bill, also the subject of the debate in your Lordships' House this evening, ensures that working people can feel the benefit of a tax cut as soon as possible.

Motion agreed.

National Insurance Contributions (Reduction in Rates) (No. 2) Bill

Second Reading

8.13 pm

Moved by ***Baroness Vere of Norbiton***

That the Bill be now read a second time.

Bill read a second time and committed to a Committee of the Whole House.

House adjourned at 8.13 pm.

Grand Committee

Monday 18 March 2024

Arrangement of Business

Announcement

3.45 pm

The Deputy Chairman of Committees (Baroness Fookes) (Con): My Lords, I am obliged to point out that if there is a Division in the Chamber, we will have to adjourn immediately and resume after 10 minutes. It seems highly unlikely to me.

Terrorism Act 2000 (Code of Practice for Authorised Officers) Order 2024

Considered in Grand Committee

3.45 pm

Moved by ***Lord Gascoigne***

That the Grand Committee do consider the Terrorism Act 2000 (Code of Practice for Authorised Officers) Order 2024.

Relevant document: 12th Report from the Secondary Legislation Scrutiny Committee

Lord Gascoigne (Con): My Lords, in addition to the draft Terrorism Act 2000 (Code of Practice for Authorised Officers) Order 2024, I shall speak to the following three draft statutory instruments: the Proceeds of Crime Act 2002 (Search, Recovery of Cryptoassets and Investigations: Codes of Practice) Regulations 2024; the Proceeds of Crime Act 2002 (Investigative Powers of Prosecutors: Code of Practice) Order 2024; and the Proceeds of Crime Act 2002 and Terrorism Act 2000 (Certain Information Orders: Code of Practice) Regulations 2024.

Before I address the contents of these SIs, I will give some background. The Government are firmly committed to tackling all forms of economic crime. We already undertook unprecedented action to prevent kleptocrats and organised criminals abusing our open economy when we expedited the passage of the economic crime Act through Parliament in 2022. The Home Office measures in that Act reformed the unexplained wealth orders regime to improve transparency of ownership structures and to allow more time for law enforcement to review material relating to unexplained wealth orders.

Building on that Act, the Economic Crime and Corporate Transparency Act 2023 contains a wide range of reforms both to the Proceeds of Crime Act 2002 and to terrorist financing legislation through the Anti-terrorism, Crime and Security Act 2001 and the Terrorism Act 2000. These reforms include: powers to allow the effective seizure of both criminal and terrorist crypto assets; reforms to enable targeted information sharing to tackle money laundering and remove reporting burdens on businesses; new intelligence gathering powers for law enforcement; and provisions to reform outdated criminal corporate liability laws.

The reforms to the unexplained wealth orders regime and corporate liability laws and reforms to enable targeted information sharing and reduce reporting burdens are already in force. The new offence of failure to prevent fraud will be brought into force once government guidance has been published and businesses have familiarised themselves with it. We intend to publish the guidance shortly. Most of the remaining Home Office measures will be commenced on 26 April 2024.

Today, we will debate the statutory instruments that underpin the codes of practice for those measures. Therefore, with respect, I do not intend to cover the powers themselves, as they were debated extensively in both Houses during the passage of the Act.

Four draft affirmative instruments, including one laid by the Attorney-General's Office, are required to update six codes of practice. Four existing codes of practice are being revised and two new ones are being made. This includes a search, seizure and detention of property code, issued by the Home Secretary to guide the exercise of search and seizure powers in the context of criminal confiscation investigations for officers operating in England and Wales. It also includes two codes to guide the exercise of search and seizure powers. One is issued under the Proceeds of Crime Act 2002 and the other is issued under the Terrorism Act 2000, in relation to powers in the Anti-terrorism, Crime and Security Act 2001. These codes are to guide law enforcement in the use of these powers for civil forfeiture and counterterrorism investigations. These codes are also issued by the Home Secretary. It also includes two codes to guide the exercise of powers to investigate suspected criminal property. One code is issued by the Home Secretary and an equivalent code for prosecutors is issued by the Attorney-General for England and Wales and the Advocate-General for Northern Ireland. The final code being introduced by these draft instruments is a new code to guide National Crime Agency officers on the appropriate use of new information order powers. This code is issued by the Home Secretary under both the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

The codes clarify the circumstances in which the powers may be exercised to ensure that they are applied consistently. This is of vital importance given the broad range of law enforcement agencies to which the powers apply. The use of the powers in these codes of practice may impact upon individuals' rights and should therefore be proportionate to the outcome sought. Guidance on the exercise of the powers in these codes is required to safeguard against improper use.

The Proceeds of Crime Act 2002 and the Terrorism Act 2000 mandate that the Secretary of State must publish a draft code, consider any representations made and modify the draft in the light of such representations, prior to laying revised codes. The draft codes we are debating were therefore subject to separate public consultations. Information on the consultations can be found in the Explanatory Memoranda that accompany these statutory instruments.

In conclusion, these four draft instruments are required to deliver on the Government's objective to complete commencement of the 2022 and 2023 Acts. This will ensure that all necessary legislation is in place and that

[Lord Gascoigne]
there is legal certainty for the judiciary, respondents and the legal profession as to how cases will be dealt with before the courts. I beg to move.

Lord Coaker (Lab): My Lords, I thank the noble Lord for his helpful introduction to these detailed and important SIs. He is right to highlight the importance of tackling economic crime, which is something that we all believe we could and should be doing more about.

The four SIs that we are discussing this afternoon follow on from the Economic Crime and Corporate Transparency Act and the previous Act, the Economic Crime (Transparency and Enforcement) Act. As the noble Lord pointed out, there are six new or revised codes of practice on how various authorities use their powers when tackling money laundering and terrorist financing. Consultation on these changes took place last summer. I have a number of questions, which I hope the noble Lord can answer for us.

Given that the consultation on these changes took place last summer, why is it only now that the changes are being implemented, some nine months later? Given that, for some of these instruments, the consultation took place before the Economic Crime and Corporate Transparency Act was passed, will further changes be required?

The Economic Crime (Transparency and Enforcement) Act, which gained Royal Assent over two years ago, and the Economic Crime and Corporate Transparency Act left a significant number of changes to be made through secondary legislation. The noble Lord may have mentioned this, but what is the timetable for implementing all these various changes? There were many provisions in the primary legislation that referred to secondary legislation that would be forthcoming in due course, but what does that actually mean? When can we expect all of that, given—and the noble Lord talked about the importance of tackling economic crime—we need the supporting secondary legislation to be passed as soon as possible?

The Economic Crime and Corporate Transparency Act spans several departments. How is the Home Office working with other departments, such as the Department for Business and Trade, to bring about the effective implementation of these changes?

Can the noble Lord outline for us what assessment will be made of how the Government believe these two Acts are working in practice, and what further steps, if any, need to be taken to combat economic crime?

In reading the various codes of practice, I noticed that they refer to different law enforcement agencies. How is their activity to be co-ordinated? We have the National Crime Agency, the City of London Police as the lead for economic crime, and then we have the individual police forces. How will all that work be co-ordinated, so that it is as effective as we would all want it to be?

The Minister mentioned the impact that we hope to have on Russia-related economic crime, but what else needs to be done, given the impact that we hope economic sanctions have on Russia, particularly with respect to the conflict in Ukraine?

When I raised the issue of enforcement in respect of economic crime, I should have asked what the Government are doing to monitor the effectiveness of the Act. Have they ensured that the consultation outcomes are easily accessible from the consultation web page, as recommended by the Secondary Legislation Scrutiny Committee? I did not find it the easiest consultation response to access, and clearly the Secondary Legislation Scrutiny Committee also had some trouble, so can the Minister say anything more about that?

Is there any oversight of the use of these powers? I understand that, with respect to the terrorism codes of practice, it is presumably the Independent Reviewer of Terrorism Legislation. Can the Minister confirm that and say whether there is any other oversight of these particular powers?

Can the Minister explain the differences in the proceeds of crime statutory instruments and their different application to the nations of the UK? The Minister will know that that is a favourite topic of mine, but I am not trying to be awkward. Clearly, for the territorial extent of the terrorism codes of practice before us, that is relatively easy because the application of those powers is UK-wide. But, on the other territorial application, some parts of the statutory instrument related to England and Wales, while other parts related to England, Wales and Northern Ireland. Can the Minister give a general explanation for all that, particularly, as always, with respect to Scotland? If it is devolved and a matter for the Scottish Government—I suspect that will be the Minister's answer—how will we ensure that the work that Scottish law enforcement does with the other law enforcement bodies across the rest of the UK has the co-ordinated effectiveness that we want?

We of course support the moves that the Government are making. We all believe that economic crime needs to be more effectively tackled, which is why we supported the various provisions contained in the primary legislation. I look forward to the Minister's responses to my questions because, as I say, we want this to be effective and we want economic crime to be tackled in a better way than perhaps it is presently.

Lord Gascoigne (Con): My Lords, I am grateful to the noble Lord, Lord Coaker, for his support. Although it is literally a debate between him and me, he obviously made a good, thoughtful and insightful contribution, as expected. I do not wish to go back through the points I made in my opening, but I will seek to address a number of the noble Lord's questions. I am afraid I do not have answers to some of them at this moment, but I will answer as many as I can, although I will not be able to do justice to a number of them. I assure the noble Lord that I will write to him on those. I will address his questions in no particular order.

On the timing from when the Act received Royal Assent through to this stage, the noble Lord will know that, in this case, the consultation had to be carried out on the codes, and consideration had to be given before the codes could be finalised and laid before the House.

4 pm

These statutory instruments are subject to the affirmative procedure, which obviously requires the relevant committees to go through them. If they are approved by Parliament, the intention is, as I think I said at the beginning, they will come into force on 26 April 2024.

On liaison with agencies, my understanding is that the department has consulted the agencies in this process. We have a very good working relationship, and we will continue to do all we can to work with them going forward.

On the devolved issues, the noble Lord has also asked about this on other unassociated matters. I will try to set out the interface between how these codes work and the devolved nations of the UK. First, the code relating to confiscation will apply to England and Wales only. Each UK jurisdiction has its own confiscation regime. Confiscation is linked to criminal justice and sentencing. Northern Ireland will bring its own confiscation reforms into force at a later date.

Secondly, the code for civil forfeiture applies to the whole of the UK. Scotland and Northern Ireland gave consent for the changes in the Act to apply in those nations. The independent Rules Council in Scotland is determining whether amended Scottish court rules will be required prior to those measures in the Act coming fully into force in Scotland. The UK Government will then commence those measures fully for Scotland.

Thirdly, the two codes relating to investigations will apply to England and Wales and Northern Ireland. Scotland has separate powers in the same Act.

Finally, the codes relating to terrorist crypto assets and to information orders will apply to the whole of the UK as, as the noble Lord will know, counterterrorism and anti-money laundering are matters of reserved competence for the UK. I appreciate that response is lengthy, but I hope it covers the different angles of how the regulations apply.

There was a question relating to Russia. While I do not have specifics about what we are doing in tackling that, obviously some of its origins come from what happened from the conflict in Ukraine. The noble Lord is absolutely right that we are acutely aware that many of these assets are internationally held and could be outside the UK.

I want to set out some of the other work that we are doing internationally. The Act contains measures to include and cover as many entities as possible where there is a link to the United Kingdom. That includes provisions about requests for assistance in relation to crypto assets. This allows law enforcement to detain crypto assets for a period while investigations are ongoing. In addition, the new information order powers will ensure that the capabilities of the UK Financial Intelligence Unit within the NCA are up to international standards and increase our ability to support requests from partners to prevent illicit funds entering our economy. We recognise the need always to be vigilant. That requires cross-border working, which is why we are firmly committed to working with many of our international partners, utilising our approach and sharing and co-ordinating learning as much as possible.

In terms of how it is working and whether it will be adequate, the noble Lord obviously infers that the crypto-asset technology is evolving quickly. There are specific powers in the regulations for the Secretary of State to amend definitions associated with crypto assets. We always remain vigilant and will always keep this under review, but we believe these powers strike the right balance in strengthening the legislative framework and promoting technical innovation. We believe that, compared with other countries, we are ahead of the curve in the global efforts to tackle economic crime and terrorist financing involving crypto assets.

The noble Lord made a point about the consultation response. I completely understand the point he is making, and I will take it back to the department.

One of the questions the noble Lord asked was about oversight. I assure the noble Lord that I will write to him about that and specifically about Russia and the impact it has had there.

Lord Coaker (Lab): That is very helpful. I am talking about the proceeds of crime oversight SI, as I assume that the terrorism SIs will have the normal oversight of the terrorism independent reviewer.

Lord Gascoigne (Con): Yes, that is correct.

Lord Coaker (Lab): The point about Russia is also quite important, for obvious reasons; I would appreciate it if the noble Lord could look into that and see what impact the Government think this may have on the sanctions that we are trying to impose on Russia.

Lord Gascoigne (Con): I thank the noble Lord and give him that undertaking.

I am very grateful for the noble Lord's comments and thank the Committee for considering these instruments, which are necessary to deliver the Government's objective to complete commencement of the Economic Crime (Transparency and Enforcement) Act 2022 and the Economic Crime and Corporate Transparency Act 2023. I beg to move.

Motion agreed.

Proceeds of Crime Act 2002 (Search, Recovery of Cryptoassets and Investigations: Codes of Practice) Regulations 2024

Considered in Grand Committee

4.05 pm

*Moved by **Lord Gascoigne***

That the Grand Committee do consider the Proceeds of Crime Act 2002 (Search, Recovery of Cryptoassets and Investigations: Codes of Practice) Regulations 2024.

Relevant document: 12th Report from the Secondary Legislation Scrutiny Committee

Motion agreed.

Proceeds of Crime Act 2002 (Investigative Powers of Prosecutors: Code of Practice) Order 2024

Considered in Grand Committee

4.06 pm

Moved by ***Lord Gascoigne***

That the Grand Committee do consider the Proceeds of Crime Act 2002 (Investigative Powers of Prosecutors: Code of Practice) Order 2024.

Relevant document: 12th Report from the Secondary Legislation Scrutiny Committee

Motion agreed.

Proceeds of Crime Act 2002 and Terrorism Act 2000 (Certain Information Orders: Code of Practice) Regulations 2024

Considered in Grand Committee

4.06 pm

Moved by ***Lord Gascoigne***

That the Grand Committee do consider the Proceeds of Crime Act 2002 and Terrorism Act 2000 (Certain Information Orders: Code of Practice) Regulations 2024.

Relevant documents: 12th Report from the Secondary Legislation Scrutiny Committee

Motion agreed.

South Yorkshire Mayoral Combined Authority (Election of Mayor and Transfer of Police and Crime Commissioner Functions) Order 2024

Considered in Grand Committee

4.07 pm

Moved by ***Lord Gascoigne***

That the Grand Committee do consider the South Yorkshire Mayoral Combined Authority (Election of Mayor and Transfer of Police and Crime Commissioner Functions) Order 2024 Consideration in Grand Committee.

Relevant document: 15th Report from the Secondary Legislation Scrutiny Committee, special attention drawn to the instrument

Lord Gascoigne (Con): My Lords, this order was laid before the House on 7 February. If approved by both Houses, it will transfer police and crime commissioner functions from the South Yorkshire PCC to the Mayor of South Yorkshire. It will also bring forward the next scheduled mayoral election in South Yorkshire from 2026 to May 2024, thereafter taking place every four years, so that the South Yorkshire mayoral election cycle is aligned to the existing PCC election cycle. We are grateful to the incumbent mayor, Oliver Coppard, for providing his consent to the transfer and to the amendment of his current mayoral electoral term to enable this alignment.

This first mayor to exercise PCC functions in South Yorkshire would do so following the next mayoral election, which is to be rescheduled for Thursday 2 May 2024. This maintains the direct democratic accountability for policing and crime in South Yorkshire, as the mayor will be elected by the people of South Yorkshire on the basis that they are to exercise the functions of the PCC in that area. The incumbent PCC for South Yorkshire will continue to exercise the PCC functions until the end of his elected term of office. The person elected as mayor, from the point of taking office on Tuesday 7 May following the mayoral election, will act as the single, directly elected individual responsible for holding the chief constable and police force to account. They will be accountable to the people of South Yorkshire for this.

Their functions would include issuing a police and crime plan; setting the police budget, including the PCC council tax precept requirements; appointing and, if necessary, suspending or dismissing the chief constable; addressing complaints about policing services; providing and commissioning services for victims and vulnerable people; and working in partnership to ensure that the local criminal justice system is effective and efficient.

Part 1 of the Government’s review into the role of PCCs cemented the Government’s view that bringing public safety functions together under the leadership of a combined authority mayor has the potential to offer wider levers and a more joined-up approach to preventing crime. The Government’s levelling up White Paper, published in February 2022, sets out the Government’s aspiration to have combined authority mayors take on the PCC role where feasible. By working in partnership across a range of agencies at local and national level, mayors can ensure that there is a more holistic, unified approach to public safety.

As is required by Section 113 of the Local Democracy, Economic Development and Construction Act 2009, the Home Secretary launched a public consultation on the proposed South Yorkshire police and crime commissioner functions transfer on 20 December 2023; it ran for six weeks to 31 January. Just over 3,000 responses were received to this public consultation and the Home Secretary considered the views gathered when deciding whether to lay this order enabling the transfer of PCC functions to the Mayor of South Yorkshire.

It is this Government’s view that incorporating PCC functions into the role of the Mayor of South Yorkshire, who is elected to deliver across a range of other functions, will bolster their mandate to bring greater join-up across the responsibilities that they are accountable for and help to facilitate a whole-system approach to crime reduction. It preserves the democratic accountability that underpins the PCC model while, at the same time, reducing the risk of competing democratic mandates within the South Yorkshire Mayoral Combined Authority area, providing greater clarity for the electorate on who is responsible for public service functions in their area.

The exercise of PCC functions by the Mayor of South Yorkshire is a significant step towards realising our ambition for more combined authority mayors to take on PCC functions, as is already the case in Greater Manchester and West Yorkshire. It means that people in South Yorkshire will be served by a mayor with a range of functions and levers comparable to the Mayors of Greater Manchester, West Yorkshire and London, and will be able to hold their mayor to account for this enhanced range of responsibilities. I beg to move.

Lord Coaker (Lab): My Lords, I thank the Minister for the careful way in which he outlined the case and reasons for the order before us, on the South Yorkshire Mayoral Combined Authority. He will know that, the other day, concerns were raised with respect to the West Midlands—that will follow its course, notwithstanding the judicial review of it—but this order refers to South Yorkshire, which is a totally different situation. We support the Government's proposition here for the reasons that the Minister outlined.

I do not have much to add to what the Minister said. I just want to ask him this: what steps do the Government propose to take in order to inform the people of South Yorkshire of the proposed changes and the reasons for them? Also, can the Minister explain to us the Government's view on the discussions they intend to have with the various local authorities in South Yorkshire, Members of Parliament and other local representatives? For these sorts of changes, we make the decision here—in this case, we support what the Government are doing—but it is of course important for us to consider how we both take it forward and explain, to local residents as much as anybody else, what we are doing.

With those brief comments, I have nothing further to add to the important points that the Minister made.

Lord Gascoigne (Con): Yet again, as ever, I am grateful to the noble Lord, Lord Coaker, for his comments and his support in this. He is absolutely right to mention the debate on the West Midlands the other day; I am personally glad that this debate has not been as excitable as that one.

I want to try briefly to run through a few things. One thing that I want to set out concerns the public consultation; it relates specifically to the noble Lord's question on what engagement has been done and some of the local views that were expressed.

4.15 pm

The noble Lord asked what engagement there has been. In addition to the consultation, my understanding is that there has been engagement at a local level with the mayor, the PCC and the returning officer. In terms of the local MPs, there was a debate in the other place the other day. The noble Lord is absolutely right that there should be more engagement; if this is passed, the work will then start on making sure that the electorate, as they will be, are informed of what is taking place. I do not have specific details as to what the steps and plans will be, but I assure the noble Lord that I will write to him setting that out.

As I said, the public consultation ran from 20 December to 31 January and the Government's response was published when this order was laid before Parliament. Just over 3,000 responses were received—a great deal more than have been received by other consultations on similar devolution proposals. As was noted in the debate in the other place, 65% of those responses expressed the view that they did not agree with it. However, my understanding is that some of those responses were not specifically about opposition to this; it may just have been that they were expressing views on local issues rather than being opposed to this per se.

That consultation helped obtain views and information for the Home Secretary, rather than just find out who was opposed to it. While the numbers for and against the transfer were taken into account, the most helpful aspect of the consultation, for the purpose of making the decision, was the information provided in the responses. The Home Secretary's decision was informed but not bound by the responses in that consultation. In making his decision, the Home Secretary also had regard to information concerning the statutory tests and duties relevant to his decision. Ultimately, the Home Secretary is satisfied that the making of this order meets the statutory tests required of him.

I have been handed a note from the department saying that, in terms of the earlier points I was trying to make—I am more than happy to write to the noble Lord as well—local MPs and the mayor were involved in the consultation last December. The mayor, the PCC and the local authorities all support the merger. Once the election is called, the candidates can be announced in due course, as the noble Lord will know all too well.

Lord Coaker (Lab): It is very helpful to hear that the mayor, the PCC and the local MPs were in favour of this. That is an important consideration for us all. My other point was that, while it is obviously important for the Government to work with MPs, the mayor and the PCC, they should also continue to inform the public about the different changes that are made. Obviously, this is quite a big change in their area, and it would be helpful for the Government to work with local representatives and support them in making sure that the public are fully informed about and aware of the changes and the reasons for them.

Lord Gascoigne (Con): Yes. To clarify one point, MPs were engaged in and aware of the consultation, but that does not mean that all of them supported it, as I am sure the noble Lord is aware. However, they were certainly aware of it. The point I was making earlier is that the mayor and the PCC were both in support of it.

Lord Coaker (Lab): I accept that. The mayor and the PCC were in favour and all the local MPs were consulted; that is right. The point I am making is that the Government have taken the decision they have. We support that decision, but I ask them to consider how they will work with the mayor, the PCC and all those MPs, whatever view they took, in taking this proposal forward, if it is passed by Parliament. I also ask them to consider how they will work with all those representatives to make sure that the public are fully informed about the changes and why they are happening.

Lord Gascoigne (Con): The noble Lord is absolutely right. There is also a read-through to the next SI; there is a constant lesson to be learned in terms of what engagement is done. Obviously, it is very good that there is significant local support for this, but there is certainly a lesson for us always to be aware of the need for public buy-in for any changes that we make. As I tried to say, part of the mission here is to ensure that the electorate are always kept in mind; that they are involved; that there is accountability in terms of the public services that they want; and that they have the chance to vote for whoever their representatives will be.

I am more than happy to take this away and write to the noble Lord, but hopefully that clarified some of his points. I am grateful yet again for the noble Lord's comments and support. With that, I beg to move.

Motion agreed.

North East Mayoral Combined Authority (Establishment and Functions) Order 2024

Considered in Grand Committee

4.22 pm

Moved by ***Baroness Scott of Bybrook***

That the Grand Committee do consider the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The Parliamentary Under-Secretary of State, Department for Levelling Up, Housing & Communities (Baroness Scott of Bybrook) (Con): My Lords, with the agreement of the Committee and its Chairman, I would like to say a few words in tribute to Paul Rowsell, who was head of the governance reform and democracy unit within DLUHC. He died suddenly on Thursday on his way to work at the age of 71. Paul had worked as the head of that unit since it was formed in 2011. Before that, he had dealt with all things to do with local authority governance since the 1990s.

Paul and I worked together on a weekly basis in the early 2000s on the Wiltshire unitary bid; he became a good friend of mine, and I hope I became a good friend of his. I will miss him terribly—including his not sitting behind me today. Paul was a wonderful public servant and he will be very sorely missed, not just by his colleagues in DLUHC but by the many people in local government whom he met and supported over the years. May Paul rest in peace.

Baroness Taylor of Stevenage (Lab): With permission, I would like to respond to that tribute. I have been in local government for nearly 30 years now, and I knew Mr Rowsell for most of that time. He was a formidable public servant, as the noble Baroness, Lady Scott, said. He was one of the great experts on local government finance—there are not many of those. Paul probably knew more about local government finance than anybody else in the country. I remember the trepidation that you would feel—I was a deputy leader of the LGA for many years—when you went into a meeting with him because you knew, however good your arguments were and however well you had been briefed by the LGA, he would pick it apart in five minutes and decimate your argument.

In spite of his tough approach to those of us who came up against him in meetings, he was very much a trusted member of the team in DLUHC and its predecessor departments—it has had many names over the years. I first encountered him way back when we were working on some of the "best value" initiatives. He was trusted, effective, incredibly knowledgeable and a consummate professional. His public service to this country in the local government department—that is what I will call it—was exemplary. I hope that he will rest in peace and that, for those who knew him personally, his memory will be a blessing. I thank him from our side of the Committee for his wonderful service to local government.

Lord Shipley (LD): My Lords, it is deeply sad news to learn of Paul Rowsell's death. I think back to the advice that he gave me during the passage of the Localism Act in the period of the coalition Government from 2010 to 2015. He had the ability to listen, to explain and to stay very polite, even if I was completely wrong on the issue. He had the ability to make things clear so that the understanding of those of us who were dealing with legislation was improved. It is a sad day for local government. He will be sorely missed. I appreciated his presence as part of the Bill team so many times. You knew that if Paul was leading a team, the work had been done and was of an enormously high, professional standard. It is with deep regret that we say that we will miss Paul profoundly.

Baroness Scott of Bybrook (Con): My Lords, the purpose of this order is to implement the devolution deal agreed between the Government and seven councils across the north-east—County Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland—on 28 December 2022.

We have been working closely with these seven councils. On 2 February 2024, they consented to the making of the order. The institutions that are to be abolished by the order—the two existing combined authorities and the North of Tyne Mayor—consented to the making of this order, which also provides the foundation for the deeper devolution deal for the north-east that we announced in the Budget on 6 March 2024. This trailblazing deal deepens and extends the devolution settlement in the north-east and provides new tools for the future mayor and local leaders to drive regional economic growth.

The order provides for the establishment on 7 May 2024 of the north-east mayoral combined authority, comprising as constituent councils the seven north-east councils. It simultaneously abolishes the existing North East Combined Authority and the North of Tyne Combined Authority, together with the office of Mayor for the North of Tyne. It provides for a new mayor for the whole of the north-east to be elected by local government electors across the area of the seven constituent councils with the first election to take place on 2 May 2024.

That elected mayor will take up office on 7 May with a four-year term ending after the next mayoral election in May 2028. Thereafter, there will be elections every fourth year to be held on the ordinary election day for that year—that is, the first Thursday in May.

Following the enactment of the Elections Act 2022, the mayoral election will use the first past the post voting system.

4.30 pm

The order provides for significant functions, as agreed in the devolution deal, to be conferred on the new mayoral combined authority. These include functions on housing and regeneration, mayoral development corporations, transport, skills and adult education. I will briefly summarise each of these functions in turn.

On housing and regeneration, the mayoral combined authority will have powers to be exercised concurrently with Homes England, enabling the combined authority, working closely with Homes England, to improve the supply and quality of housing and facilitate the regeneration of the north-east. The mayor will have powers to compulsorily purchase land, with any such decision requiring consent from the constituent council member whose local government area contains any part of the proposed land.

The order confers the power to designate mayoral development areas in the combined authority area to be exercised by the mayor individually. This power is designed to support the regeneration of strategic sites, though it is worth noting that, although this designation is the first step towards establishing a mayoral development corporation, a further order will then be necessary to create such a body. Decisions on mayoral development areas require the consent of respective constituent council members whose council areas contains any part of the designated area and of the Northumberland National Park Authority if any part of the designated area sits within the national park.

The order also provides for the conferral of a duty on the mayor to produce a spatial development strategy for the area. However, the conferral of this duty is dependent on there first being a unanimous vote in favour by all seven constituent council members of the combined authority.

On transport, the mayoral combined authority will be the local transport authority for the whole of the north-east. Nexus, the passenger transport executive for Tyne and Wear, which is an executive body of the two current combined authorities, will become an executive body of the new mayoral combined authority. The mayor will also have control over a consolidated and devolved transport budget, with the power to pay grants to the constituent councils in relation to the exercise of their highways functions to improve and maintain roads and to bus service operators for eligible bus services operating within the north-east area.

The order further provides for the combined authority to take on adult education functions for the area, alongside the management of its adult education budget from August 2024, following the north-east successfully meeting a series of readiness conditions.

As previously indicated, a number of these different functions will have elements for exercise by the mayor individually. Provision is therefore also made for the mayor to be able to issue a precept to fund the exercise of these functions if the mayor wishes to do so.

Alongside the transfer of the various policy functions that I have already mentioned, this order also provides for the combined authority's governance arrangements. Each constituent council is to nominate one of its members to be a constituent council member on the combined authority. In addition, each constituent council is to nominate two other members, each of whom may act as a substitute if its nominated member is unavailable. It is also open to the new mayoral combined authority to appoint associate members and to invite nominations for non-constituent members under the Levelling-up and Regeneration Act 2023.

The mayor is to be the chair of the combined authority and is required to appoint one of the constituent council members to be the deputy mayor. Whenever the deputy mayor is required to act as the mayor, one of their substitute members may act in their place for any proceedings. The combined authority is required, under Schedule 5A to the Local Democracy, Economic Development and Construction Act 2009, to have at least one overview and scrutiny committee and one audit committee. These are appointed by the combined authority and consist of an equal number of representatives from each of the constituent councils that are not members of the combined authority.

The order also includes constitutional provisions reflecting how decision-making for the powers conferred will be operated and on the role of the mayor. It also provides for the establishment of an independent remuneration panel to recommend the allowances for the mayor.

This order is to be made, if Parliament approves, under the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016. As required by the 2016 Act, along with this order we have laid a Section 105B report, which provides details about the public authority functions we are devolving to the new combined authority.

The statutory origin of this order is in a governance review and the scheme adopted by the constituent councils and then informed by a public consultation they carried out in accordance with the requirements of the 2009 Act. Although the Levelling-up and Regeneration Act 2023 introduced a new procedure for orders such as this—whereby areas publicly consult on a proposal rather than a governance review and scheme—the process followed by the north-east remains valid, because we made provision in the 2023 Act to ensure that those who had started the process under the previous system could continue to proceed.

As provided for by the 2009 Act, the seven councils for the north-east consulted on the proposals in their scheme. They promoted the consultation in a number of ways, including by producing a communications toolkit, so that key local partner organisations and other stakeholders could help encourage local participation in the consultation; promoting the consultation through council websites and those of the two predecessor combined authorities in the north-east; engaging the local press and the use of social media; and making paper versions of the consultation available at a range of public venues across the region.

[Baroness Scott of Bybrook]

In addition, a total of 24 engagement events took place across the region, comprising 15 separate public consultation events across the north-east, together with nine regional stakeholder events aimed at specific sectors including the voluntary and community, business, transport and education sectors. Consultation responses could be made online or directly by email or paper.

This consultation ran from 26 January to 23 March 2023, and some 3,235 people or organisations responded through a variety of platforms. As statute requires, the constituent councils provided the Secretary of State with a summary of consultation responses on 23 June 2023. The results of the consultation were that over 60% of respondents supported the overall proposals for the establishment of, and governance arrangements for, a new mayoral combined authority and elected mayor. Specific questions seeking views on the proposal to confer transport, adult education and skills, and housing, regeneration and planning on the combined authority and its mayor received similar levels of support. There was also a question on the conferral of finance functions to the combined authority, where a majority of respondents, approximately 53%, supported the proposals.

In laying this draft order before Parliament, the Secretary of State is satisfied that the statutory tests in the 2009 Act are met, namely: that no further consultation is necessary; that conferring the proposed powers would be likely to improve the exercise of statutory functions in the area and would be appropriate, having regard to the need to reflect the identities and the interests of local communities and to secure effective and convenient local government; and that, where the functions are local authority functions, they can be appropriately exercised by the combined authority.

The making of this order enables us to begin providing considerable funding for the area, as agreed in the December 2022 devolution deal. The largest single element of this funding is £48 million per year in investment funding for 30 years. In total, this will provide £1.4 billion to invest in the area to drive growth and take forward local priorities. There are also significant funds for investment in transport infrastructure and services, worth up to £732 million over the next five years. There is an additional £17.4 million for building new homes on brownfield land, subject to sufficient eligible projects for funding being identified, as well as a further £20 million of capital funding to drive place-based economic regeneration.

In addition, from August 2024, the core adult education budget will be devolved to the new combined authority, empowering the authority and the mayor to tailor the delivery of adult education and skills to the needs of the area. It is also envisaged that the authority will plan and deliver the UKSPF funding from 2025-26 if this is continued and the geographies remain the same.

As I mentioned at the start, the order not only implements the December 2022 devolution deal but provides the foundation for implementing the deeper devolution deal we announced in the Budget on 6 March. This includes £37 million of new funding to support the region's growth ambitions, a growth zone with retained business rates and a number of innovative collaborations between the mayoral combined authority established by the order and the Government to drive growth in existing and future industrial strengths. These include, for example, a green superport, where the mayoral combined authority and the Government will work together to unlock barriers to growth at the ports of Blyth and Tyne and Wear, as well as Newcastle International Airport and the International Advanced Manufacturing Park. This will harness the potential of the region's existing offshore, engineering and green manufacturing industries to drive growth.

In addition, under this further deal, the mayoral combined authority established by the order and the Government will work in close partnership to support the delivery of quality public services for all the people of the north-east, including joint work to tackle homelessness, improve homelessness prevention and develop new pilot employment programmes. This is a clear demonstration of levelling up in action.

Noble Lords may have seen Friday's exciting announcement on the Crown Works Studios investment in Sunderland. This illustrates that, when government provides the tools, local leaders are able to take decisions that support businesses and create jobs. As other combined authorities have shown, there is good evidence that devolution to geographies that reflect functional economic areas enhances economic performance, fiscal efficiency and policy delivery at both national and local levels. It can make government action more coherent locally and enhance local government's contribution to solving problems in areas falling between individual policy fields. I am sure noble Lords will agree that all this will help the new mayor and local area drive economic growth and development for rural, coastal and urban communities across the north-east.

I am keen to recognise and thank the local leaders and their councils for all they have done and continue to do to address local priorities and support businesses, industries and communities across the north-east. I beg to move.

Baroness Quin (Lab): My Lords, I welcome the opportunity to speak in this debate. I welcome this order, although it is very sad that it coincides with the death of Paul Rowsell, to whom tribute has rightly been paid across all sides of the Committee.

This is an important step for the north-east. I represented a north-eastern constituency in the other place for many years and was always conscious that, while each of us spoke up for our constituents, there was a need for an overall voice to articulate the needs of the north-east and be heard at a national level in all our political and economic institutions. In many ways, the fact that this gives a voice to such a large part of the north-east is almost as important as the various powers that the Minister rightly outlined.

4.45 pm

This is an important step in redressing the rather lopsided state of devolution in the UK. It stresses the point that devolution is about not just national identity, important though that is, but devolving powers to regions, which have a real need to be able to exercise them. As we know, many regions in England have populations that are larger than some national territories, so there is a strong case for devolution in some way or another. I say this as someone who enthusiastically supported the ill-fated north-east assembly. None the less, I welcome this order as an important step forward.

The Minister rightly emphasised the economic aspects of this deal. The north-east economy is a distinct economy; it has a distinct economic history and particular economic needs at the present time. I also welcome what she said about funds, which will be needed to support this process. However, I was utterly dismayed at the report on levelling up from the Commons Public Accounts Committee last week, which seemed to show huge deficiencies in the system and that very little money overall had been put in place to start off important economic processes, at a time when local authorities are facing such financial difficulties. I say this with some feeling because my local authority of Gateshead has a proud record of supporting and funding economic projects that have benefited the whole north-east, not just Gateshead, yet at the moment it is very squeezed financially and is even closing such things as leisure centres simply to concentrate on core, key services. I hope that, further to this order, the Government will look again at the important funding needs of individual local authorities and the region as a whole.

Your Lordships' House is always keen to highlight the role of culture in economic regeneration, a view that I strongly share. It is a very important aspect of economic regeneration, as well as helping a region to feel good about itself, particularly given the distinctive culture of the north-east and the important industry that the cultural and creative sectors represent. I can hardly resist saying that the Labour candidate for mayor, Kim McGuinness, is very keen on this approach—I say that having served alongside her when we were chair and vice-chair of Tyne & Wear Archives & Museums, which plays an important role in culture and economic regeneration.

I reiterate my support for this order and hope that the election and its aftermath will be highly successful for the north-east region.

Lord Beith (LD): My Lords, it is a pleasure to follow the noble Baroness, resident as she is of the constituency I used to represent. She is a tireless supporter of the north-east. I particularly endorse her point that the creative industry and cultural work have a very important place in the economic successes of the region, and could much more into the future. Of course, we are both veterans of the referendum to which she referred, when the Labour Party sought to introduce a measure of devolution. In my view, it was a very underpowered one, which did not help to achieve success in the referendum. It was opposed tooth and nail by the Conservative Party, so it is a slightly strange experience to be discussing a scheme of devolution put forward by the Conservative Government. This has the same problem of being underpowered in some important respects.

I tend to view this from the standpoint of the more rural and remote parts of the region, partly because of where I live, in Berwick-on-Tweed, and partly because we are so outnumbered and outvoted in the region as a whole. I tend to look at what is proposed here as, in some respects, an enlargement of local government or a more distant local government, which we have already seen with the amalgamation of authorities—things are decided far away, not locally to us, and dominated by an urban area that is 60 miles away and obviously far more numerous in population. In fact, many parts of the area we are discussing today are 120 miles from where I live.

When we look at functions, we must see that there are dangers and limitations in what is proposed in this order. For example, if you take transport, which the Minister rightly referred to, there are quite a lot of things that cannot be done under this order. The continuing failure to deal with the A1—a subject of constant promises and abandonment of promises by successive Governments—is outside the remit of the authorities created by the order. The slashing of train services from Berwick—I have just come directly from a meeting with a Minister about the halving of train services from Berwick-on-Tweed—will be outside the remit of the bodies we are discussing in this order. There is more scope for the provisions in the order to be used for the problems of operating rural bus services, but I am worried that they will be outnumbered by the need to deal with the urban bus problems.

The Minister made reference to skills and adult education, and she said this was tailored to the needs of the area. Well, there is no college of further or adult education in north Northumberland at all, and those who seek further or adult education find themselves involved in 50-mile or 60-mile journeys each way, if they are able to persevere with getting the qualifications they need for their work. All we have is one or two outstations of a college 50 miles away, dealing with hairdressing, the construction industry and one or two other things like that. But the absence of any centralised institution that is even partly centred locally seriously limits people becoming equipped to do jobs or change jobs, which is one of the functions that adult education seeks to meet.

Clearly, I hope that this new authority will address these and other concerns, but I fear that it does not have the resources to do that. The figures the Minister produced sound very good until you work out over how many years they are to be spent, and recognise that the cost of a small piece of new road soon eats up a large part of the sort of figure she cited.

I worry that we will be constantly outnumbered and outvoted when rural and remote area needs are considered. I worry that this is a concentration of power in one person. I supported a regional assembly, and I would have supported a trimmed-down regional assembly on a slightly smaller scale if it had the powers. With the powers, I will accept almost any system that is genuinely democratic. But I am worried by a heavy concentration of power in one person, who is elected because of legislation we have already passed by the first-past-the-post system, which again limits the influence of the remoter and minority areas. I have hopes for what will be done, but I have anxieties about some of the problems inherent in what we are agreeing today.

Lord Shipley (LD): My Lords, I first welcome the comments of the noble Baroness, Lady Quin, whose experience as an MP in the region, and of living in Northumberland, have been extremely helpful to the cause of the north-east in economic development terms. I agree with a number of the comments of my noble friend Lord Beith. He said that the order is underpowered, which is true, but I think it can become more powered over time—that will need to be done. I have always shared his concern about the concentration of powers in one person, and I am also concerned by those major potential capital investment projects that are outside the remit of this mayoral combined authority, not least the A1 and trains.

As this is such a big geographical area—I think it is the biggest of any of our mayoral combined authorities—there are issues around the availability of skills training, particularly in further education, and of T-levels. One thing that it would be helpful for the Government to pursue is whether the availability of T-levels is as successful in the rural and coastal areas of this combined authority as it is in the urban areas.

That said, I congratulate the north-east mayoral combined authority on getting to this stage. Having been the leader of Newcastle City Council, a regular member of the Association of North East Councils and a board member of the regional development agency One North East for seven years, I think that this measure is a tribute to its vision, ability and willingness to work together over such a large geographical area. I see what is happening as a partial return to the status and powers that regional bodies had just a few years ago.

This is an important step for the north-east. It is particularly pleasing to see the successful all-party work that has gone into its delivery to this stage. Durham County Council has a Liberal Democrat leader; Northumberland County Council has a Conservative leader; and each of the five Tyne and Wear local authorities has a Labour leader. It helps drive public confidence and consent when the leadership across the region has such a common purpose, despite their political differences. That is because political consent is vital, as we know from recent debates on the West Midlands.

As the Minister said, this order generated more than 60% support across the north-east, which is very encouraging. That consent needs to be maintained; I hope that this new mayoral combined authority will reflect on the problems that have arisen further south, in Tees Valley. I hope that the north-east mayoral combined authority will review its procedures on scrutiny, audit and risk to ensure that they are sufficiently robust. That said, I strongly welcome this further step towards devolved powers in the north-east of England.

Baroness Taylor of Stevenage (Lab): My Lords, I too congratulate the seven authorities involved in negotiating this deal with the Government. We are all aware of the additional challenges that, as the noble Lord, Lord Shipley, said, were present in the north-east in achieving consensus across political, geographical and demographic boundaries. Not only has that been achieved but the deal has gained trailblazer status, which will hopefully enable it to attract the high levels of funding needed to tackle the many challenges faced by the north-east.

I am grateful to my noble friend Lady Quin for bringing her great experience in the area to this debate. As she said, having a single voice for the north-east will be helpful. We on this side are committed to devolution, so we will not put any obstacles in the way of a deal that has been subjected to such thorough and intense negotiation and collaboration at local level, but that does not mean that we do not have some questions for clarification purposes. I appreciate that, as I did not submit them to the Minister in advance, it might be necessary for some of them to be answered in writing. I would be quite happy with that.

It is good to see that, in the negotiations that took place over this deal, local government put place before party; that has always been my experience and it certainly shines out from this deal. That is the real power of devolution. We recognise the potential benefits of creating this new combined authority, which will have functions to grow the whole economy of the north-east. We are hopeful that, if our outstanding candidate for the mayoral election, Kim McGuinness, is successful, she will soon be working across the areas of her seven local authorities to grow the economy for all its people and businesses.

5 pm

I will start with some general questions before I move to the specific powers set out in the SI. In his speech on this instrument in the other place, the Minister said that combined authorities will now cover the whole north-east once this new combined authority sits alongside that for Teesside. As the noble Lord, Lord Shipley, said, the Minister will be aware of previous discussions in your Lordships' House about the report produced on the Teesside mayoral development corporation. This SI also provides for mayoral development corporations within the north-east mayoral combined authority. What lessons can be learned from the 29 recommendations in the Teesside report to ensure that the governance introduced by NEMCA is more transparent and auditable and works in the interests of the people in the local area?

As my noble friend Lady Quin mentioned, just last week we heard from the Public Accounts Committee that less than 10% of the allocation of levelling-up funding has been spent and less than a third of the allocations have left the department in the first place. The report said that:

> "We recognise the Department's plans to evaluate these funds in the short-term, but we are concerned it has no long-term plans to measure the impacts".

I quote the chair:

> "The levels of delay that our report finds in one of Government's flagship policy platforms is absolutely astonishing … DLUHC appears to have been blinded by optimism in funding projects that were clearly anything but 'shovel-ready', at the expense of projects that could have made a real difference".

This highlights the need for devolution deals to have adequate monitoring arrangements in place at local level. I have argued that local public accounts committees may be the solution to that, but what is the department considering for such local monitoring arrangements?

We all know the extraordinary pressures that local government funding is under in relation to adult care services, children's services, especially SEND, and temporary and emergency accommodation. Today we had yet another report, this time from the County Councils Network, which showed that, compared to a decade ago, councils are spending over £200 per person more on children's services and adult social care. These two services alone now consume two-thirds of the average local authority's budget. What steps are in place to ensure that these increasing demands do not overwhelm the funding that has been provided to new combined authorities to grow local economies? I appreciate that capital and ring-fenced funding will be protected, but will it not be difficult to hold the line when services for the most vulnerable continue to be underfunded? There is no levelling up for young people whose special educational needs have not been dealt with.

Last week, at the Convention of the North, the Institute for Public Policy Research revealed stark data on healthy life expectancy. It found that the north-east is the worst-performing region in England. I do not see any additional powers for health or health prevention measures in this SI. Is that because leaders in the north-east did not ask for them, or did they request them and have them refused or postponed? In either case, are the Government prepared to extend powers over health matters to combined authorities when, in due course, they demonstrate that they can make a real difference to the health of their communities if they are given additional powers and the funding to do so?

My noble friend Lady Quin also mentioned the culture sector. Its importance to regeneration cannot be underestimated. I live in Hertfordshire and have seen the massive regenerative powers of the film, television and creative industries in the south of our county. That has already started in the north-east and must be supported. The noble Lord, Lord Beith, also mentioned this.

It is great to see the wide-ranging transport powers proposed for transfer under this SI, particularly for the transfer of bus partnerships and the option of franchising. With over 1 billion bus journeys being taken every year, that is the best-used option for public transport, but data shows that urban bus journeys have fallen by 48% and rural bus journeys by 52% because of the unreliability of services, cancellations and late arrivals. So we were delighted when, at the end of last week, Tracy Brabin, the Mayor of West Yorkshire, announced that she will be taking on new powers. I hope that the powers given to the north-east mayoral combined authority will enable it to take back control of vital bus services, provide accountability, reinvest profits into better services and not shareholders' pockets, set routes, timetables and service standards, and return the lost services that have had such dramatic consequences at local level—particularly to some of the more rural areas of the country, as the noble Lord, Lord Beith, said.

Lastly on transport, I can see the division of responsibility for highways between local councils and NEMCA, but can the Minister tell us where low-traffic neighbourhoods fit in this plan? There has been considerable controversy over them recently, and it would be helpful to know where the powers and accountability would fit in this new combined authority structure. The A1 seems to be the Cinderella of highways routes because at my end—my town in on the A1—and at the north-east end, it is underinvested and completely troublesome. What on earth is National Highways going to do to sort out this key trunk route?

In relation to education and skills, in 2023 there was a record attainment gap between schools in the north-east and those in the south. More than 28% of entries by pupils in London were awarded grade 7 or higher, equivalent to A or A*, compared with just 18% of entries by pupils in the north-east. This has a knock-on effect on the local economy, so we welcome the introduction of powers for the new authority to tackle those skills shortages, but the SI seems to be silent on liaison with the business community in the north-east about shaping the skills profile. Does that mean this is left entirely to the mayor's discretion? How will local skills strategies be integrated with any industrial strategy for the country and the north-east, and how will that help to make up the huge attainment gap between the north-east and the rest of the country?

The housing, regeneration and planning powers set out in the SI are considerable, and that is welcome. Government data for 2023 shows that youth homelessness is higher in the north-east than anywhere else in the UK—we had this debate in the House last Friday. Almost one in five of the individuals who applied for and were due homelessness support were aged 18 to 24. Will it be a requirement of the spatial development strategy that such demographic disparities are taken into account? Will it be the responsibility of PINS to see that the north-east mayoral combined authority is planning to tackle those issues?

On environmental protection, can the Minister reassure us that the special protections for Northumberland National Park will not be weakened or undermined by conferring planning powers on the north-east mayoral combined authority?

Turning to mayoral functions and funding, I have already made points about audit and monitoring, but can the Minister tell us what consultation with local councils and the business community will be required to enact the new mayoral power to introduce a supplement for business rates? We think it is positive that the mayor must appoint one of the constituent council members as a deputy mayor. As noble Lords are aware, this is not always the case in all agreements, certainly not for police commissioners, who can appoint anyone to be their deputy. Perhaps the Government could give further thought to the process of the appointment of deputies because electing somebody by the local area is good practice.

I have a further question relating to governance. It appears from the SI that neither the business board member nor the voluntary sector member will have voting rights on the combined authority. Can the Minister confirm whether that is the case?

The Minister will be aware of the turmoil in the audit industry in relation to delays and lack of capacity for local government audit. There are provisions in the SI relating to setting up an audit committee, which is vital. What assessment have the department carried

[Baroness Taylor of Stevenage]
out of the capacity of the audit industry to take on not only the additional work of combined authorities but the additional complexities they are likely to bring for the audit of complex projects? As the Minister is aware, I have a Question relating to Teesside in your Lordships' House on Wednesday, but it is equally relevant to all combined authorities and mayoral development corporations.

In discussing previous SIs to set up combined authorities, we have made lots of comments on the fact that, in spite of considerable efforts on consultation, the results are fairly limited. In this case, there were just over 3,000 responses from a combined population of—I think—more than 2.5 million people. The outcome was pleasing because over 60% said that they supported the changes, but have the Government carried out any work to identify better methods of consultation that could enliven the discussion in communities? How will the concerns of the objectors be dealt with? We note that they were worried about higher council tax; disadvantage for rural areas, which was mentioned by the noble Lord, Lord Beith; the concentration of power in the hands of the mayor; inefficiencies caused by the complexities of dealing with such a large area; and how an appropriate transport, skills and housing offer can be developed across such a broad geography. I am not asking for solutions to all those problems; I am just asking how they will be dealt with in terms of responding to consultees.

Whether we look at economic, health, education or housing data, there is clearly a great deal to do to make sure that every person in the north-east realises their full potential. Action is required as urgently as possible. So far, devolution under the current Government has been fragmented and piecemeal. To a certain extent, the north-east has been a victim of that in the past, as much as anywhere else. However, the powers and resources that are now being granted do not really touch the sides of what is required for communities to have control over their areas and their own futures. Frankly, the failure of the levelling up department to able to demonstrate effectively in any way to the Public Accounts Committee that the policies and funding the Government are allocating to levelling up are making a difference is quite astonishing after 14 years.

Baroness Scott of Bybrook (Con): My Lords, I thank all noble Lords—in particular, the noble Baroness, Lady Quin, and the noble Lord, Lord Beith—for their input into this because of their long experience of living and working in the north-east. We do not always get the voice of the area so it is lovely to hear it. I thank them very much for taking part.

As we have heard, this order is widely welcomed by the people of the north-east. It is a significant development for the whole area. Unifying two combined authorities into a single cohesive institution and uniting seven councils to build on a history of collaboration to shape the north-east as it has never been shaped before—or been given the opportunity to shape itself before—is a significant step in English devolution and in furthering this Government's levelling-up agenda. We have heard that in the debate; I thank all noble Lords for supporting this move for the north-east.

I will address a few specifics. The noble Baroness, Lady Quin, mentioned culture, which is really important. As I said in my opening speech, Crown Works Studios is investing in Sunderland. Perhaps this will be the catalyst for culture, as well as for joining up culture across the north-east. I look forward to that investment, as I am sure the noble Baroness does. Other things are also being done. In Durham, £19.9 million from the future high streets fund has been granted to support the town's culture, heritage and visitor economy. Things are beginning to come in for the cultural industries in that area; I wish them all well.

The noble Baronesses, Lady Quin and Lady Taylor of Stevenage, mentioned levelling up. Levelling-up funds have been made available to a number of individual councils. For example, in round 1, Durham got £20 million to improve transport connectivity, particularly between rural areas and around the areas of Bishop Auckland, and £20 million was given to the Gateshead Quays conference centre. Levelling-up funds, together with other government funds such as the town deals funding that I mentioned, show commitment to a large number of other investments coming to the north-east.

The noble Lord, Lord Beith, who knows the area so well, mentioned transport decisions. I quite understand his point that not all transport is covered, but this deal gives a very strong voice to the mayor and the mayor's team when any other transport decisions are being made. On local funding, particularly for rural transport—having come from Wiltshire, I know all about rural transport and the issues it brings—this is an opportunity for the mayor, working with the individual councils, to plan that in a proper way that is efficient and effective for rural areas in the north-east. They may not get all the money, but there is a huge opportunity to change the transport systems. I encourage them to lobby hard on those decisions being made by others.

5.15 pm

On adult education and skills, the issue is that local mayors and local people know what skills are needed in an area for their growing economy, not just today but in future, because you do not start educating and skilling up people for today's jobs. This has to be thought of as a plan for an area. The noble Baroness, Lady Taylor of Stevenage, brought up the business community, and I am sure it will be involved in those decisions; it has to be, because it is the future. Going back to the cultural issues, if the north-east is going to grow as a cultural area for the whole of this country, young people will have to have the skills to work in the cultural industries. I see the leadership of the mayor and the mayoral organisation helping with that.

This relates to the view, which came up, that perhaps it is too much for one person to lead all this. I disagree: leadership of an area or a place is very important. In the past, where there has been strong leadership in a particular place, things got done. The leadership cannot do it all itself; it has to be done together with the local councils, businesses, community sector and of course people. But strong leadership in one person is important.

The Teesside report was brought up. As a department, we are developing guidance to address the recommendations in the review. This will clarify governance within mayoral development corporations. I am waiting for a date of publication, but we will let the noble Baroness know as soon as possible. Connected to that, scrutiny and audit have to be important. Yes, this will be quite complex, but I am pretty sure that, in the order, there is availability for the mayor to have more than one piece of scrutiny and more than one audit. That allows people to have real experience and knowledge of certain subjects. That may be how they decide to do it, but that is up to them.

The noble Baroness, Lady Taylor, mentioned additional powers. The local area did not ask for health functions, but these things are rolling and moving, and it is quite healthy for local areas and mayoral authorities not to have too much at one time. They can get used to doing the things they have to do, and then there is always the opportunity to ask for more.

I thank the noble Lord, Lord Shipley, for supporting this. He mentioned that it is about not just the towns but the rural areas and particularly the coastal towns in this area. Local people will understand better than anybody else where those issues occur and what they have to do about it. If we can get a common purpose among the mayor and the leaders of those areas, we will get more done than perhaps we have in the past there.

A few other things came from the noble Baroness, Lady Taylor of Stevenage. We have talked about the levelling up fund, and we have talked about scrutiny and audit. Consultation is an interesting one: you have to know your people, your place and your communities to know how best to consult. It seemed to me that the consultation done by the north-east on this was quite wide-ranging. It included online as well as paper; for me, that is really important in making sure that everybody has access. They did quite a lot of face-to-face which, again, is important. They, as leaders of that place, need to continue to consider what is the best way to consult and how they get the most people engaging in it.

We talked about temporary accommodation and whether the funding will be overwhelmed. Most of the money that is going in is capital funding, which of course will not affect it, but I still think that the conversations that can be had across a number of councils about how they manage these really interesting —no, not interesting, but serious—issues can perhaps bring out some more efficient and effective solutions. I look forward to that.

On the regeneration and housing issue, my answer is: yes, through local plans. You will need to what type of housing you will need in your area. You will be expected to know the demographics, to know how many young people are coming into the system, to know about disabled people and about youngsters coming out of care. I would expect those plans to look at what local people need in the future and to plan for that.

What else was there? I think I am almost finished. I think that I have covered the attainment gap. It is for local mayors, working with local businesses, to know what the skills are that are required today and to make sure that they are being delivered, while planning for the future skills that will be needed.

I think that I have probably covered everything, but we will have a look as a team tomorrow and, if there is anything on which we need to write to noble Lords, we will certainly do so.

Lord Shipley (LD): Before the Minister sits down, can I add one thing to her list? In relation to the mayoral development corporations, she talked in terms of scrutiny and audit and said that guidance will be issued at some point—I hope sooner rather than later. However, it is not just the question of scrutiny and audit; it is also about risk. In my view, mayoral development corporations should quite separately think about their structures for assessing risk. Scrutiny tends to come slightly after an event as opposed to alongside a decision being made. Audit normally comes significantly after, in practice. It is that management of risk in a mayoral development corporation to which I think greater attention needs to be paid.

Baroness Scott of Bybrook (Con): I absolutely agree; I think that is the same in all local authorities, however small or large. I see that as part of the overview and scrutiny. We have used "scrutiny" too often without using the word "overview" before it. I would expect that the overview, before anything is delivered, should look at the risks of delivering.

In conclusion, this order, which is strongly supported locally, is a significant step forward for the north-east, for its businesses and its communities. It is key to the future economic development and regeneration of the area, and it will enable local leaders to effectively invest in and address local priorities. I commend the order to the Committee.

Motion agreed.

Committee adjourned at 5.25 pm.